# Haiti: Strengths, Challenges and Paths to Development

#### Introduction

In 1970, Haiti had an economic level similar to that of South Korea, Singapore and Hong Kong (World Bank, 2018a). Today, almost fifty years later, the Caribbean nation is the poorest in the Western Hemisphere, while its former Asian colleagues are among the most prosperous places on Earth.

According to Mises (2006) the difference between the developed and underdeveloped economies is a "difference in the supply of capital, the quantity of capital goods available. The amount of capital invested per unit of the population is greater in the so-called advanced than in the developing nations." Unfortunately, in Haiti, there are all too few institutions favorable to capital accumulation. This has translated into miserable living standards for its people.

We-present our suggestions for improvement in three main areas: I. rural reform, II. open markets and III. government efficiency.

In the first part, we address the situation of the rural sector, and identify three major problems: the excessive fragmentation of the land that leads to a tragedy of the anti-commons, prohibitions on foreign ownership and political and economic uncertainty. In this regard, the idea of a rural reform based on the assembly of scattered property rights and the lands market liberalization is outlined.

In the second part, we explore why Haiti is such a poor economy given that at the same time it is one of the most open in the Western Hemisphere. The answer is that although there are tax incentives for foreign investment and <del>a</del> relatively free trade, capital is not invested in Haiti because the country does not have good infrastructure conditions, the monetary system is unstable, and it is difficult to establish businesses. As alternative solutions, it is proposed to liberalize the port, energy and monetary sectors (eliminate central banking) and end bureaucratic obstacles to commerce.

In the third part, the three most harmful actors of Haitian governance are characterized: state, non-governmental organizations (NGOs) and foreign powers. We offer a transition plan towards a Private Law Society based on six principles: respect for consent, protection of fundamental rights, independent adjudication, clear and fair interpretive rules, remedies

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for wrongs, and freedom of exit.

We offer a series of reforms that could be implemented in the country to improve its situation in four areas: property rights, open markets, government efficiency and role of the international community.

## I. Rural Reform.

The Haitian countryside is a world of contrasts. On the one hand, it seems to be the only country in Latin America and the Caribbean where access to land is not a problem. While landless peasants abound in other parts of the region (Schneider, 2016), in Haiti approximately 80 % of the farmers own their plots and only 20 % are tenants (Smucker, White and Bannister, 2000). Likewise, the skills and knowledge of these farmers (what neoclassic economists call "human capital") are not negligible. Most farms have adopted crop diversification and rotation techniques (Coello, Oseni, Savrimootoo and Weiss, 2014), and it is common for them to use an innovative and "unusual form of farming called arboriculture,"1 which has made it possible to cope with the difficult edaphological conditions of the country.

Unfortunately, these positives are overshadowed by two factors that completely undermine agricultural productivity. First is the very high level of technological backwardness, as farmers basically work with hand tools. It is rare to see animal-powered vehicles and much less heavy machinery.<sup>2</sup> Second is an extreme cash shortage<sup>3</sup> (Smucker, White and Bannister, 2000). According to several commentators (Lundahl, 1983; Jickling and White, 1995; Palsson, 2018), the lag in the rural sector is the main cause of the country's underdevelopment, which makes Haiti a unique case in the region.

Does rural poverty have to do with the property regime? With great concern, Hernando de Soto (2000) tells us that, in Haiti, "68 per cent of city-dwellers and 97 per cent of people in the countryside live in housing to which nobody has clear legal title" (p. 20) (italics added). Not surprisingly, this Caribbean nation typically occupies a very low position on the International Property Rights Index. In

has an average of 1.6 tractors per 100 km<sup>2</sup> of arable land, while the regional average for Latin America and the Caribbean is 119. While these statistics are old, they are the latest available at the time of this writing. It is unlikely that the situation has improved in the last twenty years due to the constant economic problems the country has faced. However, this cannot be anything like a full explanation of the economic disarray in this country, for there are numerous jobs in first world countries where machinery plays little or no role. For example, artists, artisans, potters, hand weavers, botanists, masseuses, choreographers, dancers, musicians, psychologists, teachers, policemen, lawyers, judges, interior decorators, chefs, the list goes on and on. It is our contention, of course, that the underlying cause of poverty in this nation, or, indeed, any other, is lack of free enterprise and secure private property rights.

<sup>3</sup>This aspect is very interesting from the economic point of view. Due to the shortage of cash, some functions of money have been assumed by the most abundant factors of production: for example, the land has assumed the function of *deposit of value*, and labor, that of medium of exchange (Smucker, White and Bannister, 2000).

<sup>&</sup>lt;sup>1</sup>Nations Encyclopedia (n.d): https://www.na tionsencyclopedia.com/Americas/Haiti-AGRI CULTURE.html.

<sup>&</sup>lt;sup>2</sup>According to the World Bank (1998), Haiti

2018 she was dishonored with the very last position globally (125th) (Property Rights Alliance, 2018).

According to De Soto,<sup>4</sup> formal property titles is the key to economic prosperity. Therefore, in his opinion, it is up to the government to define private property rights and defend them through a robust judicial system. Allegedly, this legal support would protect the owner "against threats of eviction, grant him absolute freedom to alienate his assets" (Smucker, White and Bannister, 2000, p. 14) and guarantee investment security, which would stimulate growth economic (De Soto, 2009).

When property rights are not well defined and protected, as occurs in Haiti, two great tragedies come to existence: the first is the tragedy of the commons. Here, as nobody knows clearly what belongs to whom, unlimited rights of use arise over resources and very few rights of exclusion. This leads to overexploitation of the resource (Hardin, 1968).<sup>5</sup> The second tragedy is the generation of *dead capital*,<sup>6</sup> an economic concept that is defined as "a set of assets that cannot be easily exchanged or given a market value because no one owns them or has the right to exchange them. Those who use or occupy the assets will have no incentive to 'add

<sup>6</sup>According to Hernando de Soto (2000), the Haitian economy has \$5.2 billion in dead capital, which at that time was equivalent to four times the total assets of the 123 largest formal companies in the country.

value' to these assets because they cannot realize or unlock any capital gain" (De Soto, 2000, p. 8). However, this interpretation is contested. Some authors<sup>7</sup> suggest that, despite the scarcity of formal titles in Haiti, farmers are very clear about their land and even "feel secure enough to ... invest in their land" (Smucker, White and Bannister, 2000, p. 19).

