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**Abstract:** If we agree that ‘institutions are the kinds of structures that matter most in the social realm: they make up the stuff of social life’ (Hodgson, 2006, p.2), and we also agree that they largely influence, either positively or negatively, even many of the decisions relative to our personal lives, then we should conclude that emphasis on quality institutions to a people should not be wished away. Drawing on the earlier stated, the present work critically responds to the position of Hassoun (2014) that making aid conditional on good institutional quality is not good for the poor. It may be true that giving aid to the poor without consideration of the quality status of their social institutions may serve their immediate purposes, but if the poor are not to be consigned and confined to the margins of perpetual dependence, then due attention should rather be shown to ensure better reforms for their institutions, given that quality institutions largely and positively influence and sustain, in spite of other considerations, human development in the final analysis.

**Key words:** development, institutional quality, poor countries

## Introduction and the problem statement

For Miller (2007, p. 51), anyone surveying the current state of people in the world cannot help but be struck by the vast disparity in living standards and life prospects between the global rich and the global poor. In other words, one of the fundamental facts of contemporary global economic (and political) reality is the existence of the rich countries of the global North (hereafter the rich) and the existence of the poor countries of the global South (hereafter the poor). This economic inequality has spurred many moral and political thinkers, as well as other thinkers, into action. Some thinkers, regarded as communitarians, [1] contend (among others) that there are no associational ties, or what Miller (1995, p. 50) calls 'relational facts' (that reasonably ground claims for domestic justice), between the global rich and the global poor, apart from the fact that the problem of the poor is not causally connected, at least in the direct sense, to the prosperity of the rich. Therefore, any assistance from the rich to the poor is a duty of charity (and, thus, morally supererogatory), but not a duty of justice (and, thus, not morally obligatory). For instance, Miller (1995, p. 49) notes that 'the idea of nationality is that nations are ethical communities. In acknowledging a national identity, I am also acknowledging that I owe special obligations to fellow members of my nation which I do not owe to other human beings'.

On the contrary, some thinkers, regarded as cosmopolitans, [2] argue extensively that the problem of inequality between the rich and the poor should be concretely addressed by the former. According to some proponents of cosmopolitanism (for example, Pogge, 2010), there is a causal nexus between the design of the global institutional order, which is largely influenced and controlled by the global rich, and the problem of the global poor. Ironically, the consensus among the cosmopolitans does not go beyond their general support for the transnational address of the problem of the global poor; their considered views, however, substantially divide on how best to address the problem. In sum, there are many strands of cosmopolitanism, and arguments advanced by their proponents, the details of which the space here does not permit a discussion (see, for example, Slaughter, 2010, pp. 184-185). The focus of this work is on a specific strand of cosmopolitanism advanced by Hassoun (2014) that international aid to the poor should not be conditional on the quality status of their domestic institutions. One could call this non-domestic-institutional cosmopolitanism. It is non-domestic-institutional because the relevance of the quality of domestic institutions is not given

much consideration relative to domestic poverty reduction, and it is cosmopolitan because transnational assistance is still taken as very important to domestic poverty reduction, regardless of the quality status of domestic institutions. But this present work takes Hassoun's position as problematic. It may be true that giving aid to the poor without consideration of the quality status of their social institutions may serve their immediate purposes. However, if the poor are not to be consigned and confined to the margins of perpetual dependence, then due attention should rather be devoted to encouraging good reform of their domestic institutions, given that quality institutions largely and positively influence, in spite of other considerations, human development in the final analysis. To defend the thesis of the work, an attempt will be made to show *why* and *how* domestic and transnational institutions do matter to the growth and poverty reduction of a poor country. Before embarking on the noted exercise, however, both development and institution need to be conceptually discussed.

The work is divided into five sections. The introductory section is followed by a second section, which focuses on some preliminary conceptual discussions; the third section presents Nicole Hassoun's basic argument; the fourth section articulates a constructively critical response to Hassoun's argument, advancing the significance of good quality institutions to growth and poverty reduction, in the process, and also offering some prescriptions for ensuring good quality institutions in poor countries; and the fifth section summarizes and concludes the discussion.

## **Preliminary conceptual discussion**

The concepts of *development and institution* are fundamental in the present exercise, given that the whole discourse revolves around them. Therefore, they deserve some preliminary lucid discussion.

*Development:* For many decades in the past, it was incontestable that development was usually construed in disciplinary terms. Thus, we normally have expressions, such as economic development (which was the most popular then and still so, to a certain degree, because of its material implications), political development, cultural development, scientific development, and so on. However, in recent times, scholarly discourse has been reinventing our hitherto understanding of development, a

reinvention that now focuses less on the economic account and more on the well-being of the human person or what one could call an ethically-reformed account of development. [3] But it is still conceivable to have an ontological understanding of development that will embrace both the economic and the moral accounts, the reason being that both are not, strictly, mutually exclusive as this work hopes to show. Therefore, one could ontologically state that the concept of development expresses a qualitative and quantitative progression from the state of potentiality to the state of actuality, experienced by an existential entity, within a given period (time-bound), or without a specific time-frame (time-unbound). One should make the conception more intelligible.

First, by 'existential entity' it is meant a human person or a collectivity of human persons. The present understanding of existential entity may even embrace the so-called social institutions, given that institutions in the final analysis are a composite of individuals who occupy specific positions, perform specific roles, and are bound in the performance of the specific roles by some rules, legal or moral.

Second, there must be both qualitative and quantitative changes relative to the life experience of the human person or the collectivity of human persons or the institutions involved. Contextually, qualitative and quantitative changes mean a marked improvement that pervades different aspects of the life of the human person or the collectivity of human persons.

