

Readers' Forum

To the Editors:

I read with interest Barbara Sall's article "Trickle Up: A Solution to Third World Poverty" in the April 1990 *Freeman*. While I believe that programs such as TUP do much to improve conditions for the poor, I think that TUP and other programs like it fail to address fundamental problems in the poor's access to credit. As a result, they can scarcely be called a solution to poverty but are at best a palliative. And at worst, by pretending to solve the problem, they distract attention from the real impediments to poor entrepreneurs in the Third World, and delay the implementation of policies that would truly rectify the situation.

By and large, these programs rely on charitable assistance to provide credit for the poor. But why don't the poor have access to domestic credit? The answer is to be found in Hernando de Soto's research in Peru. He has pointed out that the unavailability of credit to the poor is related to their lack of access to the legal system.

One of the requirements for acquiring a TUP grant is that the grantees must be able to secure the necessary government approvals and licenses. But, what happens when it takes 289 days of full-time effort to acquire such a license? What good is a micro-enterprise loan or grant when the costs of obtaining all the necessary government authorizations in a lawful manner rise to several times annual per capita income in the poor countries? (Hernando de Soto has shown this to be the situation for informal entrepreneurs in Peru.)

A long lasting and effective way of ensuring that the poor have access to credit is found in removing the legal and institutional obstacles placed in their way by mercantilist economic systems, and by fostering intermediary institutions so that they may have access to the legal and financial systems on a permanent basis.

Graciela D. Testa, Editor
International Health & Development
Washington, D.C.

Barbara Sall replies:

Graciela Testa has made some very important and positive points concerning the need to reform the legal and economic impediments to development in Third World countries. In fact, these needs were reiterated by Melanie S. Tammen, a policy analyst with

the Competitive Enterprise Institute in Washington, D.C., in the June edition of *Reason* magazine.

Tammen refers to Hernando de Soto's pioneering book, *The Other Path*, which "explains why only legal and regulatory reforms will permanently enfranchise Peru's microenterprises. . . ." So persuasive are de Soto's and others' arguments on the need for massive reforms in the way Third World countries do business, that even the World Bank is calling for legal reforms that would "make it easier to small enterprises with relatively large financial needs to use formal services."

But calling for a significant change in legal and economic policies that would allow very poor people to compete with the large family monopolies that are the beneficiaries of bureaucratic, legal, and regulatory controls is one thing—obtaining results that will bring in the little bits of money necessary to get poor families through one more day is another. Denying tiny enterprises their first chance at self-sufficiency for the long-range goal of changing hundreds of years of repressive policies may be impossible for people like the Leets, directors of the Trickle Up Program, to handle.

Instead, I would prefer to believe that the pressure of newly successful small entrepreneurs will be greater than any milquetoast reform guidelines imposed by the World Bank, AID, and other international development agencies. I seriously doubt that large Third World aid corporations will cease their number one task—that of funding the very regimes that deny credit and financial empowerment to the very poor.

The power of thousands of self-sufficient families, however, now able to educate their children and employ dozens of their relatives, to push for these extremely important reforms should not be underestimated. Likewise, the dismal track record of international aid organizations and reform-minded politicians in Third World countries should not be forgotten. As we have found only too often in this country, the removal of barriers to economic growth imposed by government is one of the most difficult tasks of a free people. It only becomes possible if those people have the ability to feed, educate, and shelter themselves. Any assistance toward those ends, such as the Trickle Up Program, will hopefully work toward the final goals expressed so well by Graciela Testa.

Barbara L. Sall
Boise, Idaho

The Quest for Community

by John Chamberlain

The Quest for Community, subtitled "A Study in the Ethics of Order and Freedom," was written in the 1950s by Robert Nisbet, a professor of sociology at Columbia University. Originally published by the Oxford University Press, it has now become part of the "ICS series in self-governance" published by the Institute for Contemporary Studies (243 Kearny Street, San Francisco, CA 94108, 272 pages, \$10.95 paper).

The book is confusing because pluralism, which Nisbet welcomes, is in itself confusing. As George Roche of Hillsdale College has said, we live in a "bewildered society." We come out of a 19th century in which men believed in individualism. They were satisfied to take status from membership in the "intermediate" organizations of the family, the church, the private school, the labor union, the sports club, the dramatic society, and so on. For the rest, they were happy in a world that believed in something called "progress." Community took care of itself.

But Tocqueville, that prophetic French visitor of the early 19th century, sensed troubles to come. Democracy was fine, but there could be tyrannies of the majority. The Founding Fathers, in dividing the powers of government, had done their best. But community was not a matter of elections and parliaments. It was a matter of man's relation to the cosmos in which we all must live.

Tocqueville worried about the strong drives of individualism and Statism which seemed to put inexorable pressure from two ends of the scale on the "intermediate" organizations. He saw the State stepping in to assume powers that should belong to groups of citizens. Unfortunately, citizens can be passive. The State didn't have to be the

wicked enemy of mankind that figures in the writings of Mencken and Albert Jay Nock. It didn't have to be vicious, as in Hitler's Reich or Stalin's gulags. It could aspire to be total in a nice way, with negligence taking over. But what of freedom? Tocqueville thought we could be conned out of it.

"Because of our single-minded concentration upon the individual as the sole unit of society," Nisbet writes, "and upon the State as the sole source of legitimate power, we have tended to overlook the fact that freedom thrives in cultural diversity, in local and regional differentiation, in associative pluralism, and above all, in the diversification of power.

"Basically," Nisbet continues, "all of these are reducible . . . to the single massive problem of political government to the plurality of cultural associations which form the intermediate authorities of society. . . ." Nisbet reworks this theme of diversification by quoting from a score of people to make the same point. Bertrand Russell, Montesquieu, Lord Acton, Proudhon, Frank Tannenbaum, David Lilienthal, Karl Mannheim, Lewis Mumford—all of them are lined up as proponents of setting unit against unit, power against power. The grand enemy is Rousseau's General Will. Decentralization is the word that can link anarchists (Proudhon), engineers (Lilienthal), and old-fashioned liberals together.

William A. Schambra, in his introduction to the new edition of *The Quest for Community*, says that Nisbet's work "stands among the most important social critiques ever written." There is no denying that every page of the book has provocative sentences. But the proliferation of quotations from so many other primary social critics gives Nisbet's