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Some thoughts about what it takes to create a prosperous country



Malawi is a beautiful country with a pleasant climate and a bountiful nature. The people are hard working and friendly. The population of Malawi could have been prosperous and well fed. But it is not. Why?

From time to time the poverty of Malawi is discussed and lamented. The many donor projects to further its development are seen everywhere. Their results are valuable. But do they provide development?

From a tea estate in Thyolo, May 2005

Education, health, agriculture, fisheries, roads and waterways, banking and finances, and above all good governance get in various degrees well deserved attention. But the core problems of economic and social developments are not addressed at the system level.

The core problem of social and economic development is how the cultural and emotional infrastructure of the society facilitates or hinders collective action. While what I call the cultural and emotional infrastructure is rather impossible to manipulate through direct political action, the processes that sustains and changes their key features are. The key features of the cultural and emotional infrastructure are the ideas about power, loyalty, and trust. These dimensions are intertwined and not easily separated. Ideas about loyalty provide the foundations for social and political power. Trust and loyalty are often two sides of the same activity. The exercise of power in a context of trust and loyalty has very different outcomes compared to the same actions in a context of mistrust and disloyalty.

For Malawi it would seem a reasonable conclusion that trust is not generalised to encompass all citizens. Trust is extended to fellow villagers and those classified as family members. The construction of political power is modelled on this foundation. Bureaucratic power is modelled on this foundation. And economic power adapts to it, and to the forms that political and bureaucratic power takes. The lack of generalized social trust has consequences for the paths and the speed of social and economic development.

The structure of power in politics and civil service

A modern society is above all interdependent. It is based on an increasing degree of division of labour. What one individual or group produce becomes input for another. Contrary to what some seem to believe the production of bureaucrats are essential to modern society. Public bureaucracies provide the coordination and guidance that individuals and businesses need to work in concert and not at odds. If bureaucracies do not provide the legitimate permissions, allocations and prohibitions that is needed at any particular point in time development is retarded. Buildings are put up where there should have been a road, information about

available resources do not reach its audience on time, reports go missing and further deliberations have to be postponed. The next step is delayed and when the task eventually is completed it is outdated or unusable. So, why do not bureaucracies work? In Malawi one obvious reason would seem to be the structure of power. The power to decide resides with the director or his equivalent. That is as it should be. But the power should not be the director's personal property as it seems to be in Malawi. In modern states power resides in the office. If the director is on vacation, is sick or have gone abroad in a meeting, the office should continue to produce decisions. The show must go on. In Malawi it does not.

The reason for this is cultural. The way of thinking about power and its usage in public service is rooted in the village life that still dominates 90% of the population. "Everyone" expects power to work this way. But the consequences are more than just delays and postponements of activities. In the interaction with western societies with a different thinking about power the outcome is corruption. How this works may be seen in the Land Law.

In the 1965 Act (including revisions up to 1995) it is said "All public land is vested in perpetuity in the President" (Part III §8) and "All customary land is hereby declared to be the lawful and undoubted property of the people of Malawi and is vested in perpetuity in the president for the purposes of this act." (Part V §25). In §26 it is described how the Minister holds all powers to "administer and control" customary lands and §27 gives the Minister power to declare any customary land to be public land. Previously it has been detailed how only corporations authorised by the president may hold land and how the Minister may "make rules prescribing the particulars to be furnished, the forms to be used, and the fees to be paid" (§4). Further on it is said that the Minister "may make and execute grants, leases or other dispositions of public or customary land for any such estate, interest or terms, and for such purposes and such terms and conditions, as he may think fit" (§5).

The power of the President and his Minister of Lands is undoubtedly absolute. Any President reading this and not being able to distinguish between his role as a private citizen and his role as president will not only be tempted to make dispositions benefiting himself, he will not be able to see anything wrong in it either. The law mandates it.

The land law was written if not by English lawyers then at least by people trained in England. In England the separation of political and bureaucratic power from personal interests is taken for granted. In modern societies the separation of personal and bureaucratic power is a necessary requirement for generalised trust to be sustained.