Third, the markedly improved life must be such that it is capable of moving the human person or the collectivity of human persons from the level of inability (potentiality) to the level of ability (actuality). Failing this, there is no truly marked improvement of life.

Fourth, the progression from the level of inability or absence to the level of ability or presence, relative to the human person or the collectivity of human persons, is either time-bound or time-unbound. For example, we usually note the late 18<sup>th</sup> century as the starting point of the industrial revolution in England (that later moved to other European countries and, subsequently, to America). This industrial revolution formed the basis of further advances, which have continued to manifest in the Western world till now. Given the continual devotion to research and development in the Western

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world, one could reasonably state that their progression from the level of inability (the pre-industrial revolution) to the level of ability (the post-industrial, information age) is time-unbound. In other words, their progression is time-unbound because they continually attempt to address their failings and build upon their strengths. Their progression could have been time-bound if they had not moved beyond the industrial age. Thus, in this context, development is a state of continual positive becoming.

Fifth, drawing on the ontological account above, one could deduce a moral understanding of development as teleology; it is always a commitment towards a desirable end, which may be monistic or pluralistic. The commitment towards a desirable end as development is monistic if the end is a given value, while it is pluralistic if the end is a series of values.

Sixth, some logical reasoning underpins the use as synonyms of the words *potentiality*, *inability*, and *absence*, on the one hand, and *actuality*, *ability*, and *presence*, on the other hand. In the first set, the words are so used, given that what is in the stage of potentiality is what we are unable to fully use and, if this is the case, then the idea of absence of what to fully use necessarily comes up. In the second set, the words are so used, given that what is in the state of actuality is, by the same token, in the state of full being, and what is in the state of full being is what we are able to fully use. Moreover, what is in the state of actuality or in the state of full being is what possesses the quality of presence. If the logic is applied to the case of the poor, the focus of discussion, then we could state that giving aid packages to the poor, or helping them to develop their capabilities so as to be self-helping, is roughly tantamount to trying to move them from the level of inability (inability to use their inherent capabilities because they are latent) to the level of ability (ability to now use their capabilities, which they have been helped to nurture) or trying to move them from the stage of absence (what they lack) to the stage of presence (what comes into their possession in terms of aid packages). Similarly, aiding the institutions of the poor countries to be optimal, in terms of taking full care of their poor citizenry, among others, is also roughly tantamount to moving the institutions from the hitherto level of potential functionality (expected role that is not yet performed) to the level of actual functionality (performance of the expected role) in relation to their poor citizenry.

Here, we should note the mutual inclusivity of helping the poor, say, to practically realize their potential (capability or morally refined approach to development, which is otherwise called human development) and helping to optimize the institutions of the poor so as to be able to later help their poor citizenry to practically realize their potential (institutional approach to development). If the institutions helped to optimize are economic or economic-related, then it is economic development. This sense of mutual inclusivity of economic and moral development pervades this work.

*Institution:* First, it is noteworthy that institution is a concept of multivalent understanding. In fact, an institution is a hard thing to pin down (Mohr and Friedland, 2008, p. 421). Despite this, Mohr and Friedland note that there is something of a collective consensus that institutions represent the more enduring features of social life, that they tend to be reproduced, and that they serve to structure and organize social action and, hence, are the most important constituent components of society (p. 421). But this is rather a description, not a definition of the concept.

For Copp (1999, p. 6), an institution can be conceived as a system of offices or roles. According to Miller (2010, p. 27), some accounts of institutions identify institutions with relatively simple social forms – especially conventions, social norms, or rules. Somewhere else in the same work, Miller (p. 25) states that an institution, that is an organisation or system of organisations, consists of an embodied (occupied by human persons) structure of differentiated roles. These roles are defined in terms of tasks, an agent who performs those tasks (the role occupant), and rules regulating the performance of those tasks. [4] For Hodgson (2006, p. 2), we may define *institutions* as systems of established and prevalent social rules that structure social interactions. [5] Judd (1931, p. 1) states that:

The term 'institution' has commonly been used in sociology and social psychology to refer to certain aggregations of people. Thus, a state or a social club or a church is described as an institution.... The people who are connected with an institution are, for purposes of scientific analysis, of minor importance. Complete analysis of any group of people shows the existence of certain fundamental psychological entities, such as language, public opinion, and fashion, which hold the group together. It is these basal psychological entities which are the true social institutions. They are as real as any objects in



the physical world. They have natures which can be studied and can be described in terms of the laws of their own unique beings.

Analysing the various understandings of the concept, one should note some specifics. Copp's conception is somewhat abstract; it excludes some important elements, such as human agency and rules and regulations. Offices and roles do not exist *in vacuo*; offices need human agency to occupy them and to perform specific roles that go with the offices. Moreover, human agency needs some measure of control in the performance of the roles. This is where rules and regulations come in. Hodgson's conception advances a bit further than Copp's by noting that social rules are established and prevalent and they direct social interactions (compare with Mohr and Friedland, 2008, p. 421). But the facts of human agency, and the regulations for controlling human agency in the performance of the ascribed roles, are still missing. Judd's conception also follows the abstract path of Copp's. It is almost unthinkable to demote human agency, while emphasizing psychological entities, such as language, public opinion, and fashion, in any account of social institutions, given that the mentioned psychological entities are human-specific. Miller's conception seems to be the best (and, thus, is adopted here), given that it embraces the facts of human agency, rules, and regulations as necessary to the evolution and functionality of institutions. Moreover, if Hodgson's view (as well as that of Mohr and Friedland's) is combined with Miller's, then the conclusion is that social institutions are essentially teleological. In fact, Miller (2010, p. 1) affirms that all social institutions exist to realize various collective ends, indeed, to produce collective goods, such as legislation, security, power supply, health facilities, welfare services, jobs, and the like. [6] These collective goods, true to Hodgson, impact fundamentally on social interactions.

