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Domestic institutions, growth and global justice

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Abstract

According to one prominent theory of development, a country's wealth is primarily explained by the quality of its institutions. Leaning on that view, several political theorists have defended two normative conclusions. The first is that we have no reason for concern, from the point of view of justice, if some countries have greater natural resource endowments than others. The second is that proposals for redistribution across borders are likely to be superfluous. Advocates of global redistribution have not yet grappled with these momentous arguments, or shown whether, and how, they might be rebuffed. This article does just that.

Keywords

Aid, economic growth, global justice, natural resources, poverty

According to one prominent theory of development, a country's wealth is primarily explained by the quality of its institutions. Leaning on that view, several political theorists have defended two normative conclusions. The first is that we have no reason for concern, from the point of view of justice, if some countries have greater natural resource endowments than others. The second is that proposals for redistribution across borders are likely to be superfluous. Advocates of global

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redistribution have not yet grappled with these momentous arguments, or shown whether, and how, they might be rebuffed. This article does just that.

Proposals for cross-border redistribution have proliferated in recent years. The early days of debates on global justice witnessed well-known calls for global taxes that would more fairly share the benefits flowing from the world's natural resources (Barry, 1982; Beitz, 1979). More recently, tax-and-transfer schemes have been suggested that would target capital, financial transactions, income, political membership and much else besides. Though the goals of the proposed taxes vary, many of them aim to gather funds which would then be remitted to people in the developing world. The expected impacts include a notable reduction in global poverty and/or in inequality (e.g. Barry, 1982; Pogge, 2002).

But these ambitious proposals face a serious challenge. Several scholars have alleged that would-be redistributors of material goods across borders are mistaken about the role that shares of material goods actually play in stimulating national economic growth, and hence explaining wealth and poverty in the first place. They are mistaken, furthermore, about the role that redistribution will play in reducing the gulf between rich and poor. Even assuming there is a duty to help the world's poor attain greater prosperity, our critics argue that any sensible view on the *implications* of that duty 'must be informed by our understanding of the sources of prosperity' (Risse, 2005b: 89). But what if our best theory of development suggests that it is not the availability of resources per se which drives economic growth? According to the *domestic institutional thesis*, divergent levels of growth are actually best explained with reference to the quality of domestic institutions.

If 'it is the quality of domestic institutions that primarily explains why a country is rich or poor' (Risse, 2005a: 351), then two important conclusions might be said to follow, each of which overturns an orthodoxy within debates on global justice. First, given that resource endowments do not determine levels of growth, we have no reason of justice for caring if one country or another possesses more or less abundant shares of natural resources. Second, our critics have argued that would-be redistributors have defended redistributive policies which will *not* advance the well-being of inhabitants of poor countries. If the 'state of the art empirical thinking' about state development is reliable then, it is alleged, for citizens of rich countries to give away much of their money would do nothing to remove the sources of poverty or to reduce inequality (Van der Vossen, 2014: 72). Instead, our duty to promote the development of poor countries is best enacted by supporting domestic institutional reform – and in this respect, there is no reason to believe that transferring resources will have much of an impact (Rawls, 1999; Risse, 2005b).

The domestic institutional thesis, if true, has therefore been thought to seriously embarrass well-known calls for global redistribution. That is the claim which this article assesses, and ultimately rejects. I will focus on the work of a core set of theorists: John Rawls, Mathias Risse and Shmuel Nili. While a larger set of scholars has proven sympathetic to one or both of the two conclusions mentioned above (see e.g. Heath, 2005; Van der Vossen, 2014; Van der Vossen and Brennan, 2018;

Wiens, 2017), Rawls, Risse and Nili have clearly endorsed both, and have developed them most fully. I will call the three theorists our *philosophical critics*. Whatever else may divide them, they are united in claiming that the empirical evidence casts doubt on both the normative salience of resource endowments, and the argument for redistribution across borders. I will leave the domestic institutional thesis itself largely unchallenged – although I will suggest it requires considerable clarification. My main goal is to demonstrate that the conclusions we are able to draw from the domestic institutional thesis – *even assuming it is true* – do not support the damning judgements about the potential of redistributive policies which our philosophical critics have reached. To the contrary, I will show that the two normative conclusions drawn by those critics are mistaken. Scholars of global justice undoubtedly have much to learn from empirical work on the effectiveness of transfers, and on the impact of resource wealth on prosperity. But the lessons of that literature are far from fatal either to their principles or to their most cherished proposals.