How, then, can we explain this apparent paradox? The first thing to note is that De Soto's theory has a strong statist accent. It assumes that, if the property is not formalized by the government, the owners (most of them poor) would not enjoy the protective mantle of the state apparatus and would be at the mercy of the many "villains" who abound in the black market. In the absence of a legal title, they would not hesitate to plunder properties or impose their terms on land transfers. The weakest aspect of De Soto's theory is his claim that without a formal property title, the government would not know who the rightful owner of an asset is and could not tax him, and without taxes, it would be impossible to make "decisions in health care, education .... and environmental planning" (De Soto, 2000, p. 195).<sup>8</sup>

De Soto would be shocked to learn that Haitians rarely formalize their property titles because culturally they are a society that absolutely disregards the state. In two hundred years of independ-

<sup>&</sup>lt;sup>4</sup>Also see Boserup (1965), Demsetz (1967), Faría and Montesinos (2009), and Besley and Ghatak (2010).

<sup>&</sup>lt;sup>5</sup>Ostrom (1990) denigrates this concept. For critiques of Ostrom, and defense of this notion, see Jankovic and Block (2016).

<sup>&</sup>lt;sup>7</sup>Baland and Platteau (1998), Smucker, White and Bannister (2000).

<sup>&</sup>lt;sup>8</sup>See Calzada (2004), who demystifies De Soto, from a libertarian perspective. De Soto, properly, enjoys a reputation as a supporter of free enterprise (Freddoso, 2015). But we can see that it is not an unvarnished one. Another critic of De Soto, also from a *laissez faire* capitalist point of view, is Ahiakpor (2008).

ent life, they have managed to live insofar as possible away from the influence of the government. Their efforts have been so successful that different systems of law coexist and interact there. In the countryside, for instance, a private customary system rules, under which virtually all land-related conflicts are settled (USAID, 2010).

Haitian farmers deeply value their personal freedom. They are aware that each procedure they engage in with the state means paying higher taxes. Better to stay under the radar. Furthermore, they know that public officials, especially notaries, are usually unscrupulous and can legally alter the dimensions of their lands (USAID, 2010). For example, they may register more acres than a property actually includes, to force them to pay more real estate taxes. This widespread distrust of the state would ruin any massive titling program, which is De Soto's prime solution for these countries.

Haitian landowners are also interested in minimizing transaction costs. Formalizing property means choosing between five different property regimes contemplated in the civil code, which have the reputation of "generating rival property claims" (Smucker, White and Bannister, 2000, p. 17). On the other hand, due to the malfunctioning of the judicial system (Gwartney, Lawson, Hall and Murphy, 2018) it is almost impossible for a judge to do anything to resolve a claim. In fact, in the mentality of the average Haitian, state courts are the last resort to be used in a dispute.

Unlike state law, based on perverse incentives, Haitian customary law is predicated upon the social capital<sup>9</sup> that individuals accumulate. Thus, access to land depends on the social ties they establish throughout their lives, which can be based on kinship, ethnic-religious factors or simple business relationships. An important aspect of this system is that the agreements are self-regulated (Smucker, White and Bannister, 2000) and are usually made verbally (this is a weakness of the system), because in the Haitian peasant society a man's word has more value than a paper issued by the state. If a farmer formalizes his land, likely few if any of his fellow citizens will care. In fact, land is easily bought and sold without the need for deeds and approximately 95 % of sales are also conducted informally (FAO / INARA, 1997).

Haitians cannot be expected to renounce their traditional governance and leave all their legal affairs in state hands. Although it is not perfect, customary law represents a comparatively superior alternative to formal law, since, on the one hand, it "offers a more manageable level of risk," and, on the other, its "arrangements lower financial and transaction costs. They are flexible and adapted to daily realities of peasant decisionmaking" (Smucker, White and Bannister, 2000, p. 18).

The irrelevance of state certificates is such that statistics tend to ignore whether property was acquired formally or informally. In this regard, 75 % of owners accessed their land through inheritance (38 %) or purchase (37 %), while the remaining 25 % were accounted for through other mechanisms such as usu-

gate of the actual and potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu, 1986, p. 248).

<sup>&</sup>lt;sup>9</sup>Social capital can be defined as "the aggre-

fruct agreements, gifts, and "plots controlled by land managers for absentee landlords and leaseholds on state land" (Smucker, White and Bannister, 2000, p. 10). In the last case, which represents approximately 5 % of rural households, although the state has the legal ownership over land, peasants treat it *de facto* as private property, both in the use and in transfer.

Given that there are well-established and protected property rights underwritten via a better system than state law, why is agriculture lagging behind to such a degree? Here are the true causes of the problem.

## Problem 1: Tragedy of the Anticommons

Probably the reader will be surprised to learn that Haiti once had the most thriving economy in the world. In 1789, the country, which was then a French colony called *Saint-Domingue*, was the world's leading producer of coffee. More than 40 per cent of the sugar consumed in France and Britain was produced in its fields (Geggus,1981; Henochsberg, 2016).

In 1804, Haiti gained its independence thanks to the only successful slave revolt of modern history and then things changed forever. Encouraged by a spirit of revenge, the new leaders expropriated the lucrative plantations of French settlers and distributed them among more than 450,000 former slaves who constituted roughly 90 % of the total population of the new country (Henochsberg, 2016, p. 8). These lands were fragmented into thousands of small and inefficient farms dedicated to subsistence family agriculture. As expected, the local economy went from prosperity to misery, and from there it has never risen.

Not content with expropriating and

redistributing, the Haitian government mandated that the new owners bequeath their lands to all their recognized children. Thus, a cumbersome inheritance system of two types emerged: the *divided land* type, in which the original property is split into smaller properties of similar size, one for each heir; and the *undivided land* type, in which the property remains a unitary land block, but all heirs have the same rights over it (Palsson, 2018).

That is why in Haiti the land is excessively fragmented. Small production units predominate over large properties and in many cases, plots belonging to the same owner are not contiguous, which further complicates matters. To get an idea of this atomization, consider that each person has on average 0.09 hectares of arable land (World Bank, 2016).<sup>10</sup>

This fragmentation causes a tragedy of the "anticommons," a situation defined by an "overabundance of exclusion rights that leads to underuse of a resource" (Christensen, 2015, p. 10). In turn, there are two kinds of anticommons: *spatial anticommons*, which are goods whose area is so excessively subdivided that leaves "too little space for ordinary use" (Heller, 1998, p. 651) and *legal anticommons*, where "substandard bundles of rights are allocated to competing owners in a normal amount of space" (Heller, 1998, p. 651).