Furthermore, a distinction exists between 'formal,' institutions, or embodied organisations or systems of organisations (in the Millerian sense), and 'informal' institutions, the conventions, rules, and regulations of the embodied organisations or systems of organisations that structure social interactions (in the Hodgsonian sense). Lastly, the Millerian teleological account of institution is adopted here.

## Nicole Hassoun's argument

In the work of Nicole Hassoun (2014, pp. 12-27), the major focus of her discussion is the so-called New Internationalism (hereafter NI). Her discussion of NI is critical in both theoretical and empirical senses.

*Theoretical critique:* Before engaging in her theoretical critique, Hassoun makes some preliminary clarifications. According to Hassoun (p. 12), the idea about NI is just that good institutions matter and, to be specific, this is in terms of international development. But how actually does traditional thinking connect good institutions with international development? In addressing the interrogative, Hassoun (p. 13) starts the discussion with the declaration that there is no single definition of international development in the literature. Nonetheless, she surmises that whatever else good development requires, it requires poverty reduction, apart from the fostering of growth (p. 13). Hassoun supports the foregoing by noting that poverty reduction is central to the Millennium Development Goals (MDGS), the first MDG being poverty reduction, and that MDGS are basic in this regard, given that they have served to coordinate the efforts of many different actors and provide a broadly compelling picture of what good development requires (see p. 13).

Moreover, Hassoun notes that there are many different and inconsistent (implicit) definitions of 'institutional quality'. According to her, some definitions focus on relatively stable features of countries that persist over time and others focus more on the current policy environment (p. 13). But despite these different definitions, many countries and institutions still relate development with institutional quality (see p. 14).

Now, on the theoretical critique, Hassoun particularly aims at an argument for the conclusion that making aid conditional on good institutional quality will promote development by reducing poverty. Hassoun (p. 14) states that many countries and international institutions, including the World Bank, African Development Bank (ADB), the United Kingdom, and Canada, use formulas for distributing aid that take into account institutional quality. For Hassoun (p. 15), one could argue that the debate about making aid conditional on good institutional quality is purely academic for one of two reasons. First, even those international institutions and states that use a metric for allocating aid that takes into account institutional quality often fail to actually

implement these rules consistently. Here she specifically mentions the International Development Association (IDA), a part of the World Bank (WB), which gives more aid to small island states and post-conflict countries than they should receive on its metric. Second, she also notes that if aid were allocated according to these metrics, many international institutions and states giving aid would actually give more aid to poorer countries. One could call the first reason of Hassoun's academic thesis (so to speak, for want of a better expression) *the inconsistency deficit*, the reason being that the metric is not consistently applied as officially declared, and call the second, *the insincerity deficit*; the reason being that the agents (institutions and states) are not sincere to the avowed metric of distribution of aid. Given that it is the inconsistent application of the metric that brings about the issue of insincerity, then the latter is implied by the former. But does the former weaken the argument about aid being conditional on good institutional quality? One thinks not. There is a difference between making a rule, however reasonable, and not following the rule, despite its reasonability. It is true this involves a logical inconsistency, but this does not, in any way, void the reasonability of the rule. Perhaps the problem is with the inconsistent agent, the rule-maker, and not with the rule made.

For Hassoun (p. 16), perhaps, the best theoretical argument for making aid conditional on good institutional quality is the moral hazard argument (hereafter MHA). For Hassoun, there are many different versions of the moral hazard argument that posit that different mechanisms by which giving aid on the basis of poverty alone create potentially counter-productive incentives. In a specific version of MHA that supports the International Development Association of the World Bank's assistance to poor countries, according to Hassoun (p. 17), the main claim is that if we give to countries that are poor, simply because they are poor, rulers *will* keep their countries poor. [7] In other words, the claim is that if we give to countries that are poor, simply because they are poor, we create an incentive for their rulers to keep their countries poor. But Hassoun (p. 17) responds that rewards or incentives may or may not work. In conclusion, Hassoun (p. 17) infers from the MHA above that we should not just give to poor countries; we should instead give to poor countries that have good policies. Hassoun (p. 18) constructs an argument to capture the version of the MHA thus:

P1) If we give to countries that are poor, simply because they are poor, we create an incentive for their rulers to keep them poor.

- P2) We should not create an incentive for rulers to keep their countries poor.  
C) We should not give to countries that are poor, simply because they are poor.

Responding to this argument, Hassoun (p. 18) contends that P2 is not generally true, the reason being that it is not always true that giving to the poor, simply because they are poor, will create incentives for their rulers to keep them poor (so as to get more aid). Rulers may not act on the incentive aid creates. Moreover, according to her, giving to countries with good institutions may not increase growth or spur poverty reduction. More generally, according to Hassoun (p. 18), we may be wrong about the efficacy of any posited incentive effect. Other incentive effects may be present and counter the posited effect or the posited effect may fail to generate action. Here we should carefully note, before proceeding further, that Hassoun is making an epistemic assertion; the assertion that nobody knows when the posited incentive effect will be efficacious and when it will not be so. In other words, she implies that the version of the MHA is erected on an epistemic foundation of probability, but not certainty. But to succeed in substantially weakening this version of the MHA, one could argue, requires at least two things on the part of Hassoun: (i) she should concretely show occasions when the posited incentive effect will be efficacious and when it will not be so efficacious and (ii) weigh against each other the two categories of occasions and equally show the weightier of the two. If the weightier supports this version of the MHA, then it should not be dismissed. However, if the weightier supports Hassoun's position, then this version of the MHA should be dismissed. Since Hassoun has not concretely shown this in her work, in spite of her avowed commitment to empirical substantiation, then one might not be bound to accept her conclusion, that is, dismiss this version of the MHA.

