

*Mats Lundahl\**

---

## Problems of Policy Reform in the Haitian Economy

The traditional “interventionist” view of economic policy builds on two implicit assumptions: that the government is willing to act for the benefit of the population and that policy implementation is costless.<sup>1</sup> Both of these assumptions, however, may be violated in practice. All real economies, not least those of the Third World, know full well that policy intervention is not costless. First of all, information is costly, which means that, however well-intentioned, policy measures may be mistaken simply because the factual and analytical base on which they rest is erroneous. Second, all implementation requires a bureaucracy. The level of competence of this bureaucracy may not necessarily match the complexity of the tasks it faces and the bureaucracy may itself have implicit goals which differ radically from the official goals and, therefore, bias the outcome of the policy. Third, economic policy is largely a question of coordination, and coordination entails costs. Fourth, all policy measures alter the existing distribution of income and thereby set in motion countervailing forces fomented by the losers to neutralize the effects of redistribution.<sup>2</sup>

The list does not end here, but for the purpose of this study it should suffice. Haiti is not exempt from any of the problems enumerated above, but from a historical perspective they appear only as minor nuisances, as defects that in principle can be corrected. The main defect of Haitian economic policy has rather been of the first kind. With few excep-

---

### Abstract

In the present article we attempt to follow the logic of the predatory state as it has operated in Haiti for more than a century and a half. Thereafter, we point to some of its main consequences, notably the separation of the majority of the population from the decision-making bodies and the macroeconomic morass bequeathed by the government of Jean-Claude Duvalier in 1986. Finally, we provide a brief account of what has taken place since that date, underscoring various reform efforts and setbacks, and discuss the prospects for future economic reform.

---

\*Stockholm School of Economics

tions, Haiti has been plagued by governments that have had no interest whatsoever in promoting economic efficiency, growth and redistribution in favor of the poor. To put it simply, the Haitian state has been a predatory one, and this has created a logic which differs dramatically from that of the benevolent social guardian of the economics textbooks.

In the present article we attempt to follow the logic of the predatory state as it has operated in Haiti for more than a century and a half. Thereafter, we point to some of its main consequences, notably the separation of the majority of the population from the decision-making bodies and the macroeconomic morass bequeathed by the government of Jean-Claude Duvalier in 1986. Finally, we provide a brief account of what has taken place since that date, underscoring various reform efforts and setbacks, and discuss the prospects for future economic reform.

### A Model of the Predatory State

The Haitian rulers of the past focused most of their efforts on obtaining private incomes through control of the government machinery. Essentially, they may be pictured as possessing a utility function with two arguments: one is income and the other is the probability of remaining in power.<sup>3</sup> In order to achieve these two objectives they had to make two types of decisions: how many accomplices to cut in on a given deal and how to go about securing their prey, either overtly or covertly.

Formally, the ruler then maximizes a utility function

$$(1) U = U(Y, P),$$

where  $Y$  is ruler income and  $P$  the probability of the ruler remaining in power. Utility is increasing in both arguments, but at a decreasing rate.

Income, in turn, is given by the difference between revenues ( $R$ ), "taxes collected", and the costs ( $C$ ) for obtaining these revenues (e.g. collection costs):

$$(2) Y = R - C.$$

Revenues and cost are both functions of the size of the ruling clique ( $M$ ) and the degree of obfuscation ( $O$ ), i.e. the degree to which the true purpose (income extraction) of a policy is hidden from the population:

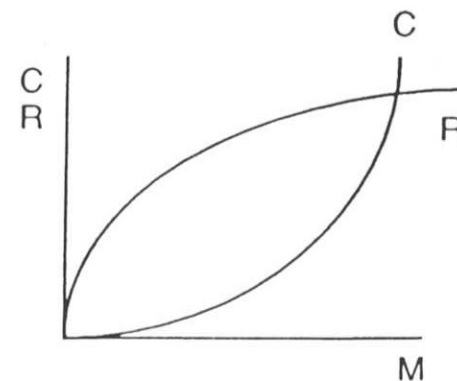
$$(3) R = R(M, O),$$

$$(4) C = C(M, O).$$

"Obfuscation" in the present context simply means that different methods may be employed to extract a given income, some of which are more visible or transparent, while others are more opaque. (For example, direct confiscation of assets is highly visible, while taxes and tariffs that serve only to enrich the ruler may be defended, for example, as being 'for the good of the national economy'.) It is assumed that both increasing clique size and increasing the degree of obfuscation are subject to decreasing returns and that costs increase at an increasing rate in both arguments. Enlarging the ruling clique makes it possible to extract more from the citizens, but each new member adds less than his immediate predecessor to the extraction capacity, and members can only be recruited at an increasing cost. Increasing the degree of obfuscation makes it easier to fool the citizens, but at a decreasing rate, and the costs of finding new means of deceiving the public are increasing.