Institutions and economic growth

In recent years, a lively debate about the causes of economic growth has taken place, comprising contributions from a number of disciplines. Why is it that the 'tiger economies' of East Asia have grown so rapidly, for instance, whilst many countries in Sub-Saharan Africa have not? Three competing sets of explanations have come to the fore in the empirical debate thus far. A first set of explanations points to the salience of geographical features such as a country's size, or latitude, or distance from the sea, its disease burden, or its natural resource endowment, each of which might influence the economic opportunities open to the residents of that country (Diamond, 1998; Sachs, 2012). While geography is not destiny, it might nevertheless influence the availability of valuable foodstuffs, facilitate or inhibit the uptake of technologies, make trade more or less difficult, and so on.

A second set of explanations suggests that countries' economic fates are primarily explicable by reference to the character of global institutions and rules, and by countries' relative positions within the global economic order. Some scholars have claimed that international trade remains a more or less exclusive 'club' for wealthy powers, with many developing countries struggling to gain access to markets in which they might have a comparative advantage (Gowa and Kim, 2005). Others have argued that the nature of international rules on investment, services and property rights ensures that the least developed countries are no longer able to avail of the same development strategies which spurred the growth of the Western powers and, later, the Asian tiger economies (Wade, 2003). Still others have suggested that the policies of international organizations such as the International Monetary Fund have actually depressed growth within developing countries (Przeworski and Vreeland, 2000).

The third and final set of explanations points primarily to the character of domestic institutions when it comes to explaining divergent patterns of growth.

The domestic institutional thesis holds that 'institutions rule' when it comes to determining the wealth and poverty of societies (Acemoglu et al., 2001; Easterly and Levine, 2003; North, 1990; Rodrik et al., 2004). Institutionalists have actually given different accounts of just how, and which, institutions drive growth. Some influential accounts have claimed that growth is likely to be greater to the extent to which property rights and contracts are better secured by governments (Acemoglu et al., 2001; Knack and Keefer, 1995; North, 1990). But perhaps the leading account holds that economic growth is ultimately driven by the 'inclusiveness' of political institutions (Acemoglu and Robinson, 2012; Acemoglu et al., 2019): when institutions include citizens, the foundations for growth are secured.

The three explanatory accounts are not necessarily mutually exclusive, because the various factors might interact in practice. For instance, it might be that the nature of global rules – such as conventions on how and by whom natural resources can be sold on international markets – generates incentives for the emergence of one kind of domestic governance or another (Pogge, 2002; Wenar, 2016). Alternatively, if we were seeking to explain the contemporary character of domestic institutions, it might be suggested that colonialism continues to have an impact on the nature of politics in many developing countries. Indeed, some accounts which foreground the contribution of domestic institutions explicitly suggest that differing forms of colonialism continue to have divergent impacts upon domestic institutional quality (Acemoglu et al., 2001). What characterizes the literature, for the most part, is a competition for what we might call *primacy*. Scholars are engaged in making competing claims about which is the chief, or the ultimate, driver of growth. The defining feature of what I am calling the domestic institutional thesis is the claim that the influence of the relevant domestic institutional factors greatly exceeds that of the other explanatory variables. Moreover, although other factors (such as geography) may have *an* effect, prominent institutionalists claim that such an effect is both relatively small, and significant principally for its impact on institutions (Acemoglu et al., 2001; Rodrik et al., 2004). Factors besides domestic institutional quality matter primarily because of the way in which they impact upon institutional quality, which remains the primary driver of development (Acemoglu and Robinson, 2012).