The divided lands in Haiti constitute spatial anticommons. The arable land is so limited that farmers are forced to cultivate as much land as possible and under all methods at his disposal. This desperate

<sup>&</sup>lt;sup>10</sup>The Haitian model of small family farms is unique in the Latin American and Caribbean region, where large-scale agriculture predominates (this model is called *latifundium*).

search for productive maximization relegates environmental conservation strategies to the background. That is why in Haiti problems such as deforestation and soil erosion are very common, which cause future production shortfalls. On the other hand, the plots are so small that it limits any planning attempt, so there is a risk that the land will be idle (Earth Institute, 2012). As an aggravating factor, the dispersed and non-contiguous nature of the property prevents the owner from establishing large tracts of land to cultivate efficiently. In fact, in Haiti almost nobody has large and continuous pieces of land that can be converted into plantations (Palsson, 2018), like those that gave the country economic success in colonial times.

For their part, undivided lands are legal anticommons. Here, each heir has usufruct rights over the land, that is, each one can work the land as he wishes, but the whole family holds the alienation rights. Therefore, if a peasant wishes to sell the property, he must receive the approval of all his relatives, which includes his brothers and all those distant relatives who feel they have some right over the property (Palsson, 2018). This system has been operating for two centuries, which means that the acreage has been divided among thousands of claimants increasingly dispersed among themselves. If this is not a real mess, then nothing is.

If a farmer wants to start a plantation, he would have to buy land from enough smallholders (of both regimes) to reach an efficient scale.<sup>11</sup> In fact, such a case occurred in the 1930s, when Standard Fruit and Steamship Company had the idea of establishing a capital-intensive banana plantation in Haiti but failed due to the large number of landowners with whom the land was to be negotiated (Palsson, 2018). Endogenous development has not been possible either because no owner has been willing to give up his rights of exclusion, which has prevented the consolidation of large-scale agricultural schemes (Palsson, 2018).

However, the most damaging part of this fragmentation is not the economic issue, but the social one. Haitians have assimilated it culturally, to the point of becoming an element of their national identity. To this day, both formal and customary law recognize partial inheritance as a vital part of their system of norms. Curiously, the very peasants harmed by this system recognize that "land-plot fragmentation due to inheritance is a critical point that restricts the efficient use of land, as well as the main reason why farmers cannot maximize their benefits" (Earth Institute, 2012, p. 15).

Land conflicts arising from inheritance are frequent, "but of low intensity and rarely violent" (Earth Institute, 2012, p.v). To resolve them, Haitians resort mainly to family gatherings, which usually allow the conflict to be resolved. If a solution is not reached, then some prominent figure of the community is used, whose verdict is respected by the parties in dispute.

<sup>&</sup>lt;sup>11</sup>The tragedy of the anticommons is also a phenomenon that extends to cities. After the earthquake in 2010, reconstruction work has become very difficult because the permission of all owners who own the destroyed real

estate is needed. This situation is similar to what happened in the Japanese city of Kobe in 1995. There, an earthquake destroyed more than 2,500 condominiums, forcing thousands of owners to try to decide unanimously what to do with the property they all shared (West and Morris, 2003).

Another "solution" that has been tried is to prohibit (by custom) the sale of inherited land to people outside the immediate community. This idea has proved ineffective since it imposes additional rigidity on the land market.

## Possible Solutions

Solving the tragedy of the anticommons is difficult and even poses moral dilemmas. In the tragedy of the commons, it would be enough to *establish* property rights over the overused resource, while the opposite is true here: they have to be *restricted*. From a statist perspective, this would be carried out through an eminent domain process, but due to the pro-free market approach of the present article that option is ruled out.

The phenomenon may disappear spontaneously as migration to cities increases.<sup>12</sup> However, the question arises: What would happen to the property left behind by migrants? Would it be sold to a third party? Or would it be abandoned? If so, in the long term it could run the risk of becoming a public land susceptible to a tragedy of the commons. That is, we would go from one tragedy to another.

In the case of undivided lands, we propose the following solutions: Firstly, transfer property rights to those relatives who have the closest ties with the land.<sup>13</sup>

Certainly, there is always the possibility that distant relatives, for whatever reason, will refuse to give up their rights. Therefore, we propose the consolidation of a "Land Rights" market, run by private companies and peasant families, where farmers can buy and sell property rights pertaining to plots of land. The transactions would be backed by Blockchain technology, which would guarantee the highest standards of security, transparency and agility.

Another solution would be the creation of limited liability companies. The farms would be managed as family corporations and all claimants would become shareholders. According to their link with the land, there would be majority and minority shareholders. The role of CEO would be taken up by the paterfamilias (Heller, 2009), or through a democratic election of all the property owners.

In the case of divided terrain, their owners would join their plots in land trusts for productive purposes. In this way, the agricultural scale would increase, and environmental conservation would be coordinated. In both cases, the accompaniment of external agents, such as private investors, land speculators and public interest law firms, is necessary. According to Heller (2009, p. 2), "gathering fragmented properties is one of the great entrepreneurial and political opportunities of our era." So, the task can be

tius, 1625; Hoppe, 1993, 2011; Kinsella, 2003, 2006, 2009A, 2009B, 2009C; Locke, 1948; Paul, 1987; Pufendorf, 1673; Rothbard, 1969, 1973, 32; Rozeff, 2005; Watner, 1982). There is no such thing, of course, in modern day Haiti, but, "any port in a storm." That is, upon occasion it is impossible to apply pure libertarian principle to a situation; one must cut and splice, and engage in an approximation.

<sup>&</sup>lt;sup>12</sup>In 1960, 84 % of the population was rural. Today it has dropped to 44 %, which shows a progressive migration to urban areas (World Bank, 2018a).

<sup>&</sup>lt;sup>13</sup>Why do we suggest this? This is due to the fact that one of the founding principles of libertarianism is homesteading of virgin land (Block and Edelstein, 2012; Block and Nelson, 2015; Block and Yeatts, 1999-2000; Block and Epstein, 2005; Bylund, 2012; Gro-

assumed by anyone who is motivated, not only by charitable impulses, but also by the desire to maximize profits.

Finally, it is necessary to carry out a long-term prevention work, so that the phenomenon is definitively eradicated. To do this, the customary law should be modernized by making the following changes: remove restrictions on the land sales system; incorporate new technologies (such as Blockchain) into contracts, which would reduce conflicts arising from the inefficiency of verbal agreements; and try to end, through voluntary mechanisms, the partial inheritance system, which is the ultimate root of the problem.

Through one perspective, partial inheritance is indeed an economic problem for Haiti. This system fragments the land among hundreds of heirs. Carried to its logical conclusion, if we extend this practice through sufficient decades and even centuries, "farms" in this country could end up being a square inch in size, or less. That is no way to run a railroad, agricultural experts will say, to mix our metaphors.