This, then maximizes ruler income when marginal revenue (with respect to clique size and obfuscation, respectively) equals marginal cost. In other words, we have (*ceteris paribus*) revenue and cost functions of the traditional type shown in *Figure 1*, where clique size or degree of obfuscation is measured along the horizontal axis.

Figure 1  
Ruler Revenue and Cost Functions



Subtracting costs from revenues, yields a ruler income curve which has the shape of an inverted U, i.e. income increases with clique size and obfuscation, but only up to a certain point. Thereafter, it decreases again.

A similar argument may be constructed when it comes to the probability of the ruler remaining in power. Small polity size (or a low degree of obfuscation) makes for a high probability of being removed by outside forces, but as the values of these independent variables increase, so does security, at a decreasing rate. As clique size and obfuscation increase, however, so does the probability of the ruler being ousted by his own people, through a palace coup. Large cliques split more easily, and factions are formed which may want to depose the ruler, and presumably this risk increases at an increasing rate. Also, as the degree of obfuscation increases, the insiders may interpret this as a sign that the ruler is extracting more and will hence feel it increasingly tempting to dispose of him and take over themselves. Again, we obtain an inverted U for the probability of remaining in office as a function of either clique size or obfuscation, with a maximum where the marginal risks of outside revolution and inside coups are equal.

If the ruler had had only one argument in his utility function, finding the optimal levels of income or security would have been easy. Where there are two arguments, the income curve and the security curve will generally not peak at the same clique size or obfuscation degree. There will normally be a tradeoff at the margin, where the ruler can obtain more income only at the expense of less security or vice versa. It is easy to show that the optimum for the ruler is obtained where

$$(5) (P_M/P_O) = (R_M - C_M)/(R_O - C_O).$$

The ratio of 'marginal securities' must equal the ratio of marginal incomes.

It is impossible to state generally whether the income curve peaks at a lower clique size or obfuscation degree than the security curve. However, in the case of Haiti, it is fairly certain that where clique size was concerned, the income curve peaked first, i.e. rulers going primarily after income ran a high risk of being removed from office by outside forces. This was the common pattern during the nineteenth century, as I have analyzed elsewhere.<sup>4</sup>

What is important is the logic itself: Haitian rulers have been concerned with milking the population and with remaining in office. In doing so they have had to choose the number of persons with whom

they were prepared to share the spoils and how openly to pursue their plunder. This logic also has a corollary: Politics in Haiti has led to a negative selection of politicians (and other groups taking part in the political game – notably the military) for a very long time. As we know it, Haitian politics and government have been a far cry from the notion of the benevolent social guardian. This, of course, has had serious implications for all levels of Haitian society, some of which are explored below.

### The Separation of the Governors from the Governed

Where there is a predator there must also be a prey, and the prey in the Haitian case has been the majority of the population, notably the peasants, for whom *leta* has always been synonymous with extraction, either in the form of labor or in the form of taxation. This dates back to the beginning of Haitian independence when the early rulers put the ex-slaves back to work on the plantations under conditions reminiscent of slavery and under military supervision, among other things to ensure a work-free income for the emerging elite.<sup>5</sup> This system broke down after 1809, when Alexandre Pétion began to redistribute the land. A peasantry came into being during the course of the nineteenth century and, simultaneously, direct exploitation of labor was replaced by a system of exploitation of the many by the few which built on taxation. Essentially, this is the system which persists to the present day.