Policies, principles and growth

In what follows, I will not attempt to reject the domestic institutional thesis as an explanatory account of wealth and poverty. Instead, I will investigate what follows for normative theories of global justice *if* the thesis is true. In this section, though, I will show how the challenge of the philosophical critics needs to be cut down to size in a number of respects. The remainder of the article then responds to the challenge directly.

Policies and principles

Our philosophical critics sometimes suggest that the implications of the domestic institutional thesis cut very deeply indeed for would-be redistributors. For some critics, the likely failure of proposals for cross-border redistribution counts against our acceptance of some theories of global justice in the first place. In particular, the positions of global egalitarians – who would seek to reduce global inequalities in their own right – are undermined, whereas the positions of minimalists or sufficientarians – who believe that the more modest goal of global justice is to bring everyone up to some basic minimum, perhaps expressed in terms of the enjoyment of basic human rights – are not. Thus David Wiens (2017: 95) has argued that global egalitarians 'can sustain their position only by providing credible institutional models for implementing global egalitarianism that can be effectively realized'. Failure to do so would undermine not only redistributive proposals, but the view that global inequality ought to be reduced itself, since 'the *justification* of normative principles (and not merely their realization) depends upon detailed institutional analysis' – and this is a test which global egalitarians, with their reliance on ineffective redistributive policies, appear to fail (Wiens, 2017: 104). According to Mathias Risse, similarly, facts about the empirical causes of development and under-development actually undermine egalitarian theories *as* theories of global justice. As he puts it, 'The institutional stance entails that equality among societies is not, on balance, a goal that we should bring about' (Risse, 2005b: 92). The same apparently cannot be said, however, for theories – like Risse's – which call for the reduction of severe poverty globally.[1]

This conclusion is too strong, however. Although advocates of greater global equality have often turned to proposals for redistribution, they have also often argued that the wealth and poverty of individual societies will plausibly be affected by international trade rules and practices; by rules governing access to medicines and technology, or regulating intellectual property rights in, for instance, plants or seeds; and by rules governing the primary appropriation of natural resources such as the global atmospheric capacity, or minerals and petrochemicals outside of national borders. But if our collective decisions on each of these further issues could also have a significant impact upon the wealth and poverty of societies, then even if redistributive proposals failed, opportunities to mitigate inequality would remain in play which did not boil down to improving the quality of domestic institutions. The advocacy of greater equality does not, therefore, stand or fall on the possibility of redistribution.

More profoundly, any claim that the failure of redistributive schemes would impugn particular *principles* of global justice smacks of a category mistake. If a theorist was committed, say, to the principle that 'everyone should have equal access to well-being', or that 'no-one's life should go worse because of factors outside of their control', it is not obvious why facts about how development typically occurs, or about how inequalities can be ameliorated, should undermine her belief in that principle as such. If our philosophical critics are right, it may turn out

that she was mistaken about the best means of bringing her ideal closer to fruition. But it is not clear how such findings could undermine the ideal to which she was committed.[2] Advocates of sufficientarian views on global justice could (and presumably must) make similar responses: their normative views stand or fall on the claim that poverty is unjust, and not on the claim that poverty is easily remediable, or remediable by way of the particular policies they have most often endorsed.

The claim that the domestic institutional thesis – if true – requires us to eschew egalitarian theories of global justice ought to be rejected, therefore. But the thesis might still place pressure on such theories' claim to be action-guiding. Even if egalitarianism were in some sense 'true', for instance, it would cease to give rise to distributive *duties* if there were nothing we could do to reduce global inequalities (Risse, 2005b). I have already provided one reason for scepticism about this response: principles of global justice can be action-guiding even assuming the failure of redistributive policies, provided only that at least *some* of the rules and practices which govern the global economy have an appreciable impact on patterns of prosperity, and assuming that they are under human control (as they appear to be). Nevertheless, it would be a significant conclusion even if it were *only* true that advocates of greater global justice should repudiate policies aimed at directly shifting material resources across borders. That is the claim that I will assess, and reject, in this article.