For Hassoun (p. 19), even a revised version of MHA, which asserts that giving aid on the basis of poverty alone creates an *efficacious* incentive for rulers to keep their countries poor, is not strong enough in the absence of empirical defense. [8] Moreover, according to her, even if it is justified that giving aid to the poor on the basis of poverty alone creates an efficacious incentive for the rulers to keep them poor, it does not follow that giving to poor countries with good institutions would fare better, given that not all causes of growth will reduce poverty by the same amount and that some causes of growth may even increase poverty. According to Hassoun, it is possible that giving to countries with good institutions would be no better, or even worse, for the poor than giving on the basis of poverty alone (see pp. 19-20).

*Empirical critique:* After her theoretical critique of NI, Hassoun also critically examines the supposedly empirical support for NI. Taking 'Aid, Policies, and Growth' by Burnside and Dollar (2000, 2004) as a seminal empirical support for NI, the work, according to Hassoun, argues that aid works only in countries with 'good policies.' But Hassoun argues against this, stating that Burnside and Dollar's work has been roundly criticized for one weakness or another (p. 22). Furthermore, she points out that many researchers have had problems in replicating the results of Burnside and Dollar's study and its successors. Hassoun also states that researchers are divided on whether or not quality institutions really matter as such, as some works suggest that good institutions are not a precondition for aid to work, while some works agree that good institutions increase aid's impact on growth. Still other works affirm that features of countries besides their institutional quality, like climate, may explain why aid works in some places but not others. Some other works even find that good institutions may hinder aid's effectiveness (see p. 22). Drawing on the foregoing, Hassoun (p. 23) concludes that the evidence that making aid to countries conditional on their having good institutions will better reduce poverty is not compelling. In short, Hassoun's core argument is simply that both the normative and empirical supports for the insistence on the effectiveness of NI in economic growth and poverty reduction in poor countries of the world are not strong enough to fully prove the truth of their conclusion.

Before critically responding to Hassoun's argument in the next section, we should also briefly here question the position that good institutions may hinder aid's effectiveness. Perhaps an idea of a good institution that Hassoun refers to, which may hinder aid's effectiveness, is one that vigorously pursues economic policies, such as privatization, deregulation, and similar policies. But one could easily dismiss this. The reason is that, critically and practically, what such an institution actually does through privatization is to implicitly transfer property rights over productive assets from the public sector, not to common private hands, but to specific private hands of those who are already rich, who would now get hold of the public assets that were hitherto state-controlled. Moreover, the deregulation policy is the removal of those rules and procedures, which hitherto prevented rich private individuals from competing to get hold of the productive assets. Thus, the policy is rather a re-regulation, given that it covertly closes the economic field from those who are not already rich and opens it to those who are

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already rich. Therefore, it is debatable that the institution does truly merit to be called 'good.'

But it is not enough to affirm the implausibility of calling such institutions as good; one must specifically show the rationale for the implausibility. The point is that such institutions go against some basic principles of economic justice: (i) the principle of participation (or input), (ii) the principle of distribution (or out-take), and (iii) the principle of limitation (or harmony or balancing). The first states that, among others, every human person has a right to engage in the production of social wealth. The second states that, among others, every human person has a right to benefit from their efforts or contributions to the production of social wealth, the benefit they should not be deprived of. The third attempts to transform unjust institutions, supports, and directs the restoration of balance between participation and distribution when either of the two principles is violated. It sets limits to monopolistic accumulations of capital and other abuses of property (see Kelso and Adler, 1958, pp. 80-82; Kurland, 2004, pp. 4-5).

Now, drawing on the brief analyses of privatization and deregulation made above, one can see that institutions that pursue them in an unmitigated way go against the first principle, given that such like institutions practically close the opportunity of many, but a few people, to economic participation which the institutions theoretically claim is open to all. By going against the first principle in relation to many, but a few people, the second principle is also infringed against many people. The second principle of economic justice is also violated in the sense that a person who has been systemically schemed out of economic participation, in the first instance, would have nothing to offer for investment from which to expect any future outtake. Moreover, the third principle of economic justice is also infringed by virtue of the violation of the first two principles: there is no economic harmony where some people, because of their unfortunate social status, are denied of economic participation and, therefore, future outtakes from the economy, while some socially fortunate others are not so denied (see Badru, 2014, p. 11).

## A critique of Hassoun's argument and a defense of the argument from good institutional quality

The problem is how can the 'helpers supply' help that actually furthers rather than overrides or undercuts the goal of the doers helping themselves. This is actually a paradox or conundrum; if the helpers are supplying help that directly influences the doers, then how can the doers really be 'helping themselves?'

(Ellerman, 2006, p.4)

Development assistance, based on an economics in which history does not exist and human psychology *that* is reduced to the most selfish motivations, has too often ignored some essential characteristics on which our own economic system depends. These necessary characteristics include institutions such as legal systems and generally accepted accounting practices— not to mention the educational, health, and social service institutions that support the human beings who run the whole show and for whose benefit (theoretically) it is run. A well-functioning capitalist (or any other) economic system also requires cultural expressions of basic values, such as trust, honesty, and a desire to do a good job or to make a meaningful contribution. [9]

(Ellerman, 2006, p. viii)

The best kind of help to others, whenever possible, is indirect, and consists in such modifications of the conditions of life, of the general level of subsistence, as enables them independently to help themselves.