However, we can also view this from a very different perspective: people in this country, for some reason, have a consumers' desire for this precise system. Then, true, the land will not yield any amount of crops worth mentioning, but, welfare gains will be attained as people enjoy the prospect of smaller and smaller "farms."<sup>14</sup> Consider the practice in India to revere cows. If, instead, these bovines were slaughtered for meat, then, calculated GDP will inevitably rise. Does this mean economists must suggest that course of action? Certainly not. Rather, we deduce from the fact that the if cows in that country are allowed to meander freely, that there must be some joy in it for their owners.

Of course, matters are rather different in Haiti. The system had coercive elements at the outset, and thus is to be opposed by libertarians. However, there is such a thing as inertia. Habits are hard to break, even social ones. If the Haitian people are willing to sacrifice, materially, so as to maintain this system, all the economist can say is, we cannot say them nay on purely economic grounds.

# The Case of Water

Interestingly, water has had few problems related to property rights. Although the Haitian constitution establishes that this resource is a state domain, in practice, the inhabitants of the riparian zones have managed to establish well-defined private property rights over the water courses, which has allowed their correct allocation and utilization (Watkins, 2012).<sup>15</sup>

## Problem 2: Limits to Foreign Property

This system, inherently complicated, has another aggravating factor. In 1805, the government prohibited the possession of land by foreigners, a ban that was formally maintained well into the twentieth century. This, unfortunately, has been very successful in scaring off potential foreign investment flows during all during that time (Palsson, 2018). At present, despite

<sup>&</sup>lt;sup>14</sup>Scare quotes around this word, since such entities will not really constitute land on which agricultural products grow. Instead, the value given off by them will be in the form of psychic income.

<sup>&</sup>lt;sup>15</sup>For the general case in favor of water privatization, see Block and Nelson (2015).

the formal elimination of this veto, foreigners still face numerous legal barriers to acquire property in Haiti.

It is imperative to eliminate legal barriers to land access for foreigners. Under current conditions, a foreigner can only own 1.29 hectares in urban areas and 6.45 in rural areas and is prohibited from owning more than one property in the same geographical delimitation or possessing property near the border with the Dominican Republic. Furthermore, to acquire real estate he must have the authorization of the Ministry of Justice (International Business Publications, 2015) and in such a clientelist system as the Haitian, that means having good political connections to be able to carry out the process.

The fear, of course, is that foreigners may purchase the entire country. This seems, at first glance, like a horrid eventuality. It would appear unpatriotic to advocate "selling out" Haiti. But to look at matters thusly is to give up on any economic rationality. Surely, the question as to whether or not it is worthwhile to "sell out" the entire nation is, what will be offered in turn? If it is the proverbial "sun, the moon and the stars," then, of course, it is well worth it to do so. And not just this one country; this goes for any political jurisdiction. When Rockefeller Center in New York City was sold to the Japanese, the objection on the part of economic illiterates was along the lines of "Hey, we won the war fair and square, and now they are taking over our country?" But the point is, the sale price was such that the previous owners were more than well compensated for "selling out." The same applies to Haiti. The sale price will of course not be anything like three wishes from Aladdin's Lamp. However, to return to earth, the purchase price will necessarily be such that the previous owner will benefit in terms of economic welfare, at least in the ex-ante sense.

## Problem 3: Political and Economic Tension

In Haiti, the practice of *patronage* or *misuse of the law* is widespread, which allows elites to acquire large amounts of productive land, even if it requires the unjustified eviction of the original owners. That is why a sense of fear reigns in the countryside. Indeed, in the Expropriation Risk Index, the country rates very poorly.<sup>16</sup>

Another factor that vitiates against agriculture development is economic uncertainty. Just thinking and hearing that things are going wrong in the country, can reduce the incentive to engage in investment projects.

## II. Open markets.

## Trade Freedom

Surprisingly, Haiti is one of the most open economies of the American continent: customs duties are not too high (from 0 % to 20 %)—except for oil, which is 90 %)—the average applied tariff rate is 6.6 % (the lowest tariffs are applied to raw materials) and the import and export policies are non-discrimina-

<sup>&</sup>lt;sup>16</sup>The Expropriation Risk Index (2018), of the Credendo Group, classifies countries into seven categories, from 1 (low risk) to 7 (high risk). Haiti was in the sixth category, indicating that there is a very high probability of expropriations without monetary compensation, breach of contracts by the government and negative changes in attitude towards foreign investors.

tory against any country (Société Générale, 2018).

However, despite this commercial freedom, there are elements that prevent the full exploitation of the fruits of relatively free trade, such as: the highest port fees in the Western Hemisphere; infrastructure and power supply deficiencies; political instability; and a lack of transparency in commercial contracts, especially those that are made with the government (International Trade Administration, 2019).<sup>17</sup>

The situation would improve with the liberalization of two key sectors: ports and electricity. In regard to the former, Haiti should start with the complete privatization of the two largest ports in the country: Port-au-Prince (which is the only one that offers water-depth port services, which represents a great advantage for the country), and Cap-Haïtien, both of them operated inefficiently by the *Auto-rité Portuaire National*.

It is also necessary to liberalize the energy sector, a *de facto* monopoly exercised by the state company *Electricité d'* Haiti (EDH), which holds the rights to generate, transmit, distribute and sell electricity nationwide. In recent years participation of the private sector has been allowed, although it is strictly limited. Further, business firms are only allowed to generate electricity and then sell it to EDH. The service provided by the state is completely inefficient: "between 20 % and 40 % of Haitian households have some access to electricity" and "only receive power about 5-20 hours per day" (Steubi and Hatch, 2018, pp. 8-9).

<sup>17</sup>See also Barrau, Chávez Salazar and Block (unpublished).

Electricity theft and lack of transparency in price setting are common practices.

While these conditions are improving, trade liberalization must be radicalized. A declaration of absolute freedom of trade "with no tariffs, quotas, or other regulatory restrictions on imports and exports" (Ebeling, 2010) would be very helpful. As well, abolishing the HOPE II act<sup>18</sup> of the US Congress, which is a clause of politically managed trade, would greatly improve the Haitian economy.

## Investment Freedom

As in commerce, the environment is also theoretically favorable for foreign investment. To attract entrepreneurs, the Haitian government has established a zero percent tax rate for foreign companies for a term of 15 years (CFI, 2012) and they are legally treated as are local firms.<sup>19</sup> However, this incentive is not enough to attract foreign direct investment, since there are several restrictions that severely limit commercial freedom, namely: restrictions on land ownership, too many bureaucratic hurdles to establish a business, and monetary instability (Miller *et. al*, 2019).

The first reform should consist in rad-

<sup>18</sup>"The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II) affords preferential treatment for imports of apparel, textiles, and certain other goods from Haiti" (USTR, 2016, p.1). However, to access this privilege, this country had to implement regulations such as the establishment of a Labor Ombudsperson's Office and create a producer registry, among others, which is incompatible with free trade.

