

Haiti's real crisis is poverty

Posted By [Ian Vasquez](#) On January 21, 2010 @ 12:00 am In [Deeper:Haiti](#), [Opinion](#), [Opinion:Lower Section](#) | [1 Comment](#)

Haiti's humanitarian disaster has rightfully elicited an outpouring of support from around the world. But the tragedy should also elicit outrage because the massive destruction, suffering and loss of life were largely avoidable.

Natural disasters, such as hurricanes and floods that have regularly afflicted Haiti, have plagued mankind throughout history. As the world has become wealthier, the ability to cope with such calamities has grown; annual deaths due to such disasters have declined by 96 percent since the 1920s.

Economic growth has made it possible for countries around the world, increasingly including developing nations, to mitigate damage done by "acts of God." Growth typically brings sturdier construction, insurance schemes, better infrastructure, a more diversified economy, an improved ability to respond to emergencies, access to savings and credit, and so on. Unfortunately, growth has bypassed Haiti. Despite receiving more than \$8.4 billion in foreign aid since 1980, Haiti is poorer today than it was 30 years ago.

Haiti's poverty—80 percent of Haitians live on less than \$2 per day—is especially tragic given the strong link between poverty and vulnerability to natural disasters. A study by the Belgium-based Centre for Research on the Epidemiology of Disasters looked at a recent 30-year period comparing natural disasters in the world's 10 richest countries to those in the 10 poorest countries. The center found that the average annual number of victims per 100,000 population per rich country was 36; for the poor countries it was 2,879 even though rich countries experience the same amount of disasters.

Why is Haiti so vulnerable? Its insular economic policies and dysfunctional institutions have kept Haitians poor. While developing countries around the world have successfully implemented economic reforms and significantly increased growth by participating in globalization, Haiti has not. It ranks in the bottom half of nations listed in the Fraser Institute's economic freedom index, and its rating has barely improved since 1980. The sustained lack of freedom goes a long way in explaining the precarious nature of Haitian's lives.

I was able to observe as much on a visit to Haiti five years ago, not long after a popular uprising ousted autocratic President Jean Bertrand Aristide, whom Washington re-installed to power in 1990s as part of a democratic nation-building effort.

I witnessed the extreme degree of Haiti's dysfunction. Hardly anything worked properly. Piped water delivery was unreliable or non-existent, so Haitians everywhere carried jugs or relied on water delivered by trucks. Electricity service was sporadic, so Haitians who could afford it relied on their own gasoline-powered generators; the rest went without light or used kerosene lamps. A visual inspection of the capital Port-au-Prince at night suggested that only about a third of the grid was in working order.

Public security was not only unreliable; it was dangerous. More than a couple of credible businessmen and civil society representatives recounted personal anecdotes about being kidnapped for ransom by the police. The money they paid in exchange for their freedom, they explained, went directly to Aristide. (Only nine countries in the world have more corruption, according to Transparency International). Crime was widespread, the police were considered just another armed gang, and those who could afford it hired private security.

There has been some improvement in security and foreign investment since then, but not enough to make a difference. Property rights are neither recognized nor protected by the state for the vast majority of Haitians. Bureaucratic regulations are stifling. According the World Bank, it takes 195 days and costs 228 percent of average income in legal and administrative fees just to legally start a business.

Ordinary Haitians labor heroically to survive. Peruvian economist Hernando de Soto recently calculated that 99 percent of Haitian businesses operate in the shadow economy. Prohibitively expensive formal laws push poor Haitians into the highly inefficient informal sector, limiting their potential for wealth creation.

As Haiti moves from emergency to reconstruction, calls for massive, long-term aid programs will only get louder.

The promise of aid is belied by its dismal record. Aid has helped keep Haiti poor. It has sustained poor government policies. It has led to debt, not development. The World Bank's qualification of Haiti as a country so highly indebted that it required debt forgiveness, is an implicit admission of aid's failure: all of Haiti's long-term debt was due to aid and government backed development schemes.

Let's not add to Haiti's misfortunes by getting it back on the aid treadmill.

Instead of relying on such largesse, Haiti should use the crisis as an opportunity to unshackle its citizens by dramatically increasing their economic freedom. The key to Haitian prosperity will be the willingness and ability of Haitians themselves to implement far-reaching market reforms.

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