(Dewey and Tufts 1908, p. 390)

We should reiterate here that Hassoun's argument is situated within the debate of whether or not institutional quality should be held as significant in the issue of aid-giving to the poor countries of the world, and her position is that institutional quality does not really matter as such, given that both the theoretical and empirical supports advanced for its defence are less compelling. But this present work holds a contrary view, noting that institutional quality does matter. As Ellerman (2006) points out in the first quotation, one of the central concerns in development ethics, apart from *why* we should help others, is *how* we should help others. To address the interrogative,

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Dewey et al. (1908) contend that the best way to help others who need our help is to help in such a way that enables them to help themselves thereafter. As a corollary, Ellerman (2006) mentions some relevant institutions and values that should be considered. Here, the structure of the arguments that follow partially aligns with that of Dewey's and Ellerman's, though the essential details of the following arguments differ from that of Dewey's and Ellerman's.

Argument for better coordination of relevant activities and allocation of resources

Complex problems require relevant institutions that will provide rules and allocate resources to help address the following significant interrogatives in development thinking: (i) *who* is to do *what*, (ii) *where* is it to be done; (iii) *how* is it to be done, and (iv) *for whom* is it to be done. Any aid efforts or supports that are not clear about these fundamental interrogatives will fail to achieve their set goals. It is incontestable that the problem of poverty in many low-income countries of the world is of a complex nature and of a massive dimension, given that it involves a great number of people who fall within different ages, whose needs may be diverse, and who are disparately territorialized, even within a given country. For example, if the problem of poverty, which some have argued to be one of the basal causes of the phenomenon of *Boko Haram* in the North-East of Nigeria, is to be seriously addressed from the global North, it is logistically difficult as well as administratively risky (being a foreign land) for the aid-giving (donor) countries to send their representatives to Nigeria to give out aid packages individually to the people concerned, considering the number of people involved, apart from the fact that they are widely distributed across the North-East of Nigeria. The best thing, given its cost-effectiveness, the aid-giving (donor) countries could do is to act through the extant institutions in the North-East of Nigeria, such as the state governments or the local governments, regarded as meta-institutions (see Miller, 2010, p. 23), of the areas concerned. The reason for this is, at least, twofold: (i) their less than optimal performance largely brought about the problem of poverty in the first instance and (ii) they have a comprehensive understanding of the terrain. But if the extant institutions in the North-East of Nigeria are weak (and this is true), to be fully committed to this course, due to many reasons such as corruption, lack of commitment to effective and quality welfare services, lack of political will, because of religious reasons, to decisively stop the *almajiris*, used by local religious teachers to beg, and so on, then there is a case of double jeopardy. Thus, if the aid-giving (donor) countries are really serious about helping the poor people in the North-East of Nigeria



to be able to later help themselves, then they should rather first emphasize the importance of quality institutions to the leaders in the North-East, and the leaders should equally rise to address the obvious institutional weakness, given that their less than optimal performance largely brought about the problem of poverty in the first instance, apart from the fact of better understanding of the terrain on focus. But why should there be an insistence on quality institutions to the leaders, before any foreign aid supports follow, in the first instance? The logic is that any foreign aid supports to the poor people in the North-East are meant to complement the efforts of the domestic institutions; the aid supports are not meant to replace them. Now, to argue that the people should be helped, nonetheless, because they are poor is to engage in a futile exercise *ab initio*; there would be not much success, given the intricacies involved. This clearly emphasizes the fact that the quality of local institutions of the poor is significant when addressing their poverty.

(b) *Argument concerning less responsibility and responsiveness of the social institutions of the poor*

It could also be reasonably argued that giving aid packages to the poor, regardless of the quality status of their local institutions, may further invert the sense of responsibility and responsiveness of the social institutions of the poor, if the institutions are actually performing below expectations. After all, the aid-giving (donor) rich countries are already performing their supposed social roles for them. Critically responding to a version of this argument, Hassoun (2014, pp. 16-20) states that such a theoretical argument needs generally accepted empirical substantiation. However, the problem with Hassoun's position is that it relies on what is called in logic *the argument from negative proof*, which states that if there is no evidence for the existence of  $X$ , then the conclusion is that  $X$  does not exist. Hassoun contends that there is no generally confirmed empirical evidence, which is supportive of 'the conclusion that making aid conditional on good institutional quality will promote development by reducing poverty.' Even the work of Burnside and Dollar (2000, 2004), which is supposed to evidence the connection between institutional quality and poverty reduction, is given by Hassoun (2014, pp. 21-23) as censoriously critiqued. Therefore, Hassoun affirms that 'the conclusion that making aid conditional on good institutional quality will promote development by reducing poverty' is not a generally good conclusion, given that it lacks generally accepted empirical support. But there is also no generally confirmed empirical evidence (at least, there is nothing provided like that

in the work) supportive of Hassoun's thesis that 'not considering the quality status of the institutions of the poor in giving them aid supports may help reduce their poverty.' The point here is that if we need much empirical substantiation for us to believe that good quality institutions really matter in poverty reduction, then for the sake of logical consistency, it follows that we also need much empirical substantiation for us to believe that 'not considering the quality status of the institutions of the poor in giving them aid supports may help reduce their poverty'. Without this empirical support, the position is less than compelling. Anyway, the position here is that many normative claims require no empirical support for their truth. Examples of these are: *the holocaust was a moral wrong; the operation of the former apartheid regime in South Africa was morally wrong; enslavement of human beings is morally wrong; unjustifiable killing is morally wrong*; and so on.