<sup>19</sup>That, unfortunately, is not saying very much.

ically reducing, if not completely eliminating, the obstacles created by business registration. Starting a new firm is very difficult, due to administrative requirements, the costs associated with bureaucracy and the payment of bribes to officials to accelerate the registration process (Gwartney, Lawson, Hall and Murphy, 2018). This process, on average, can take up to 97 days. In sharp contrast, in the neighboring Dominican Republic only 17 days are needed (World Bank, 2018b).

Another unfortunate characteristic of the Haitian economy is the weakness of its currency, the gourde, which has been continuously depreciating against the US dollar since June 2017. It fell, from an average of 62.85 gourdes to one U.S. dollar in October 2017 to 67.45 gourdes by June 2018, and 70.79 gourdes by September (International Trade Administration, 2019). This has generated a strong distrust in the currency, which has led to an increasing dollarization of the economy. At the end of fiscal year 2018, "dollarization indicators remain high for both total deposits (60 %) and M3 (52 %)" (ECLAC, 2018, p.2).

One measure that would contribute to strengthening this fragile monetary institutional framework is to abolish the central bank (Bank of the Republic of Haiti) and allow commercial banks to issue their own bills, convertible in any monetary base of their preference, for instance, the US dollar, some other strong currency or, preferably, a commodity (gold, silver).<sup>20</sup> Likewise, the Haitian government could declare the whole country as a Free Economic Zone (FEZ), free of taxes on foreign investment in perpetuity (the fifteen-year term would thus be radically expanded) or establish Special Economic Zones, with 0 % corporate taxes featuring its own administrative and legal regime.<sup>21</sup>

## **III.** Government Efficiency.

In Haiti, governance services are provided by four actors: private militias and courts, the state, international NGOs, and foreign powers. In this section, we characterize the last three, which are the ones that most heavily affect the system, and we will outline a possible transition to free market governance.

## The State

The state is a multifaceted concept with four levels of meaning (Barrow, 1993): an instrument of the class struggle, a territorial monopoly on coercion, an administrative machinery, and a mental construction.

## The State as a Class Instrument

According to the libertarian theory of social classes, society can be divided into two groups: the ruling or exploiter class,<sup>22</sup>

<sup>22</sup>Unlike Marxism, in libertarian theory "Exploitation takes place whenever any deviation from the homesteading principle occurs. It is

<sup>&</sup>lt;sup>20</sup>For the case in favor of gold as money, see Block and Barnett (2008), De Soto (2006), Greaves (1995), Greenspan (1966), Hazlitt (1980), Herbener (2002), Howden (2008), Hulsmann (2008), Kaza (1996), Mises (1952, 1981), Mundell (1981), Murphy (2010), North (1986), Palyi (1972), Paul (1985), Paul and Lehrman (1982), Rader (1980), Reisman

<sup>(1996, 2000),</sup> Rothbard (1962, 1963, 1975, 1983, 1985, 1992), Selgin (2015), Sennholz (1985), and Vieira (2002).

<sup>&</sup>lt;sup>21</sup>For more on this see Butler (1981), Everitt (2011), Ferrara (1982), Ge (1995), Gebel (2018), O'Neill (2009), Wall (1976), and Wilder and Rubin (1996).

who is "whichever group has managed to seize state power" (Rothbard, 1995, p. 75). This comprises, generally, the political elites and their cronies in the productive sector. Second are the ruled or exploited class comprised of "those groups who are taxed and regulated by those in command. Class interest, then, is defined as a group's relation to the state. State rule with its taxation and exercise of power ... is the instrument that creates conflicts (struggle) between the rulers and the ruled" (Rothbard, 1995, pp. 75-76).

In Haiti, the class struggle is manifested with great intensity within the ruling class. Since  $1820^{23}$  the country has

<sup>23</sup>Haiti has an interesting political history. In colonial times it was not a true political entity, rather a "no man's land", a society of buccaneers and speculators who only sought to make quick fortunes and leave (Gordon, 1983). After independence, in 1806, political elites divided the country into two states: a experienced an ethnically based elite conflict starring the mulatto faction (which began as a simple urban merchant class without power ambitions) and the black faction (originally rural and military), who have faced each other violently for "dominion over the administrative apparatus of government" (Nichols, 1979, quoted by Fass, 1988, p. 2). This dominion allows the winning side the capture of the "monopoly profits on export taxes and import duties" (Fass, 1988, p. 2).

Haitian political elites have an exceptionally high time preference. When one of its factions captures power, its main economic policy is to extract the greatest amount of wealth in the shortest possible time.<sup>24</sup> Unlike most other democratic leaders, those in Haiti have no idea how long they will remain in office, because the threats of coup d'etat are constant.<sup>25</sup> In two hundred years of independent life, the country has experienced only 29 years of political stability (between 1957 and 1986, during the Duvalier dictatorship) and a single peaceful transition of power between two democratically elected pres-

<sup>24</sup>The importance of this factor is the core thesis of Hoppe (2001).

exploitation whenever a person successfully claims partial or full control over scarce resources he has not homesteaded, saved, or produced, and which he has not acquired contractually from a previous producerowner" (Hoppe, 2006, p. 125). According to Oppenheimer (1926, pp. 24-27): "There are two fundamentally opposed means whereby man, requiring sustenance, is impelled to obtain the necessary means for satisfying his desires. These are work and robbery, one's own labor and the forcible appropriation of the labor of others .... I ... call one's own labor and the ... exchange of one's own labor for the labor of others, the 'economic means' for the satisfaction of need while the unrequited appropriation of the labor of others will be called the 'political means' .... The State is an organization of the political means. No State, therefore, can come into being until the economic means has created a definite number of objects for the satisfaction of needs, which objects may be taken away or appropriated by warlike robbery."

mulatto republic in the south and a black kingdom in the north. This seemed to be the perfect formula to settle their differences, but in 1820, the former militarily defeated the latter and the country reunified under the name of Republic of Haiti, a political status it maintains until today (Gros, 2001).

<sup>&</sup>lt;sup>25</sup>"24 chefs d'État avaient, de 1804 à 1954, été renversés ou assassinés" (24 heads of state were, from 1804 to 1954, overthrown or murdered) (Renaut, 2008, p. 478). After the Duvalier régime's fall in 1986, Haiti has had 19 presidents, which indicates a duration in office of approximately two years (Sutherland, 2012, p. 7).

idents (in 2011, from René Préval to Michel Martelly).