The Haitian masses responded to exploitation by minimizing contacts with the exploiters, by creating what was essentially a 'parallel' society to the centralized one which the rulers attempted to construct, by pursuing an exit option, if we are to use the terminology coined by Albert Hirschman.<sup>6</sup> Peasant society centered on the individual, it was basically egalitarian and it built on the principle of reciprocity. According to Gérard Barthélemy, it rested on autoregulative devices which essentially served to preserve the parallel society, on the one hand by harmonizing the behavior of the individuals constituting it and on the other by blocking the rise of differences between the individuals so as to prevent hierarchical structures from arising.<sup>7</sup>

The most important autoregulative institution has always been the family and the socialization of the individual through family education. Cooperative work structures –*koumbit*– are employed instead of

work for a cash wage, since the latter is not compatible with reciprocity in that it places the worker in a "lower" category. The Catholic religion contributes to the identification of the individual with the collective, while the voodoo rites performed in private allow for individualism through the worship of a multiplicity of *Iwa*. Sorcery is employed as a defense against aggression by a society which otherwise lacks defense mechanisms. An exceedingly complicated land tenure system, characterized by the absence of written titles, in which the individual is at once owner, sharecropper and tenant, simultaneously leasing land to someone else, serves to make purchases by outsiders difficult.

Through these autoregulative mechanisms an equilibrium is created in peasant society, one which rests on shared poverty and a common definition of needs which serve as a bulwark against the attempts of the outside society to create increased demand and hence open for the production of a surplus which may be appropriated by the rulers of this society. Accumulation of riches is permitted over a lifetime, but the riches - normally land - are thereafter redistributed in connection with funeral expenses. Contacts with the outside society cannot be avoided, since this society constantly makes demands on the peasants, but penetration is made difficult. Multiple names may be used to create confusion, and the real center of authority is hidden. When the outside structures crumble, the peasants quickly step in and take over, as is the case when a regime falls and land that has been concentrated in the hands of the decaying clique is simply taken over and redistributed by the peasants, or when the latter squat on the land of absentee landowners. Ultimately, when dissuasion and persuasion fail to fend off the outsiders, violence may be resorted to.

On the other hand, the peasants also need the outside society. It is next to impossible for young peasants to accumulate the money they need to have access to land without migrating abroad, at least temporarily, e.g. to the Dominican Republic, to cut cane.<sup>8</sup> Migration is also necessary as a safety valve, to get rid of those who, for some reason, do not conform to the rules established by peasant society.

Peasant society has always come under attack from outside forces, and, inevitably, these attacks have been more aggressive during the past few decades than before, especially after the rise of François Duvalier to the presidency and his construction of a new power structure, rest-

ing, among other things, on the rural *chefs de section* and the voodoo priests and priestesses.<sup>9</sup> Also, the behavior of peasant society has tended to converge with that of outside society over the course of the last half-century. Peasant society has gradually opened itself towards the exterior, to a large extent being forced to do so, because of growing poverty. The desire for education, as a means of escaping the circle of poverty, has increased, and the peasants look unfavorably upon physical isolation as a result of bad communications. Migration inside and outside Haiti is also responsible for bringing change.

At the same time, the outside has moved closer to peasant society, with the advancement of *noirs* beginning with the presidency of Dumarsais Estimé (1946-50) and thereafter with the two Duvaliers (1957-86), notably François. Voodoo, whose followers were persecuted only a few decades ago, has moved out into the open. Creole has gained ground in relation to French, not least as a written language and a means of instruction. Thus, the two Haitian societies are gradually merging, under the pressure of poverty, migration and social change. Today, around one-fourth of the total population lives in the capital. Still, the gap between governed and governors persists, as the plunder continues. We will later return to what this means for the design of development policy.

### The Influence on Economic Policy

This is not the place to go into the history of the predatory state in Haiti. That story is available elsewhere.<sup>10</sup> Instead, we will examine the final phase of the "heyday" of kleptocracy: the Baby Doc years, so as to gather an idea of how economic policy was affected by predation.<sup>11</sup>

Baby Doc inherited a complete machinery for siphoning off funds from the treasury: unbudgeted accounts - not least via the *Régie du Tabac et des Alumettes*, the state tobacco monopoly which collected taxes not only on tobacco and matches but also on a large number of other consumer goods.<sup>12</sup> These funds never showed up in the budget, but their employment (the *tonton macoutes* and the presidential family) was subject to a high degree of obfuscation, until the president finally had to give in to IMF demands in 1982, when Haiti was in deep balance of payments trouble, and centralize tax collection and close most of the unbudgeted special accounts. Jean-Claude also continued the organized racket of collecting funds from



the Haitian sugar cane workers in the Dominican Republic. Thirdly, aid money was diverted, at an increasing risk, however, as the attitude of the international community against Haiti hardened.