It would seem that in traditional societies like Malawi the unity of public power and personal interest is taken for granted. When one system meets the other as it does in development aid and international trade the outcome is corruption as seen by the moderns and opportunities for bettering the conditions of oneself and one's family as seen from the traditional personality. The system of loyalty and trust demands that such opportunities are used.

For outsiders the problem sometimes shows up in rather hilarious ways. When former President Muluzi accuses current President Mutharika of paying school fees for his children and grandchildren from a public fund, the only defence of Mutharika is that Muluzi did the same when he was president. But in the opportunistic accusation of Muluzi there is also hope. The future may be snared by such discussions. The utility of distinguishing public and private funds may become understandable to Malawians.

The cultural foundation of the structure of power in civil service, and politics makes it difficult to change. It is perhaps the foremost block to sustained economic and social development. In politics it is a main ingredient in the system of corruption that has developed. In the civil service it is a main ingredient in its slow decay. One obvious way it affects the working of the civil service is in the lack of reward for taking responsibility for doing something in the absence of a direct order or mandate. Even if the outcome is to the benefit of the director the ability to exercise power in this way will by most traditional minds (and admittedly, quite a few modern minds as well) be seen as a threat to their own power. At best there will be no reward. At worst there will be punishment. So people will go out of their way to avoid having to make independent decisions. It may not pay, but neither will it court punishment. Those who cannot suffer such idle plodding along will surely leave the civil service and find more challenging tasks, for example in donor organisations.

While it is difficult to do anything about how trust and loyalty are constructed, some of the processes that sustain the current ideas may be amenable to change. Particularly in the large scale organisation of economic activity there are some degrees of freedom that may feed into a more modern conception of trust and loyalty.

The division of labour and the motivation to do good work

The ease with which people can come together and find solutions to common problems is a fundamental parameter for all economic activity. In the economy one can see this as a two-level problem. The first consist in developing a division of labour that allows people to work together in ways that profits all. The second consists in making the rules of cooperation so that each individual is motivated to become excellent in what he or she does.

If people are motivated to become really good at some occupation the result from their work will be better, there will be more income for them as individuals and more income or better results for their employers. But how do you motivate people to become good at their occupations? Easy access to good education is just the start. Beyond that there needs be practice and pride of good work. Can public policy do anything to further this?

The general problems of motivation are discussed in sociological and economic theories of institutions. In institutional theory you will find the advice to reduce transaction costs and get the prices right. If it is difficult to see how that advice relates to motivating people to do good work, or bureaucracies to continue irrespective of where the director may be at the moment, it is understandable. The theory needs translation to practical language.

Getting prices right is not really about prices but about the relative sizes of the rewards and punishments that motivate people to do one thing rather than another when they have choices to make. It is, one may say, a question of emotions. How people feel about what they do.

Transaction costs are about the degree of friction people experience when they try to do whatever they choose to do. Transaction costs are costs that diminish profits from productive work. Delay due to non-functioning bureaucracies is one of the most common frictions in an economy. Sometimes the delay is caused by baroque rules and unnecessary procedures. Then it is called red tape. If payments will speed up the bureaucratic process or shortcut the long procedures it is called corruption. Whatever the reason may be, non-functional bureaucracies are costly to the individual or business trying to get something done. Inefficient or corrupt police is one of the most costly problems. When the police do not work reliably, individuals and businesses have to take on the police work themselves. Efforts and costs incurred to

protect lives, buildings and production results are most of the time heavy in developing countries. In most developing countries security services is a growth industry.

An efficient bureaucracy treating everybody the same, and a civic ethic respecting other people's life and property, will greatly reduce the unwanted transaction costs and leave more profit for investment in productive activity. The work ethic of bureaucrats and production workers is important also in another way: What is their attitude to the work they do? Do they know their job? Do they feel good about it? Do they want to do it well and to become excellent in performing it? Most people want to be excellent, but they will make the effort only if there is some kind of reward for doing it.