Political elites have behaved like private mafias whose only interest is to annihilate their internal rivals. During the 19th century, presidents recruited new soldiers as personal guards and used them to persecute the opposition. Once the government fell, these soldiers were put to the service of the next. In the 1830s, the Haitian army numerically exceeded the British and consumed on average more than 40 % of the national budget (Gross, 2000). No government has ever worried about executing any development plan for the country. They were too intent upon feathering their own nests.<sup>26</sup>

At present, the elites' conflict is fought by three major factions: one created by former President René Preval, another established by Jean Bertrand Aristide, who is probably the most popular politician in the country, and, thirdly, the *néoduvaliéristes*, currently in power. The first two are mostly (ethnically) black and positioned on the political left, while the last one brings together blacks and mulattos (which suggests that ethnic differences have eased) and is ideologically right-wing.

Another element of the exploiting class consists of commercial groups of people of Syrian-Lebanese, Jewish, European and North American origins. During the 19th and 20th centuries they wove alliances with political elites to obtain monopolies and manufacturing privileges. However, the relationship between the two elites is not always friendly, since on numerous occasions violence has been employed (Gross, 2000). This elite struggle has had devastating consequences for the exploited class, since it has drained the nation's productive resources, has subjected society to a state of permanent plunder and has increased the country's vulnerability to foreign military powers (Gross, 2000).

## The State as a Territorial Monopoly

In the classic definition of Max Weber, the state is an "agency characterized by two unique and logically connected characteristics: the exercise of territorial monopoly over the ultimate decision making and the exercise of the territorial monopoly of taxation" (Hoppe, 2012, p. 15). In Haiti, the state power to formulate and enforce laws is limited. Parliament is constantly paralyzed and the prime ministers' political life expectancy is short. With respect to enforcement, the judicial effectiveness is virtually nil: "The country has an outdated penal code, procedures are opaque, there is no judicial supervision and corruption is widespread" (Miller et. al, 2019). This dysfunctionality of the justice system has brought about a situation where "many matters are resolved through customary law and other informal mechanisms" (Verner, 2007, p. 62). In turn, these customary laws influence the actions of the justices of the peace, who constitute the lowest level of the state judicial power and, therefore, offer the most accessible to the people.

On the other hand, the Haitian state is in effect one more actor in a protection services market,<sup>27</sup> since various private

<sup>27</sup>In 2017 the government created an army,

<sup>&</sup>lt;sup>26</sup>On the other hand, paradoxically, this might be to the advantage of the Haitian economy. If only the rulers were too busy with internal disputes to refrain from implementing any "development plan" poverty might have been lowered. But, instead, the government did indeed interfere with economic freedom, as we have seen, *supra*.

militias offer the population "consensual protection from real or perceived threats" (Cockayne and Lupel, 2011, p. 115). This is done through different defense models that "derive their legitimacy from factors such as efficiency, religious affiliation or ethnicity" (Ibid). Thus, at least in terms of defensive violence, the state does not have a monopoly. It lacks this status in terms of offensive violence, because there are also criminal gangs that offer "protection" in exchange for tributes whose collection can become coercive. In fact, dictators Francois and Jean Claude Duvalier managed to stay in power (1957-1986) thanks to private gangs known as Tonton Macoutes.<sup>28</sup>

The Haitian state has difficulties in effectively exercising its monopoly in terms of taxation. Its technical capacity is very limited and fiscal evasion is widespread; hence, the tax collection is sparse (Health Policy Project, 2016).<sup>29</sup>

For these reasons, Haiti falls into the category of "failed states," specifically those of the anemic type<sup>30</sup>: it performs

<sup>29</sup>This does not altogether have a negative impact on economic development. Given that government is an impediment to growth, not an enhancement for it, the smaller is this institution, and the less tax it imposes on the citizenry, the better its prospects in this regard, other things equal.

<sup>30</sup>Gros (1996) identifies five types of failed

some functions but executes them ineffectively and sporadically.

## The State as a Bureaucratic System

Let us consider the financial and operational attributes of the Haitian state. Its revenues are as follows: domestic taxes (45 %), grants (30 %), custom duties (20 %) and "other current revenue" (5 %) (Health Policy Project, 2016).

Domestic taxes are relatively low,<sup>31</sup> and are unlikely to be increased, since more than half of state revenues (55 %) (Health Policy Project, 2016)<sup>32</sup> come from external sources. This is a fixed source of income for the ruling class, which is sufficient to secure its economic position and political power.

On the expenditure side, between 1991 and 2017, public spending in relation to GDP reached an average of 6.17 %, with a minimum of 3.11 % registered in 2013 and a maximum of 10.76 % in 1994 (World Bank, 2017). Salaries "represent a high proportion of public spending (40 %), as well as of total reve-

states: "anarchic" states, such as Somalia (1991-2006), where there was no central authority at all; phantom states, like Zaire under Mobutu, where the sole purpose of the state structure is to protect the ruler and his cronies; anemic states, like Haiti; captured states, which have a strong authority, but captured by members of some elite (the case of Rwanda in the 1990s); and aborted states, which are those that fail even before consolidating a process of state formation (the case of the Bosnia in the 1990s).

<sup>31</sup>The corporate tax rate is 30 %, individual income tax, ranges between 10 % to 30 %, and tax on value added, is 10 % (CFI, 2019).

<sup>32</sup>See Macro-Fiscal Profile Haiti (Health Policy Project, 2016).

until now nonexistent in the country, which would be in charge of serving as a support force in natural disasters and patrolling the border with the Dominican Republic (BBC Mundo, 2017).

<sup>&</sup>lt;sup>28</sup>This is not to deny, of course, that there are criminal gangs in many other countries. The difference is that these extra-statist gangs have much more legitimacy in Haiti than elsewhere.

nues (46 %)" (Inter-American Development Bank, 2013, p. 13).

In operational terms, Haiti has a small state structure, even compared to other low-income countries. Public jobs represent only 2.8 % of all jobs (Inter-American Development Bank, 2013, p. 13), and in per capita terms, the government "employs only 0.6 % of the population, compared with 2.3 % in lowincome countries" (Inter-American Development Bank, 2013, p. 13). Bureaucracy is dysfunctional and staff turnover is very high, because jobs depend on political recommendations and pull.<sup>33</sup> (At present, the néoduvaliériste faction is the one that has captured the state, so all the fiscal agencies such as ports, customs agencies and tax offices are controlled by senators close to the current president Jovenel Moïse.) The Haitian state also prevents the efficient operation of the private sector by imposing its bureaucracy on business and by limiting its participation in economic sectors (such as electricity) over which it has few if any technical skills. Therefore, the small Haitian apparatus neither works (because its main interest is to seek subsidies from abroad) nor does it allow others to function.