Clearly, regressive redistributive maneuvers such as these resulted in an inefficient allocation of resources in society, with funds being spent on the consumption of the ruling clique – some conspicuous, like 3-5 million dollars on the wedding of the president, others more discrete – rather than on investment in physical or human capital that could have served to enhance the production capacity of the economy. In addition, the redistribution itself used up resources, in the form of payments to an otherwise useless bureaucracy and repression apparatus, which could have been used on the production of goods and services demanded by the citizens. By the same token, economic growth was held back, with per capita income falling steadily over time.

Jean-Claude Duvalier and his clique were never content with simply resorting to the devices that François Duvalier had relied upon, but the predatory state towards the end of the 1970s entered a 'fine tuning' or 'modernization' phase during which, as it seems, the degree of obfuscation increased.<sup>13</sup> Private business was conducted by the presidential family, with the aid of the state machinery, mainly through Baby Doc's father-in-law, Ernest Bennett, and his various companies. Bennett rapidly made it to the top in the notoriously difficult, oligopolistic, coffee export market – from a very modest initial market share. He was also involved in large-scale smuggling of a number of commodities, such as sugar, flour, rice and cotton textiles, but, even more importantly, drugs from Colombia to the United States.

Another common method was to operate via the network of government-owned enterprises which held monopoly positions in the domestic market. Five such enterprises were either established or purchased, beginning in 1979: soybean oil, wheat flour, sugar (two mills) and cement. These were all hopelessly inefficient from an economic standpoint, their only *raison d'être* being to generate income for the *Duvalieristes*. Overall, the Duvaliers had almost unlimited access to government funds via checks drawn on ministries, government agencies and state enterprises for any amount desired.

This, in turn, generated huge deficits in the government budget – no less than 13 percent of GDP in 1980/81 – and these deficits had to be

financed either by credits from the banking system to the public sector, with concomitant crowding out of private investment, or by an expansion of the money supply via the government printing press. As a consequence, domestic demand was boosted, imports increased, and foreign currency flowed out of the country. Imports had to be cut, capital flight ensued, the gourde (which by law was pegged to the dollar) became overvalued and a black exchange market was established where the dollar sold at a premium. Finally, the IMF had to be called in, some token reforms were undertaken and 'fiscal discipline' was imposed through the slashing of development expenditures. When Baby Doc was finally thrown out of office in 1986, the Haitian economy was in severe macroeconomic disarray – simply as a result of unhampered plunder.<sup>14</sup>

The long-run trend had also been negative. If we look to 1980 as the endpoint, then it becomes evident that the Haitian economy had been undergoing what amounted to at least fifty years of stagnation and decline. During this entire period GDP per capita remained stagnant at best and declined at worst. For the next five years, GDP decreased steadily, by 0.9 percent yearly, and GNP took an even deeper plunge: 2.7 percent each year. The agricultural sector was losing the race against population growth. In 1986, food production per capita was 13 percent below its 1979 value and total agricultural output per capita had dropped 14 percent.<sup>15</sup> This was not only a result of increased population pressure on the land but also of a price and tax policy which punished export production and encouraged food crop production, i.e. which served to speed up the process through which the balance between the former and the latter, was altered in favor of the ecologically detrimental production of food crops.<sup>16</sup>

In the import-competing part of the manufacturing sector a protectionist policy had been pursued without any trace of success from 1949 to 1986, one which simply fostered monopoly, high costs, inefficiency and high prices which the consumers had to pay, in a market which was far too small to allow for any economies of scale. The government monopolies were pure rackets which had nothing whatsoever to do with sound economic principles.<sup>17</sup>

The second component of manufacturing – the light assembly export industry – on the other hand, had witnessed spectacular growth from the mid-1960s to the mid-1980s, increasing its share of the total value of

exports from 4 percent in 1966 to almost two-thirds in 1984 and employing some 30,000 people at the latter date -in spite of the anti-export bias which resulted from the protection of the import-competing segment.<sup>18</sup>