Growth and global justice

There is another important way in which the challenge of the philosophical critics needs to be cut down to size. In order to see how, we need to reflect upon the normative salience of economic growth. Our philosophical critics are claiming that redistributive proposals are superfluous insofar as they will likely fail to generate economic growth in poor countries, and hence ameliorate poverty or inequality. Likewise, our concern with resource endowments is undermined if such endowments fail to correlate with growth. The nature of economic growth is not always well defined here, but in principle it might be measured in terms of year-on-year increases in average national income per capita, for instance.

But insofar as the critics' argument supposes that only economic growth matters, from the point of view of justice, it stands on disreputable ground. For one thing, the pursuit of economic growth might fail to deliver on what really matters for justice. Indeed, the apparent focus of our philosophical critics on the overall growth of economies is puzzling, insofar as prominent theories of global justice are in the main 'cosmopolitan', and hold that what matters from the moral point of view are the prospects of *individuals*, rather than the performance of collectivities such as states or societies per se. As development politics has amply shown, there is no tight connection between headline growth figures and individual well-being. Decades of advocacy for 'pro-poor' or 'inclusive growth' policies to be adopted by international financial institutions is founded precisely on widespread concern that the fruits of growth frequently accrue to the haves rather than to

the have-nots (Sen 2014). If so, it is not obvious why growth in and of itself should be our priority.

On the other hand, policies might produce worthwhile outcomes even if they do not generate economic growth (conceived for instance in terms of increases in average individual income). A policy which led to advances in the position of the worst-off in a particular country, at the expense of the better-off in the same country, might be valuable from the point of view of justice even if its impact on growth was neutral – or even, perhaps, if its impact on growth was somewhat negative. For views which focus on the alleviation either of poverty or of inequality, this shift in the distribution of well-being looks like a positive outcome which would be missed by a view focusing exclusively on headline growth figures. An exclusive focus on average income growth will often be myopic, therefore. Such an approach would be avoided if we were prepared to embrace a broader notion of development under which income growth plays a subordinate or facilitating role (Sen, 2001). Recognizing that development is a multi-faceted category allows us to see that a policy might be valuable even if it had no impact on *anyone's* income. As I will suggest later, cross-border transfers directly into the hands of poor individuals might grant those individuals greater economic independence and security, and increase their bargaining power vis-a-vis their governments, even if they trigger a proportionate reduction in government social spending which leaves them in the same position in income terms. A focus on growth conventionally understood, however, will not capture these positive effects.

As a consequence, an empirical view which focuses on the determinants of headline growth figures appears ill-placed to capture everything that matters from the point of view of justice. A normative argument which leans on that empirical view in order to impugn redistributive proposals for their ineffectiveness therefore stands prone to delivering false negatives. Growth will often matter if what we care about is the mitigation of poverty and inequality, and for that reason it is worth assessing what the domestic institutional thesis actually establishes. But even if the thesis is correct, this would not be sufficient to determine that transfers achieve no good end.

Indifference and redundancy

In this section, I will sharpen the challenge by distinguishing two normative conclusions which the philosophical critics claim follow from the endorsement of the domestic institutional thesis. The remaining sections of the article are dedicated to refuting these conclusions.

As I noted at the outset, many theorists of global justice have called for the redistribution of natural resources – or, to be more precise, the benefits and burdens flowing from them (such as resource revenues). They have often done so on the assumption that resources matter for growth. As Beitz (1979: 139) put it, deficits in resource shares can be expected to leave some countries 'comparatively, and perhaps fatally, disadvantaged', whereas resource wealth will provide other

countries with an easy path to prosperity. If we assume that the distribution of natural resources is morally arbitrary – that it is happenstance from the point of view of any one community whether it ends up with a lot of resources or a little – then the case for some kind of global resource tax appears straightforward (see also Barry, 1982).