(c) *Argument regarding a perpetual dependency life*

The argument here is simple. The reasoning is that, apart from the argument of being less responsible and responsive to the citizenry of their countries, if their quality is not considered in giving their poor citizenry aid supports, domestic institutions of poor countries that receive aid supports, without due consideration of their quality status, may become overly dependency-inclined. This reasoning is consistent with the psychological fact that, in the conscious world, there is no action without motivation. If the aid-giving (donor) countries do not insist on the quality status of the domestic institutions of the poor before they are given aid supports and, thus, metaphorically are not constantly on their toes (no motivation), then the institutions may become lethargic to the extent that they come to depend solely on aid supports from the outside, rather than being up and doing to be self-independent (no action).

(d) *Argument regarding a epistemic deficit*

The fundamental argument here is that the work of Hassoun (2014) seems to be deficient in the knowledge of the largely institutional context of poverty in the developing world. We all seem to know that, sometimes, poverty may be individual, in which case the person concerned is not hard-working enough; s/he comes from a poor parental background; s/he does not cultivate the habit of saving; s/he is not enterprising enough, and so on. There is a high probability that such a person described may become poor in the future. But, all things considered, we should not be epistemically blind to

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the institutional context of poverty in the developing world. Hussain (2009, pp. 606-607) states thus:

If poverty is to be overcome, it is important to understand the processes of poverty creation and to identify points of intervention in the process through which the poor can be enabled to overcome poverty on a sustainable basis...poverty is rooted in the institutional structure of society and state in Pakistan. Therefore overcoming poverty will involve inducing changes in both the polity and the economy as part of an integrated process of institutional change.

Similarly, Pernilla Sjoquist (2001, p.24) affirms that:

...institutions—in particular informal constraints such as conventions, traditions and customs— may constitute both an obstacle and an opportunity for the pursuit of livelihoods strategies by the poor. Institutions set parameters within which people prepare for and respond to changes in their milieu. Certain informal institutions or organisation structures may facilitate collective actions and, thus, allow individuals to transcend the limitations of acting in isolation...they increase the chances of the poor to affect the formal institutions governing their lives. On the other hand, institutions may encourage conformity and work to maintain the status quo, often continuing the agony of the poor.

Moreover, Weidel (2015, pp. 2-3) states that:

Although it is considered economically efficient to save as much as possible on labour costs, I argue... that we are not being efficient on human terms. Instead, we are 'wasting' human beings by forcing them into poverty and denying them the opportunity to labour meaningfully. Workers in poor countries are forced into lives where they must suffer crushing poverty, while their only chance for escape lies in dehumanizing work, hardly worthy of being called *human labour*...Labour-saving technology has played a critical role in this quest for maximal economic efficiency, but although it has resulted in larger profit

margins and faster production of goods its implementation has also made the lives of many human beings worse.

Drawing on the first two quotations, one cannot but notice that Hussain (2009) and Sjoquist (2001) agree with Miller's (2010) and Hodgson's (2006) earlier positions that institutions are socially teleological, and this enables them to structure social interactions, and they may wrongly perform in this wise. And, as Weidel (2015) has contended, labour-saving technology that is, obviously, being adopted by the meta-institutions of poor countries, despite its noted merit, also contributes to poverty expansion rather than poverty reduction. The relevant question now is: how can poverty that is institutionally-driven be addressed without emphasizing institutional reforms or institutional policy adjustments?

(e) *Argument concerning the practical significance of the institutional thesis among other theses*

The argument here mainly addresses why it is generally a good policy for international development to give aid to the poor who have good institutions. The point is that there is a sense in which it is right to aver that what Risse (2005, p. 355) calls the institutional thesis is somewhat significant among other theses in the determination of growth and poverty reduction. By 'institutional thesis', Risse concludes that growth and prosperity depend on the quality of institutions, such as stable property rights, rule of law, bureaucratic capacity, appropriate regulatory structures, to curtail at least the worst forms of fraud, anti-competitive behaviour, and graft, quality, and independence of courts, but also cohesiveness of society, existence of trust, and social cooperation, and thus overall quality of civil society. It must be noted that Risse's account of the institutional thesis here could also be taken as domestic institutionalism, given that it focuses on the institutions within a specific country. This should be distinguished from a transnational account of the institutional thesis, or transnational institutionalism, as represented by Pogge (2010), that there is a causal nexus between the design of the global institutional order, which is largely influenced and controlled by the global rich, and the problem of the global poor. In fact, Birdsall's (2004, p. 301) view resonates with that of Pogge's (2010) when she notes that the rules of the global economy, and their implementation, tend to favour the rich and powerful, reflecting the latter's ability to shape the rules in the first place. She states further that the global

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trade regime is still far from a level playing field; the international labor market is highly restricted, and so on.

A basic implication of Risse's domestic account is that the institutional thesis may sometimes even largely trump other considerations, such as geographic location or the climate of a country (climatic thesis), which some rank equally with the institutional thesis in importance. It is undeniable that the state of Israel is largely a desert country. The Negev desert covers some 16,000 square kilometers, more than half of the country; only 20% of the country can be said to be arable. Here, we see a graphically unfavourable geographical fact (geographic thesis). Despite this fact, Israel's agriculture is one of the most advanced in the world. The explanation is largely good institutional policies; the institutional thesis that trumps the geographic thesis in the context.