Tourism, in turn, had been experiencing problems already during the 1970s as a result of the impact of the recession on the United States economy. The early 1980s were even worse. The human rights situation, coupled with the AIDS issue, the political unrest and the world recession, made receipts from tourism and other travel drop to such a degree that in 1984 they were no higher than they had been in 1972. Two years later, when the Minister of Public Health officially declared that 10 percent of all Haitians might be infected with the AIDS virus, tourists were scared away once again.<sup>19</sup>

### The Three Reform Attempts

The *Conseil National de Gouvernement (CNG)*, which took over the helm after the fall of Baby Doc in 1986, was thus faced with a double dilemma. In the first place, it had to stabilize the economy in the short run. Second, it had to face the even trickier issue of how to set a notoriously stagnant economy on a growth path. To make matters even more difficult for the new government, the two issues were interrelated. To set the economy on a growth path without simultaneously stabilizing the economy was simply not possible, but stabilization of the balance of payments required improved export performance - i.e. growth. Under the leadership of the Minister of Finance, Leslie Delatour, a combined stabilization and structural adjustment program was launched. Foreign trade was liberalized. Export taxes on agricultural goods were removed and imports were liberalized, substituting tariffs for quantitative restrictions at more uniform rates than before, so as to remove the anti-export bias and increase efficiency in the import-competing sector.<sup>20</sup>

At the same time, the government budget deficit problem was tackled. Some of the worst black holes in the economy -the inefficient public enterprises- were either closed down or lost their monopoly privileges. Government payrolls were purged of non-existent zombie workers and the notorious *tonton macoutes* were dissolved. Expenditures were redirected towards 'development-oriented' sectors: agriculture, public works, education and health.

The tax system was reformed as well. Income taxes were simplified and the top bracket rate was reduced, in the hope of decreasing tax evasion. Specific taxes with high collection costs were abolished. An effort to increase the efficiency of collection increased. Altogether, these measures reduced the fiscal deficit from 7 to 5 percent of GDP from 1984/85 to 1985/86 and subsequently to less than 1 percent of GDP. This in turn made it possible to decrease the rate of increase of the money supply and to curb the rate of inflation. Even the price level began to fall.<sup>21</sup>

The international donor community responded favorably. An inflow of funds was generated, which, in spite of low coffee prices and depressed earnings from tourism, producing a current account deficit, led to an improved reserve position in 1985/86 and 1986/87. Thus, the reform package appears to have worked relatively well from a stabilization viewpoint, in an economy which had been whacked completely out of joint by the unhampered plunder that took place in the early 1980s.

The policy reforms were not allowed to run their course without disturbances, however. Presidential elections had been scheduled for 1987 and already by mid-year political unrest began to spread. The labor market was plagued by strikes and work stoppages, the investment climate deteriorated, and the mock 1988 elections and the subsequent military coups that brought first Namphy and then Avril into power did little to restore confidence.

After the interruption of the elections that should have been held at the end of November 1987, the confidence of the international donor community was shaken as well. The IMF, the World Bank, the United States and other leading contributors suspended most of their aid to the government. The result was an immediate budgetary crisis which was further compounded by problems of collecting revenue as the political situation grew increasingly unstable. Smuggling increased, companies declared lower profits and the electricity company had problems both collecting bills and preventing illegal tapping of lines.

The situation called for emergency measures: cutting back government expenditures, introducing new taxes and making an effort to make collection more efficient. Domestic borrowing had to be resorted to, which in turn stimulated monetary expansion and caused balance of payments problems. The build-up of international reserves was halted

early in 1989 when foreign exchange holdings were down to a single week's imports. The arrears on the foreign debt accumulated and the black market premium on the dollar increased to 40 percent. The rate of inflation jumped to 12 percent in 1988/89, from a negative figure two years before.<sup>22</sup>

In the meantime, GDP per capita continued to fall, with an estimated 2 percent yearly on average during the 1980s.<sup>23</sup> In 1989, an estimated 61 percent of the population earned less than 100 dollars annually.<sup>24</sup> This situation would have been impossible were it not for the fact that between 700,000 and 1,500,000 Haitians living outside the country in 1990<sup>25</sup> contributed by sending money back home.