But if the institutional thesis is true, two normative conclusions have been thought to follow. The first is what I will call *indifference*. Indifference holds that from the point of view of justice there is no reason to be concerned about 'geographical' inequalities, such as unequal distance from the sea, exposure to tropical diseases or access to natural resources – because these inequalities simply do not convert into disparities in economic growth.[3] Most familiarly, it is argued that whilst a temporary redistribution of resources might be in order in cases of natural disasters (Risse, 2005b), equalizing access to resource wealth is simply not a moral requirement, because there is no significant link between natural resource endowments and national economic growth (Nili, 2016a, 2016b; Risse, 2005a, 2005b). If domestic institutions (or, as Rawls put it, domestic political culture) determine growth, 'the arbitrariness of the distribution of natural resources causes no difficulty' from the point of view of global justice (Rawls, 1999: 117).

The second conclusion is that we have no reason to redistribute material resources to poorer countries, because such redistribution will not help them to develop. Call this *redundancy*. Though it is ostensibly similar to indifference, we will see that it is distinct, and therefore needs to be assessed (and defended) on its own merits. Redundancy holds that proposals to redistribute resources are point-missing, since 'if the Institutional Thesis is true [. . .] development is not primarily a matter of transferring resources' (Risse, 2005a: 358). Thus, Rawls famously claimed that since comparative prosperity depends principally upon the quality of domestic institutions, shifting resources to poor countries is besides the point. Many of the poorest societies are already resource-rich: their 'problem' is not a lack of resources; and the solution cannot be to provide them with still more (Rawls, 1999: 108). Instead of shifting material resources, the duty we have to assist poor societies' development should be aimed at bolstering domestic institutional quality, and it should be enacted primarily by providing advice and technical know-how, rather than money (Rawls, 1999, Risse, 2005a, 2005b: 90). There is no reason to suppose that material redistribution will have any positive effect on growth.

Against indifference

What our philosophical critics have had to say about the salience of resources for development actually turns out to be rather disparate. In this section, I will tease out several quite distinct claims about the salience of resources for growth. In each case, the claim at hand fails to support the conclusion of indifference. To reiterate, I will not attempt to trouble the conclusion of indifference by seeking to undermine the institutionalist thesis: my concern is with what follows if that thesis is true. But it will be interesting to note that in some instances our critics have made claims

about the salience of institutions (or the irrelevance of resources) for growth which are stronger or more confident than the pronouncements of institutionalist scholars themselves.

A first claim which has been marshalled in support of the conclusion of indifference holds that resources do not impact on development directly, but rather only impact on institutions (which then drive growth) (Risse, 2005a: 356; 2005b: 96). Call this claim *mediation*. As an empirical claim, it finds clear support in the work of institutionalist scholars. Although Rodrik et al. do admit a small direct role for geography in determining growth, they claim that its *principal* significance occurs via an effect on institutional quality. Inasmuch as it does influence institutional quality, the impact of geography is 'strong' and 'significant' (Rodrik et al., 2004: 135). Considering the effect on growth of 'shocks' to either geography or institutions, for instance, they conclude that the 'impact of a unit shock to geography on income is . . . only a quarter less than that of institutions' (Rodrik et al., 2004: 146). Easterly and Levine (2003: 32–33), similarly claim that 'endowments' play a significant role in determining the character of domestic institutions, which then determine growth – though they also claim that oil, distinctively among natural resources, has a direct, and significantly positive, effect on growth.[4]