Similarly, apart from the geographic thesis, there is also a sense in which one can affirm that the (domestic) institutional thesis trumps the resources thesis. As will be shown below, most African countries are rich in natural resources; yet, they are poor. If resources were the only thing that mattered, most citizens of resources-rich African countries would be living well above the poverty line. But this is obviously not the case. For instance, apart from the causative agent of the long-standing tradition of political and economic corruption in the country, the present economic quagmire in Nigeria could also be attributed to over-reliance on oil (as the chief revenue base), the price of which has now fallen drastically in the global oil market prompting a substantial deficit in the implementation of the budget of the country in the current fiscal year (2016), with the attendant economic hardship. And the problem of over-reliance on oil for years is attributable to the inability of the meta-institution of the country to have formulated a clear-cut policy, i.e., diversifying the economy.

In the *Oxfam Issue Briefing* (2015, pp. 9-10), the first four recommendations for poverty reduction are: (i) make governments work for the citizens and tackle extreme poverty; (ii) promote women's economic equality and women's rights; (iii) pay workers a living wage and close the gap with skyrocketing executive rewards; and (iv) share the tax burden fairly to level the playing field. These recommendations, undoubtedly, are government-connected and the government is the meta-institution in the modern society. If these social institutions were not connected to poverty reduction, as such, these recommendations would not have been so worded.

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From all the arguments deployed so far, two claims are deductible. The first is that what Hassoun calls NI, or what Risse regards as the institutional thesis, plays a substantial role (that may be positive as in the case of Israel, for instance, or negative as in the case of Africa that is given below, for example), apart from an external dimension, in the quality of life of the citizenry of a developing country. Especially in Africa, one can aver that, apart from what Badru (2015) calls the *SCN Theory*, [10] domestic institutions of most African countries have not really lived up to expectations. According to Ayittey (2002, p. 1, Footnote 2; Lamb, 1983, p. 20):

Africa has 40 percent of the world's potential hydroelectric power supply; the bulk of the world's diamond and chromium; 50 percent of the world's gold; 90 percent of its cobalt; 50 percent of its phosphates; 40 percent of its platinum; 7.5 percent of its coal; 8 percent of its known petroleum reserves; 12 percent of its natural gas; 3 percent of its iron ore; and millions upon millions of acres of untilled farmland.... It also has 64 percent of the world's manganese; 13 percent of its copper, and vast bauxite, nickel and lead resources. It accounts for 70 percent of cocoa; 60 percent of coffee; 50 percent of palm oil; and 20 percent of the total petroleum traded in the world market, excluding the United States and Russia.

In spite of the wealth of resources given, according to Ayittey (2002, p. 1; *The African Observer*; 1999, p. 23), four out of 10 Africans live in absolute poverty and recent evidence suggests that poverty is on the increase.... If Africa wants to reduce poverty by half over the next 15 years, it needs to attain and sustain an annual growth rate of 7% - an enormous task. Presently, according to *The Economic Development in Africa Report* (2014, pp. 2-3; ECA, 2013), Africa has experienced a 5.3% output increase in the period 2000-2010. But the same Report acknowledges that:

...out of the eight MDGS, the continent is on the track to achieve only three goals by the 2015 deadline, namely: achieving universal primary education (MDG 2), promoting gender equality and empowering women (MDG 3), and combating HIV/AIDS, tuberculosis and other diseases (MDG 6). Furthermore, the continent is still grappling with the problem of extreme hunger and poverty, and unemployment and inequality have increased over the past decade.

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Various works have shown that a major internal problem of the modern Africa state, the problem that has largely brought about the above noted, is substantial institutional failure (see, for example, Badru, 2014; Ihonvbere, 2011, pp. 2-3; Animashaun, 2009). By 'institutional failure' it is meant the failure of the government, which Miller refers to as a meta-institution, to make the best use of the wealth of resources to ensure a better life for people in Africa. This substantial meta-institutional failure in Africa has impacted negatively on other social institutions, such as political institutions, economic institutions, legal institutions, cultural institutions, educational institutions, financial institutions, and so on. All these show that the problem of poverty in Africa cannot be disaggregated from the lack of optimal performance by the meta-institution and its negative effects on the optimal performance of other social institutions in the modern African state. If this is the case, it follows that external aid supports to the poor in Africa should not be pursued in isolation of giving due consideration to the issue of institutional quality on the Continent.

The second claim, logically deriving from the first, is that there is a sort of symbiosis between economic development and human development in Africa. The reasoning is that if economic development is sensibly pursued in terms of considering all the relevant facts, human development necessarily follows.

But what prescriptions should guide the domestic institutions of poor countries and transnational institutions so as to fundamentally help the growth and poverty reduction in poor countries, rather than the poor countries relying so much on foreign aid? These prescriptions will be philosophically sub-categorized and discussed.

*Moral prescriptions and political-administrative leadership.* One of the most fundamental prescriptions for growth and poverty reduction in poor countries is laying more emphasis on what one could call 'moral capital' in the operation of their meta-institutions (that is, their governance institutions). For Kane (2003, p. 7), 'capital is wealth in action' and 'moral capital is moral prestige-whether of an individual, an organization or a cause-in useful service'. If specifically individualized, then moral capital becomes virtue-ethical, given that it emphasizes the stock of moral values and virtues a person should consciously acquire over the years, such as honesty in conduct, fellow-feeling (or other regarding behaviour), truth-commitment, and so on. If articulated relative to governance as a system of policy-making and policy-implementation, then it becomes moral-capital-in-governance, emphasizing core

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values, such as respect for the dignity of the human person, moral legitimacy in the attainment and the exercise of political power, true commitment to, or promotion of, the spirit of consultation and deliberation in policy-making and implementation, showing the value of collectivity of human rationalities, tolerance of reasonable opposition, moral commitment to public-feeling in the formulation and implementation of public policies, and so on, at the theoretic and practical levels. But why should moral-capital-in-governance be a touchstone for prospective or even incumbent public officials, be they elected or administrative? According to Preston (1994, p. 1),

...nothing is more dangerous to the well-being of the body politic than a public official who is technically competent or strategically astute but ethically illiterate or unfit.