In December 1990, Jean-Bertrand Aristide was elected president with a landslide majority of two-thirds in elections that, surprisingly, could be held without interference. The Aristide government assumed its functions in February 1991. Again a stabilization program was launched. Negotiations for a stand-by loan were initiated with the IMF and in July 1991 the Paris Club agreed to a 50 million dollar loan to finance public sector investment during the coming 18 months. An orthodox policy package was presented which included balancing the government budget, controlling the volume of domestic credit, increasing the efficiency of tax collection and a restrictive monetary policy.<sup>26</sup>

Aristide also continued the 1986 policy of trimming the corrupt public administration:

... in his first few months in office, over 2,000 federal jobs were eliminated. He eliminated the Bureau of Tourism and made deep cuts into such dubious endeavors as the 'Ministry of Information', which was trimmed by almost 50 percent. In another celebrated instance, when state bookkeepers could not account for over one million dollars in ostensibly *collected* taxes, Aristide himself showed up unannounced in the office and politely but firmly asked to see the books. Throughout the country, various ministries and offices were "closed for restructuring."<sup>27</sup>

What is more, the *chefs de section* - the rural "sheriffs" who in a totally arbitrary way had represented the 'law' in rural Haiti - were abolished. The anti-corruption drive also included an effort to reduce smuggling, not least of drugs, which had been the most important unofficial

source of income for the army. The effort was at least partly successful and the U.S. Drug Enforcement Agency could report that the amount of cocaine going through Haiti on its way from Colombia to the United States had decreased in 1991.<sup>28</sup>

Once again stabilization indices showed progress. The *Direction Générale des Impôts* could report receipts that were one-third above the 1990 level, and customs receipts showed an even better performance: 50 percent.<sup>29</sup> The government budget deficit was reduced to its lowest level in five years: 0.1 percent of GDP.<sup>30</sup> The state enterprises (mainly the flour mill, the cement factory and the National Port Authority), all of which had been sources of financial abuse and corruption, were generating surpluses instead of deficits since May 1991. The black market premium on the dollar began to shrink and the rate of inflation was brought down from 20 percent in December 1990 to 12 percent in September 1991.<sup>31</sup> The international reserve position was improved in spite of a deficit on the external trade and service accounts. The external debt was reduced, as a result of forgiveness from France and United States, to a level corresponding to 35 percent of GDP.<sup>32</sup>

Again, there was some modest hope for stabilization and, perhaps, in the longer term, for measures that would allow Haiti to break out of this long-run stagnation and retrogression. This hope, however, was dashed once more by political events. On October 1, 1991, President Aristide was forced by the military to leave the country. Joseph Nérette, Supreme Court judge, was sworn in as provisional president - a mere façade for General Raoul Cédras.

At the root of the coup was the fear of the military that Aristide would succeed in separating the police from the military, since that would also have meant loss of a number of opportunities for private enrichment for the armed forces.<sup>33</sup> Most important, the military would lose control over smuggling activities - the most lucrative source of income for the armed forces.

Aristide had to be forced out. The predatory state was back in power. Plunder was once again the order of the day. An embargo was imposed on Haiti by the OAS, but this embargo remained largely ineffective for a long time. The Dominican border was never effectively sealed, so smuggling to a large extent compensated for legal trade. The embargo was 'at best, sieve-like', reported the *Financial Times* at the end of 1992.<sup>34</sup>



In particular, it did not seem to affect the incomes of the military. Cocaine traffic once again got into full swing. Those hurt were the general population. The price of gasoline skyrocketed, making the transportation of both people and goods difficult. The peasants had problems getting their produce into the cities and obtaining their regular supply of urban consumer goods. The rate of erosion accelerated through increased tree-felling. Charcoal had never been a more economical substitute for oil in the history of Haiti. The legal business community suffered as well.<sup>35</sup> In 1992 Haiti's GDP per capita fell by close to 15 percent.<sup>36</sup>

The sanctions against Haiti were tightened in June 1993, this time by the United Nations. Oil and arms were to stay out of the country and the American assets of the coup makers would be frozen.<sup>37</sup> Immediately thereafter, the Governor Island Accord between Aristide and the Haitian military provided a first step towards the return of the legal president. In August, a transitional government, nominated by Aristide, was in place, and at the beginning of September the sanctions were lifted.

After the subsequent political turmoil, with increasing violence as the main ingredient, the transitional prime minister stepped down in December. Sanctions were again tightened in May 1994. This time, they included all trade except purely humanitarian imports. The economy took a further downturn. Finally, in September, President Clinton had had enough of the Haitian military. The United States stepped in with troops for the second time in the history of Haiti. Aristide could finally come back, with a year and a few months to go before he had to step down in February 1996.