But if geography (including shares of domestic natural resources) has a strong effect on growth, it is mysterious why anyone might suppose that mediation offers support to the conclusion of indifference. Rather than showing that we have no reason for caring about access to natural resources, the claim of mediation gives a reason *for* caring about them (for the most part), insofar as they have an impact on institutions and thereby on growth. This concern will, to be sure, be a doubly instrumental one: we will come to care about the distribution of resources insofar as this distribution turns out to influence institutions, which then influence growth. But the instrumental reasons we have for caring about the distribution of particular goods can be very powerful indeed. Anyone of a broadly welfarist persuasion will already believe that our concern for resources is in a sense instrumental: we care about access to resources, that is, insofar as divergent access promises to drive unequal access to well-being, and not otherwise (Armstrong, 2017). In that regard, instrumental national effects will be an important effect with which we ought to be interested, even if individual-level effects are ultimately what matters. Risse, for his part, appears to consider it an embarrassing conclusion for egalitarians that our concern for resource endowments should be instrumental, and that if we are going to embrace a global resource tax, we should do so only[5] because of resources' effect on institutions (Risse, 2005b: 97). But far from this thought being a surprise to egalitarians, it has played a prominent role in arguments for global resource taxes from the beginning: Beitz's famous argument for a 'resource redistribution principle' was aimed precisely at enabling poorer societies to establish and maintain good institutions, in the belief that those institutions would then enhance the well-being of citizens (Beitz, 1979: 141, 143).

Indifference about resource shares might seem to follow more securely from a second claim, which holds that those shares do not influence growth levels at all.[6]

Call this *no effect*. In the context of a concern with poverty, Shmuel Nili has leant on such a claim, arguing that ‘there is no evidence suggesting that individuals’ prospects are positively correlated with the level of their country’s natural resource endowments’ (Nili, 2016a: 140), and that resource shares do not influence growth even indirectly (Nili, 2016a: 142). But that is too sweeping: institutionalist scholars do not deny that resource wealth sometimes converts into greater economic growth. Recall that, far from claiming that resources have no effect on growth, Rodrik and his colleagues actually claim, to the contrary, that geographical factors have ‘a strong indirect effect by influencing the quality of institutions’ – they support, that is, what we have called *mediation* (Rodrik et al., 2004: 131). Easterly and Levine (2003) concur. Though the literature on the ‘resource curse’ is a source of scepticism about the salience of resources for growth, it does not suggest that resources never matter for growth. Michael Ross, perhaps the best-known scholar of the resource curse, in fact claims that it was a mistake to deny that resources can engender economic growth and, indeed, improvements in individual well-being (see also Alexeev and Conrad, 2009: 587, 595; Kennedy and Tiede, 2013: 770; Stevens et al., 2015: 14). There does remain a puzzle, to be sure, about why resource-rich countries have not grown faster than they have. But for all that, oil states turn out to have outpaced non-oil states in generating improvements in important indicators of well-being such as child health and mortality rates (Ross, 2012: 3), and have often achieved strong growth. It appears, he suggests, that institutionalist scholars have illegitimately worked up a general thesis about the insignificance of resources to growth on the back of the weak performance of some African economies during the 1980s. Those scholars have not shown that resources cannot stimulate growth in general, but have shown, rather, that resources did not stimulate growth in some countries during the 1980s, when prices were highly volatile. Even that failure only held for oil-exporting countries, and by the 1990s the effect seems to have disappeared: oil-exporting countries grew 40% faster than the rest of the world in the period 1990 to 2006 (Ross, 2012: 196).

It seems, then, that resources can, and do, facilitate growth in some countries. Nili (2016a: 144) questions such a claim, suggesting that although there are some resource-rich countries which are also very wealthy (such as Norway), we simply have no way of knowing whether their wealth is in any way connected to their resource endowments: they might have been just as wealthy without those resources. The best response to that claim is probably to ask how confident we are that Saudi Arabia, Qatar, Kuwait, Brunei and the United Arab Emirates would still be among the 25 richest countries in the world ranked by per-capita GDP if they had no oil (International Monetary Fund, 2021). To sustain the claim of no effect, the response must be that they *might* have been just as wealthy, given the quality or inclusivity of their domestic institutions. But that would scarcely be credible. As Acemoglu and Robinson (2012: 46) note, Middle Eastern countries *without* oil are roughly as wealthy as Guatemala or Peru.