## The State as a Mental Construction

The Haitian state lacks an important prerequisite for stable power: popular acceptance. Instead, Haitians perceive it as an alien entity (Saye, 2010) that they deeply distrust. For instance, despite knowing the legal procedures, Haitian farmers prefer to resort to traditional law.

This suspicion is not only reflected in the widespread and successful reluctance to pay taxes, but also in political participation, which is one of the lowest in the world. For instance, in the presidential election of November 2016 only 21.09 % of the electoral census participated (Union Européene, 2017, p. 24).

## International Organizations

In 1971, the international community decided to outsource NGOs to provide humanitarian aid to Haiti, instead of delivering it directly to the government as before. Since then, a symbiosis has been created between these organizations and the successive Haitian administrations. It is very common for bureaucrats to devote a large amount of time and resources to offer special privileges to humanitarian personnel (Polyné, 2013). For that reason, it is possible to discuss a third member of the exploiting class: the *charitable elite*.

It is estimated that approximately 10,000 NGOs operate in the country, although the number may be much higher if we consider that after the 2010 earthquake the arrival of humanitarian aid intensified. These organizations, in theory, should be financed only through private donations, but the reality is that a large number of them owe their capital to governmental entities such as USAID and supranational entities (World Bank, International Monetary Fund, and the United Nations). Therefore, these NGOs are appendages of foreign states and as such have become strong political forces that are involved in virtually all areas of social life: security, construction, education and medical care (Polyné, 2013).

According to Seintenfus (2006),

<sup>&</sup>lt;sup>33</sup>It is not pellucidly clear that what has replaced this system in advanced counties, the civil service, is an improvement. At least, here, when the rascals leave office, they replace previous job holders with their own men. In contrast, public sector employment grows and grows; the old rascals keep their jobs.

among all the Third World countries, Haiti has received the most external financial support. It is estimated that only in the 2010-2020 period, Haiti will have received a total of 16.4 billion dollars (13.34 billion from multilateral organizations and 3.06 billion from United Nations, NGOs and private donors) (United Nations, 2012). According to the OECD (2018), in 2017 alone the country received 987 million dollars, equivalent to a little more than 10 % of that fiscal year's GDP.

Despite this amount of aid, "there has been no lasting benefit or sustained improvement in the wretched conditions of the Haitian people" (Ebeling, 2010). Charity, "foreign aid," has pernicious long-term effects.<sup>34</sup> The most important of these is that it discourages business effort. For example, Enersa was a company that had a lucrative business of solar panels. But after the 2010 earthquake, humanitarian organizations gave away literally thousands of them for free; that caused Enersa's bankruptcy and a further reinforcement of the "free lunch" mentality.

## Foreign Powers

Among international actors, the US government is the one with the largest share of responsibility for the plight of the Haitians from this source. It is not only the largest net contributor of "aid" (OECD, 2018) but during the last century has also often intervened directly in Haiti's political affairs. Between 1915 and 1934 the

American government carried out a military occupation that left at least 2000 native dead (Scherr, 2019, p. 6). All the post-invasion governments were placed under the thumb of Washington: they needed US approval for virtually all decisions. In 1991, after the overthrow of the puppet government headed by Jean-Bertrand Aristide, the Clinton administration imposed an economic blockade that further impoverished the country. This lasted until 1994, when it intervened militarily to restore Aristide in office. The most recent US military invasion of Haiti occurred in 2004, curiously, this time to depose Aristide.

# **Towards a Private Law Society**

We the authors favor anarcho-capitalism, market anarchism or Private Law Society as the ideal situation for any society. That is why in this section we propose the consolidation of a governance<sup>35</sup> services industry for Haiti that allows its inhabitants to live in peace and prosperity, from the fulfillment of the following minimum elements (defined by Bell, 2017):

*Respect for consent.* The establishment of a new model of governance must have the approval of Haitians.

*Protection of fundamental rights*. That is, apply the libertarian non-aggression principle (Rothbard, 1973), which establishes that no individual should initiate the use

<sup>&</sup>lt;sup>34</sup>Chavez (2018), Alesina and Weder (2002), Bauer and Yamey (1957), Castle (1957), Easterly (2007), Loeber (1961), McNeill (1981), Moyo (2009), Riddell (1987), Rothbard (1958), Thornton (2002), and Vance (2000).

<sup>&</sup>lt;sup>35</sup>"Governance" should not be confused with "Government." The former refers to "all process of governing, whether undertaken by a government, market, or network, and whether through laws, norms, power, or language" (Bevir, 2012, p. 1). For its part, "government" is just one type of governance and the only one that uses coercion to enforce its norms.

of force against the person or legitimate property of another (nor should he threaten to do so). The only legitimate aggression is that which is done in self-defense.

Independent adjudication. "A governing service must resolve not only disputes between its citizen-customers but also *their* claims against *it*" (Bell, 2017, p. 111). For such cases, an independent adjudication mechanism must be provided, in which a third party (neutral and mutually accepted by the parties in conflict) resolves the dispute.

*Clear and fair interpretive rules.* The law's interpretation must be clear, fair and consistent. The obscure and twisted interpretations that states commonly make (for their own benefit) would not take place in a free market governance model.

*Remedies for wrongs*. Arrangements must be contemplated so that the aggressors effectively repair the victims and receive a penalty proportional to the damage committed. Here, different options to imprisonment such as compensation, exile, or even forced labor could be considered.

*Freedom of exit*. No governance company may use coercion or claim territorial monopoly over the country. Likewise, the clients of any governance company would have the right to dispense with their services whenever they wish.

It is not possible to know what specific characteristics the governance industry would have in Haiti, because that depends on the process of discovery, free and spontaneous, of entrepreneurs. It is possible that different models of governance would be implemented in the country, such as free market cities.<sup>36</sup> However, we can mention formulas to pave the ground, that is, establish the initial conditions that allow the flourishing of a business function in the governance services sector. To do this, it is necessary to bypass the three actors we analyzed earlier: State, NGOs and foreign powers.

Ending the Haitian state is relatively easy, because it is a failed state: it does not exercise a monopoly on coercion, and it is administratively inefficient and lacks social legitimacy. The only attribute that it fulfills is that of being a coercive class instrument. That is why to eliminate it, it is necessary to negotiate with the exploiting class, as would one who negotiates with a terrorist band.

In this process, the negotiators would be those entrepreneurs who have seen the business opportunity in the governance sector and who moreover have substantial economic power. They could "purchase" the political elite with juicy incentives, in exchange for leaving the country alone.