For the third time the reform process in Haiti is back to square one, with the economy at a lower level than ever. GDP per capita is estimated to have fallen by 5.7 percent yearly in real terms between 1991 and 1994 to a probable level of US\$ 260 or less the latter year.<sup>38</sup> A structural adjustment program has been launched which includes privatization of a number of government enterprises, abolition of tariffs and a drastic reduction of the public payroll.

The structural adjustment program has already been subject to strong criticism from left-wing sources. Aristide is seen as 'selling out' to big business. These attacks, however, reveal a total lack of understanding of Haiti's past and a purely mechanical analysis of the present. Haiti's problem has always been that the country has had *too much of the wrong*

*kind of state*, not too little of the right kind. Hopefully, the present government can begin to change this, but change takes time.

Also, as the Haitian case clearly demonstrates, changes are easily reversed. Democracy is far from safe in Haiti. The predatory state could easily make yet another comeback. Reducing the domain of the state, however, makes predation more difficult and hence reduces the attraction of political power for those who are after a quick profit: therein lies the real importance of the reduction of the size of the state in Haiti.

### Conclusions

I began the present essay by pointing to two assumptions which tend to be implicit in economic policy making. One of these was of special relevance in the case of Haiti: the willingness of the government to intervene in order to improve the lot of the population. As the subsequent discussion revealed, this assumption has hardly ever been fulfilled in practice. The state in Haiti has been a predatory one and this has distorted economic policy completely.

The best example of how the logic of the predatory state has carried the day is furnished by the last few years of the rule of Jean-Claude Duvalier. Unhindered plunder brought the economy into complete disarray and called for both macroeconomic stabilization and structural adjustment when Duvalier fell in February 1986.

After the fall of Baby Doc three efforts were made to reform economic policy. The first was carried out in 1986-87, by the CNG government. That effort was interrupted by the political turmoil in connection with the farcical presidential elections at the end of 1987 and the beginning of 1988. The second attempt, carried out by Aristide's government in 1991, was interrupted by the military coup which forced Aristide to leave the country in October that same year. The third effort has only just begun.

Clearly, the main problem of economic policy reform in Haiti has not been the contents of the reforms, even if these have been harshly criticized in some circles. Both the CNG package and the 1991 Aristide measures brought about positive changes. Politics, or rather, politicking, however, has played havoc with these reforms. A reform is introduced, it runs for a year or two at most, and then it is interrupted. The



new Aristide government was working against the clock. Aristide had to step down in February 1996. Before that Haiti had to go through presidential elections. It is very difficult to know what this event will mean for the economic reform process. A completely perverted political process has strangled reform for almost 200 years in Haiti. Will that process come to an end now? I wish I had the answer.

## Notes

1. Krueger (1993), p. 53.
2. Blomqvist and Lundahl (1992), pp. 237-38.
3. Lundahl (1985b), Danielson and Lundahl (1994).
4. See Lundahl (1985b), Lundahl and Vedovato (1984).
5. See Lundahl (1979), Chapter 6, (1985a), (1984a).
6. Hirschman (1970).
7. Barthélemy (1989).
8. See Lundahl and Vargas (1983).
9. See Lundahl (1984b).
10. Lundahl (1985b).
11. Lundahl (1992), Danielson and Lundahl (1994).
12. Lundahl (1984b).
13. Maingot (1986-87), p. 83.
14. Lundahl (1992).
15. *Ibid.*
16. See Lundahl (1979), Chapter 5, and Bourdet and Lundahl (1991).
17. Lundahl (1992).
18. *Ibid.*, p. 16.
19. *Ibid.*, pp. 18-19.
20. *Ibid.*, pp. 22-24.
21. *Ibid.*, p. 23.
22. *Ibid.*, p. 24.
23. Inter-American Development Bank (1995), p. 3.
24. PNUD, Unité de Coordination et de Suivi de l'Environnement (ECMU) (n.d.), p. 2.
25. Farmer (1994), p. 119.
26. Clermont (1993), p. 11.
27. Farmer (1994), p. 168.
28. *Ibid.*, p. 169.
29. République d'Haïti (1994), p. 9.
30. *Ibid.*, pp. 35, 10.
31. *Ibid.*, p. 11.
32. *Ibid.*, p. 47.

