The Global Money Curse

"Financing Politics: A Global View" by Michael Pinto-Duschinsky, in *Journal of Democracy* (Oct. 2002), 1101 15th St., N.W., Ste. 800, Washington, D.C. 20005.

All around the free and quasi-free world, from Albania to Zambia, there has been no shortage of political finance scandals in recent years—and no shortage of ineffectual government measures to prevent them. Pinto-Duschinsky, a senior research fellow in politics at England's Brunel University, argues that it's time for a dose of realism.

"Laws are one thing; whether they are followed is quite a different matter," he notes. "In country after country, those investigating political financing receive the warning that laws are a dead letter or are honored in the breach." Consider, for example, regulations requiring public disclosure of the finances of parties and candidates. Of 114 countries on which information was available, 62 percent had such regulations, yet scholars who have studied them, says Pinto-Duschinsky, "have almost exhausted the vocabulary of contempt in describing [their] ineffectiveness." "Works of fiction," a specialist in France called them. About honest disclosure, a scholar in Italy said, "Hardly ever happens." "Just the tip of the iceberg," said another, in Japan, about the figures in the published accounts.

"Besides disclosure laws being ignored because of lack of political will to enforce them," Pinto-Duschinsky says, "such laws are frequently evaded because they apply only to a limited range of political payments." Evaders simply use other channels, from secret presidential slush funds (as in Zambia) to "party taxes" on public officeholders (as in many countries).

More than half of the 143 countries ranked "free" or "partly free" by Freedom House in 2001 offer public funds to parties or candidates. But that's no solution, either. These subsidies "have clearly failed to cure the problem of corrupt political funding," observes Pinto-Duschinsky. Recipients, of course, do not stop looking for other funds. "Some of the most serious scandals have occurred in countries with generous public subsidies, such as France, Germany, and Spain."

Pinto-Duschinsky questions the conventional wisdom that the money-gobbling demands of campaign television ads encourage a lot of today's chicanery. In many parts of Asia and Africa where televisions are scarce, there's no shortage of financial abuse, and even in the United States, elections for hundreds of thousands of lesser posts occur with TV playing little or no role.

Reformers, he concludes, should put "more stress on the enforcement of a few key laws such as those on disclosure, and less on the creation of an ever-expanding universe of dead-letter rules."

Dreaming of Direct Democracy

"Direct Democracy during the Progressive Era: A Crack in the Populist Veneer?" by Daniel A. Smith and Joseph Lubinski, in *The Journal of Policy History* (2002: No. 4), Saint Louis Univ., 3800 Lindell Blvd., P.O. Box 56907, St. Louis, Mo. 63156–0907.

The corruption of American politics has gone so far, some critics say, that even initiatives and popular referendums have become tools of special interests and other malign forces. Call it small comfort, but Smith, a political scientist at the University of Denver, and Lubinski, a law student at the University of Colorado at Boulder, argue that their home state's experience shows that direct democracy never had a golden age.

In 1912, after Progressive era reforms made direct democracy possible, Coloradans faced for the first time a blizzard of ballot initiatives and referendums—32 in all. An exciting three-way contest for president drew voters to the polls, as incumbent Republican William Howard Taft faced Democrat Woodrow Wilson and ex-president Theodore Roosevelt, running as the Progressive Party candidate. Yet direct

democracy didn't seem to stir much enthusiasm. On average, the ballot initiatives attracted votes from only 36 percent of those who voted for president. (However, 73 percent voted on a prohibitionist initiative, which went down to defeat.)

And even in 1912, long before television and campaign consultants, "special interests"—including public utility corporations, railroad companies, mining and smelting operators, and newspaper publishers—were busily manipulating the process for their own benefit. There were two initiatives to create a new body to regulate public utilities, one put forward by the progressive Direct Legislation League, the other sponsored surreptitiously by the utility companies and designed to create a commission beholden to them. Perhaps confused, voters defeated both measures. (The state legislature subsequently created a progressive-backed regulatory commission.)

"Besides sponsoring ballot initiatives," write Smith and Lubinski, "vested economic interests also successfully placed on the ballot six popular referendums that expressly challenged reforms passed in 1911 by the progressive-leaning legislature." Voters endorsed five of the antiprogressive measures.

Foreign Policy & Defense

Too Much of a Good Thing?

"The NGO Scramble: Organizational Insecurity and the Political Economy of Transnational Action" by Alexander Cooley and James Ron, *International Security* (Summer 2002), 5 Cambridge Center, 4th Fl., Cambridge, Mass. 02142–1493.

Everyone's cheering the rise of international nongovernmental organizations (NGOs). These groups, ranging from familiar brand names such as CARE-USA to the newer Doctors without Borders, can fight poverty, government corruption, and other global ills, say enthusiasts. Ultimately, power will shift from dysfunctional states to liberal private organizations. It's the dawn of a new global civil society!

Alas, there can be too much of a good thing, caution Cooley, a Columbia University political scientist, and Ron, a McGill University sociologist. As the number of international NGOs rises—it went from 1,000 to 5,500 between 1960 and 1996—competition for donor dollars drives them to act much like for-profits. They may aim to improve the world, but the focus on increasing market share, landing big contracts, and remaining solvent often leads to perverse results.

"Low barriers to entry," traditionally a virtue, may start the inefficiency ball rolling. In 1980, a total of 37 foreign relief agencies operated within one Cambodian refugee camp; in 1995, by contrast, 200 agencies flooded the refugee camps in Goma, the vortex of Hutu-Tutsi devastation in Rwanda. As a *Guardian* journalist put it, since aid had become "big, big money," any NGO "worth its salt recognized that it had to be in Rwanda."

Competition can lead to the squandering of aid: Money better spent abroad instead goes to grant-writers hoping for the same U.S. Agency for International Development (or United Nations, or World Bank) contracts. Duplicated efforts, endless rounds of meetings, and a growing tail-to-teeth ratio are other results. Worst of all, while competition may eliminate the inefficient, it can also eliminate some of the worthiest aid groups.

It's having to compete every six or 12 months to win a new contract that causes the worst problems, Cooley and Ron believe. The need to keep the money coming can encourage NGOs to hurt the very people they're supposed to help. In Kyrgyzstan, for example, NGOs brought in to help liberalize the economy encountered constant backsliding by local politicians. But because "donors often ask recipients whether the contractor's project should be renewed," the NGOs were reluctant to tattle. In Goma, "the refugee camps became de facto safe havens for Hutu fighters." In the