Here, for Badru (forthcoming), Preston (1994) is focusing on, at least, two basic points: (i) it is one thing to be politically and bureaucratically professional, so to speak; it is quite another to be morally equipped in being politically and bureaucratically professional, the two not being necessarily mutually inclusive; and (ii) since public officials (political and bureaucratic) are to control and dispense public income and wealth through other state institutions, the economic base of the state could be in jeopardy if the ethically unfit that would misappropriate the funds were to be public officials. Moreover, corruption (or moral diminution) of public officials may induce morally unjustifiable compromises at the policy-making and policy-implementation levels of governance, militating against high level efficiency, due process, and professionalism in service delivery to the people in general and the poor specifically in society.

*Epistemic capital and technical rationality prescriptions:* Here, emphasis is strongly laid on the development and sustenance of, at least, two interrelated values for better governance of the poor countries of the world: (i) epistemic capital and (ii) technical rationality. Epistemic capital, contextually understood as a coherent system of innovative ideas, is the theoretic knowledge resource/base needed for better approaching the niceties of public policy-making on the part of the meta-institutions of the poor countries, as well as for generally providing a reliable pedestal and a driver for scientific development. Perhaps this applies more to the African region than the Asian region of the developing world, given that Asian countries, such as Japan, South



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Korea, China, and Taiwan, still possess more knowledge resource/base, as instantiated in their productive but not merely consumerist economies, than any African country.

Technical rationality helps in achieving functionally effective public policy-implementation, ensuring that public policies made are properly and creatively connected to substantive problems that have been duly identified, thereby complementing the public policy-making level in poor countries of the world. The development and sustenance of requisite epistemic capital and technical rationality should be government-facilitated (through increased budgetary allocations to research institutions and centres and recruitment of truly qualified personnel to work in the institutions and centres) and privately-facilitated (by rendering financial assistance to the government in the process of ensuring increased institutional funding). It is vital that research institutions and centres in poor countries engage in context-based research, that is, research that focuses on fundamental problems within their individual environments (for example, in Nigeria, two context-based basic problems, apart from a high level corruption, are the general inability of the country to achieve a sustainable infrastructural and human capacity development and to develop a largely productive, but not merely consumerist economy, both of which may or may not be connected to corruption). Moreover, in the process of public policy-making and public policy-implementation, the leadership of the poor states should work closely with the context-based research output of the research institutions and centres.

*Economic prescriptions at the transnational level:* Moreover, to address the problem that Pogge (2010) and Birdsall (2004) noted earlier, the skewed transnational economic order should be morally reformed to achieve a level-playing ground, which would properly cater to the economic interests of the poor developing countries, as it presently does to the economic interests of the wealthy developed countries. The wealthy developed countries, which are the main players in the transnational economic order, have a negative moral duty to refrain from supporting this skewed transnational economic order. Similarly, they have a positive moral duty to take steps to reform the extant skewed transnational economic order so as to show that they are truly committed to the reduction of poverty and the promotion of the economic growth of poor developing countries of the world. This, if done, would largely address the externalist dimension of the poverty problem in the developing world.

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Experientially, all these prescriptions have been basic to the growth and subsequent development of the West. Thus, if conscientiously followed by poor developing countries, morally supported by the West, these prescriptions could substantially help them create a generally positive institutional environment for growth and poverty reduction.

## Summary and conclusion

In this work, an attempt was made to advance a critical response to Hassoun's critique of the institutional thesis. For her, giving aid to the poor should not be made conditional on the quality status of their domestic institutions, since there is no compelling theoretical and empirical evidence supportive of the conclusion that giving aid supports to the poor with quality domestic institutions will better their lot. However, this present work advanced some arguments to show that, all things considered, insistence on the quality status of domestic institutions of the poor would substantially help to reduce poverty, especially in the developing world, where poverty is largely institutional-structured. Moreover, quality domestic institutions, on the basis of the arguments deployed in this work, could positively address the issue of future dependence of aid-receiving poor countries.

## Endnotes

[1] Communitarianism is committed to the position that the interest of the fellow citizens has a larger moral value than that of a foreigner. It expresses that our fellow citizens are more morally related and, thus, more morally relevant to us than foreigners. In other words, communitarianism is promotive of ethical (moral) particularism.

[2] Cosmopolitanism is committed to the position that all human persons ought to be accorded equal moral consideration; that they are all morally egalitarian. Thus, communitarianism is expressive of ethical (moral) universalism.

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[3] Perhaps, this new account of development has led to the evolution of the discipline of *Development Ethics*, or a variant, *Ethics, Society, and Development*, which the author designed and still teaches in his present institution of affiliation.

[4] The commas are not in the original.

[5] Italics in the original.

[6] Italics not in the original.

[7] Italics in the original.

[8] Italics in the original.

[9] Italics not in the original.

[10] The *SCN Theory*: S= Slavery; C= Colonisation; N= Neo-colonialism. The foregoing is regarded as a theory because they track and explain in part the problem of the modern African state. As noted, their explanation is partial because there is a fundamental internalist dimension of explanation to the African problem.

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