33. Laguerre (1993), Chapter 7.
34. Quoted by Chomsky (1994), p. 36.
35. Farmer (1994), pp. 193-94, 201-02.
36. International Monetary Fund (1995), p. 19.
37. Farmer (1994), p. 210.
38. International Monetary Fund (1995), p. 2, Inter-American Development Bank (1995), p. 3.

## Reference

- Barthélemy, Gérard (1989), *Le pays en dehors*. Port-au-Prince: Editions Henri Deschamps.
- Blomqvist, Hans C. and Mats Lundahl (1992), *Ekonomisk utveckling: En introduktion till u-ländernas ekonomiska problem*. Stockholm: SNS Förlag.
- Bourdet, Yves, and Mats Lundahl (1991), "Patterns and Prospects of Haitian Primary Exports", *Latin American Issues*, No. 9.
- Chomsky, Noam (1994), "Introduction, to Paul Farmer", *The Uses of Haiti*. Monroe, ME: Common Courage Press.
- Clermont, Charles (1993), "Haití: situación económica en la víspera de una estabilización política", *Cuadernos de la Coyuntura Caribeña*, No. 1.
- Danielson, Anders, and Mats Lundal, (1994), "Endogenous Policy Formation and the Principle of Optimal Obfuscation: Theory and Some Evidence from Haiti and Jamaica", *Comparative Economic Studies*, Vol. 36.
- Farmer, Paul (1994), *The Uses of Haiti*. Monroe, ME: Common Courage Press.
- Hirschman, Albert O. (1970), *Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States*. Cambridge, MA and London: Harvard University Press.
- Inter-American Development Bank (1995), *Emergency Economic Recovery Program, Haiti. Report of the Joint Mission (November 7-20, 1994)*. January 3. Washington, DC.
- International Monetary Fund (1995), *Haiti - Recent Economic Developments*. SM/95/43. March 1. Washington, DC.
- Krueger, Anne O., (1993), *Political Economy of Policy Reform in Developing Countries*. Cambridge, MA and London: MIT Press.
- Laguerre, Michel S. (1983), *The Military and Society in Haiti*. Houndmills, Basingstoke and London: Macmillan.
- Lundahl, Mats (1979), *Peasants and Poverty: A Study of Haiti*. London: Croom Helm.
- Lundahl, Mats (1984a), "Defense and Distribution: Agricultural Policy in Haiti during the Reign of Jean-Jacques Dessalines, 1804-1806", *Scandinavian Economic History Review*, Vol. 37.
- Lundahl, Mats (1984b), "Papa Doc: Innovator in the Predatory State", *Scandia*, Vol. 50.
- Lundahl, Mats (1985a), "Toussaint L'Ouverture and the War Economy of Saint-Domingue, 1796-1802", *Slavery and Abolition*, Vol. 6.
- Lundahl, Mats (1985b), "Government and Inefficiency in the Haitian Economy: The Nineteenth Century Legacy", in: Michael B. Connolly and John McDermott (eds.), *The Economics of the Caribbean Basin*. New York: Praeger.
- Lundahl, Mats (1992), "The Haitian Economy Facing the 1990s", *Canadian Journal of Latin American and Caribbean Studies*, Vol. 17.
- Lundahl, Mats, and Rosemary Vargas (1983), "Inmigración haitiana hacia la República Dominicana", *Eme Emé, Estudios Dominicanos*, Vol. 12.

- Lundahl, Mats and Claudio Vedovato (1989) "The State and Economic Development in Haiti and the Dominican Republic", *Scandinavian Economic History Review*, Vol. 37.
- Maingot, Anthony P. (1986-87), "Haiti: Problems of a Transition to Democracy in an Authoritarian Soft State", *Journal of Interamerican Studies and World Affairs*, Vol. 28.
- PNUD, Unité de Coordination et de Suivi de l'Environnement (ECMU) (n.d.), *Haïti 1994. Indicateurs environnementaux de base, Étude préliminaire*. Port-au-Prince: PNUD.
- République d'Haïti, Cabinet Particulier du Président de la République (1994), *Témoignages sur les performances économiques du gouvernement Aristide/Préval*. Juin. No place.