The political elite lives on international grants and trade taxes, so our negotiating team could make two much more lucrative offers:

a) Help it establish governance firms: Moise, Inc., Aristide & Associates, might be cases in point. In that way, rulers could legitimately become rich by providing a service their countrymen urgently need. Initially these companies might well be the largest and most substantial. But if the six principles of good governance are respected, a free competitive environment would be created in which new and possibly better companies would enter and succeed. This strategy is

<sup>&</sup>lt;sup>36</sup>At the very least, free enterprise zones; see

Note 21, supra.

something akin to turning bad guys into good guys.

b) If the previous strategy fails to convince them, an idea originally formulated by speculator and investor Doug Casey (n.d.) might work. This consists of placing 100 % of the government assets (companies, airlines, lands, real estate) in a publicly traded corporation, nominally called *Peoples Empowerment Corporation* (PEC). The shares would be distributed as follows: 70 % to all the citizens, 10 % to a trust for the next generation of citizens and 5 % invested in international markets. (Mr. Casey does not specify what would be done with the remaining 15 %).

While this proposal is innovative, it is not without some drawbacks The first is that PEC dividends could become a substitute for a Universal Basic Income, an idea that would be doubly disastrous for a country like Haiti, where years of free international aid have created a dependency mentality.<sup>37</sup> A Haitian citizen could easily sit down and wait for their dividends and do nothing productive. On the other hand, there is no certainty of how trust would be effective for new generations.

In order to avoid these things, the following is proposed: sell 80 % of the assets of the Haitian government. In turn, 80 % of the revenues from that sale would be placed in a *Victims Reparation Fund* and divided amongst all Haitians. In that way, the exploiting class would be compensating some of the damage they had caused to the exploited class, while the remaining 20 % would be used as seed capital for productive projects.

A feasible way to end the Haitian state would be to give money to the political class, because that would greatly interest them. In this case, the bribe would be to create a publicly traded corporation (in any economic sector) with those government assets that were not sold (20 % of the total), place it under their ownership, and invest in international markets. That way they would no longer exploit the country. (From the strict libertarian point of view, however, this bribe would not be legitimate. Our motto, to coin one, is "millions for defense, not a penny for tribute.") The Victims Reparation Fund would compensate the Haitian people for some of the damage caused by their State, so no more resources (such as dividends) would be distributed to them.

Once one of these options has been accepted, an agreement should be reached, establishing a Constitution for Transition, based on the libertarian nonaggression principle. This would overthrow the entire legal system of the Haitian state (absolutely everything) and all its archaic structures. In Haiti there would be no central authority (not even a minimal one, as it exists today) and Haitians would feel relieved to know that the threat posed by their state has disap-

<sup>&</sup>lt;sup>37</sup>"Libertarians" who support UBI include Bowman (2016), Kuznicki (2016), C. Murray (2006, 2016), Tanner (2017), Vallier (2012), Varney (2018), Walker (2017) and Zwolinski (2013, 2014). Conservative backing is offered by Gordon (2014), I. Murray (2016). Libertarians who oppose this policy include Caplan (2019), Cooper (2016), de Jasay (2003), Dowell (2019), Ezrati (2019), Friday (2019), Friedman (2013), Gordon (2015), Henderson (2013, 2015), Hunter (2017a, 2017b), Iglesias and Block (unpublished), Keeble (2017), Mitchell (2018, 2019), Nino (2018), Sammeroff (2019), Smith (2017, 2018), Vance (2014, 2017) and Vincent (2019). Acemoglu (2019) is a mainstream economist who criticizes this policy.

peared.<sup>38</sup> This would lead to a climate of social stability that would be highly attractive to foreign investors. They would be invited to establish their own governance companies or contribute to the modernization of the private law and protection systems already operational in the country.

However, the state is just one of the obstacles to good governance. This negotiation would also have to be carried out at the international level, with those governments, multilateral agencies and supranational agencies that now provide humanitarian "aid" to Haiti, so as to radically reduce them. This would lead to the disappearance of most of the NGOs that occupy this presently beleaguered country. Only those funded exclusively by private donors would remain.

Due to the extreme dependence of the Haitian people on these organizations, a sudden disappearance could lead to violence. So instead of eradicating them at one fell swoop, they could be converted into for-profit organizations. Humanitarian aid resources would be its initial capital and after entering operations, the flow would stop completely.

Haiti's transition to prosperity also necessarily implies the end of the political/military intervention of other states in its internal affairs, especially that of the United States. On the other hand, it is necessary to provide the country with mechanisms that allow it to face possible international sanctions. An interesting aspect in this scenario is that of international relations. Haiti would continue to be an internationally recognized entity with defined borders. In the minds of its inhabitants, "Haiti" would continue as a cultural idea or element of social cohesion, even if there is no longer any state there. This situation would be similar to that of the Germanic states of the Modern Age, whose inhabitants felt part of "Germany," long before it existed as a unified state.

In diplomatic matters, embassies and consulates would be closed,<sup>39</sup> but many of their services will be offered by governance companies. For example, they would offer protection to citizens/clients residing abroad when they face a dangerous situation: persecutions, natural disasters, robberies or legal problems.

Finally, it is also likely that the concept of citizenship will continue to exist. A good reference here is Somalia.<sup>40</sup> This country lived without a state for sixteen years (1990-2006) and during that period passports were issued by private companies. Anyone with eighty dollars could

<sup>&</sup>lt;sup>38</sup>The result would be dismissed as "anarchy" by supporters of the status quo. But desperate circumstances call for radical remedies. We maintain that the consequences would not at all resemble "chaos," usually associated with "anarchism." Rather, it is sour view that chaos now exists in this struggling country.

<sup>&</sup>lt;sup>39</sup>There was, perhaps, some justification for them during horse and buggy days. But, with modern means of communication, it is more and more difficult to justify this archaic institution.

<sup>&</sup>lt;sup>40</sup>The experience of Somalia is often derided. True, when its economy is compared to that of the US, Canada, Japan or European countries, Somalia is dead last. But, when more reasonably contrasted to its neighbors in Africa, an entirely different pattern emerges. See on this Coyne (2006), Leeson (2007), Little (2003), Margolis (2007), Menkhaus (2003), Mubarak (1997, 2002), Nenova and Harford (2004), Powell, Ford and Nowrasteh (2008), Powell (2009), Rothbard (1993) and Van Notten (2005).

get one in less than 24 hours, even if they were not born in the country (BBC News, 2004). In Haiti, an industry of economic citizenship could even flourish, which consists in granting a passport to anyone who invests in the country.

#### **Concluding Remark**

Many of our suggestions for development of this country are radical. It is our hope that at least some of them will be adopted. As for the powers that be in this regard, we suggest you take from this what you like, and ignore the rest.

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