The reward structure in Malawian public service is skewed if not worse. If cars in public service break down they often stay grounded. When instruments break down in hospitals they are rarely repaired. There is no one responsible or the one responsible is far away and will never hear about it. The persons using the cars or instruments may perhaps get a new one from the next donor agency or they will do without. Repair is not their responsibility. So, no one bothers, not even if the warranty will make it free. Rewarding people for taking on someone else's responsibility is not part of the power structure.

Rewarding people for doing the right things and for doing them to the best of their ability is what it means to get the prices right. The rewards do not have to be exclusively monetary. There is no money involved in the professional honours bestowed on those who learn a trade and get recognition for their excellence from fellow practitioners. But everybody needs a decent wage to be able to devote time and effort to becoming good. Do Malawian bureaucrats and wage workers get a reasonable wage today? Most observers would say no.

Neither does the reward for doing productive work and to do it excellent need to be large as long as it is predictable and larger than the return to unproductive activity and sloppy work. Is this obviously the case in Malawi today? The farmer who fears his garden will be reallocated to some other person will not invest much in its maintenance. The contractor that does not get paid because of budget problems in the civil service will not do as good work the next time, if he or she survives at all. The businessman that fears the state will tax away all profits will not invest much in creating profits. Do Malawian farmers, bureaucrats and businessmen in general enjoy sufficient security and stability of tenure?

Good governance should include ideas about motivating people

Good governance should imply some ideas about how to create a bureaucracy that encourages bureaucrats to learn their job and be rewarded for doing it well. In particular bureaucrats need to understand the difference between their personal interests and the requirements of the office. The power to decide and the need for timely decisions is part of standard operating procedures for all bureaucracies. No single individual should have the ability to block the work of the bureaucracy, not even the director. Rather obviously all bureaucrats need to be paid a wage they can survive on without extra work besides the one in the civil service. And those who do excellent work should get promotions and wage increases

Likewise good governance entails the problem of getting entrepreneurs and business people to devote time and effort to produce valuable goods and services rather than build security fences, avoid taxes and cheat on regulations. If a society is able to encourage the right kind of motivations for people it grows rich.

However, the performance of the private sector of an economy depends critically on the quality (not quantity) of the public bureaucracy. The incentives encouraged by taxes, rules and regulations, the timeliness of concomitant decisions, and the security of person and property can make or break a process of economic development. The quality of the civil service is amenable to public policy and it is a prerequisite for social and economic development.

A lock in between power and non-functional institutions

So why do not governments create the wages and work conditions that encourage people to do the right things? Governments consist of individuals that in some sense have done well as individuals. Also in the most destitute societies there are some people that become very good at surviving and prospering despite high transaction costs, insecurity of tenure, and with relative prices discouraging specialisation and productive work. Individually they prosper. For these people the need for change may be difficult to see, and worse, the changes may threaten their ability to prosper. For such people it is better that their society remains poor. Is this the case for Malawi today?

Conclusion

What can be seen of the Malawian government bureaucracy and health service suggests first that education and specialization do not pay enough to encourage excellence, and second, that power seems to reside in the person not the office. If a director goes away the work fairly soon grinds to a halt. Nothing happens until the “chief” is back. There are no traditions for separating person and office and there are no incentives to take independent responsibility for getting a job done. Most public servants seem to lack a reasonable wage. Too many find it worthwhile or necessary to do other kinds of business in their spare time. People have to devote time and energy to grow food, or supplement their income in other ways, rather than learn to do their job better. And politicians, on average, do not seem to think very hard about how to create the conditions necessary for development. The fights for top positions take all their time and energy.

A beautiful, fertile country such as Malawi, with a friendly, hard working population could obviously have been a prosperous country. But development does not come easily, and not – I am sorry to say - from development aid. It comes from within a society and from the ability of a political system to create fair rules that reward excellence in all walks of life. Even knowing what needs to be done will not make it happen easily. But knowing what to do is the only way to start. And many Malawians do know what needs to be done. The comments to current political issues in the newspapers do show that political journalists and commentators are aware of the problems and what has to be done. In this there is hope.