The prospects for the claim of no effect therefore appear bleak. At least as a *general* claim, the argument that resources have no effect upon a country’s level of

wealth should be rejected – as prominent institutionalists indeed do. Still, it might still be argued that there is a *subset* of countries for which resources do not translate into growth. The argument might begin by claiming that the impact of resources on growth is non-monotonic, and specifically that their impact depends upon the prior level of institutional quality. This, by itself, appears insufficient to support the conclusion of indifference. Imagine, for instance, that a given quantity of resources boosted growth by 10% in the presence of poor-quality institutions, but by 30% given high-quality institutions. It is not obvious how this fact could support any claim that unequal access to resources did not matter from the point of view of justice: even a small positive impact on growth might matter to the very poor. To gain traction in sustaining indifference, it might be claimed that, below a certain threshold of institutional quality, resource shares have no effect on growth. This becomes, in essence, a scope-limited version of the claim of no effect, so let us call it *restricted no effect*. The claim that the impact of resources depends upon the prior level of institutional quality, and can be negligible, is defended by Wiens (2017: 97), and Nili (2016b: 207) also appears to endorse it (describing it as 'the dominant view' about the impact of resource wealth).

The first thing to note is that the claim of restricted no effect cannot support indifference as a general conclusion. If the claim is that resources do matter to growth above a certain threshold of institutional quality, but do not matter under it, then a concern for unequal access to resources amongst countries over the threshold is obviously alive and kicking. Although some of our critics may still believe that we should be unconcerned about differential access to resources amongst countries with good institutions, or which are already wealthy, that claim must rely on some other foundation, such as a moral claim that we need not be concerned about unequal access to well-being once individuals have reached a certain level of advantage. The institutional thesis cannot do any work in supporting that position.

But what of countries whose institutions are below the threshold? Is indifference justified in their case? To assess that possibility, we need to know more about what it would mean for the restricted no effect claim to be true. The best explanation for the claim would hold that, given weak or exclusionary political institutions, elites are able to capture resource wealth – especially when those resources are both geographically concentrated, and movable (which explains why there is said to be an oil curse but not, for instance, an agricultural land curse). In such conditions, greater resource endowments do not reliably translate into greater growth. Indeed, they might not advance the well-being of ordinary citizens at all (see e.g. Ross, 2012; Sala-i-Martin and Subramanian, 2003).

But if our critics rely on the fact of elite capture to sustain the conclusion of indifference, something has gone badly wrong. Empirically, the fact of elite capture would not provide evidence that resources *cannot advance individual well-being*. It would only establish that there are circumstances in which resources can be *prevented* from advancing the well-being of most citizens. Normatively, the fact that benefits can be captured by elites does not tell us that the pattern of those benefits

does not *matter*. It only tells us that we have much more work to do in achieving a fair distribution. To return to the conclusion of indifference, the fact of elite capture might tell us that equalizing resource access between countries is not *sufficient* to achieve justice. What it cannot tell us is that promoting the prospects of individuals – which is what cosmopolitans ultimately care about – is not morally worthwhile, or indeed required.

The finding that resource wealth is not sufficient to secure growth would not be particularly surprising, in fact. But rather than supporting indifference, it would provide reason for investigating parallel policies which would seek to subvert the phenomenon of elite capture. One prominent suggestion here has been that oil rents might be paid directly to individual citizens. Such proposals are widely believed to have the capacity to ameliorate the resource curse, conceived of as a problem of elite capture. They are also often believed to have potential in driving broader economic growth (Moss, 2020; Sandbu, 2006). Moreover, such proposals would significantly alter the balance of power between rulers and citizens. Whereas in countries characterized by elite capture of oil rents, governments have a ready supply of funds and therefore need not rely upon citizens' cooperation or consent, delivering funds directly into the hands of citizens would reverse this situation (Bastagli et al., 2016: 211–234; Moss, 2011; Palley, 2003; Sandbu, 2006).[7] Now, if we know in advance that in some states those policies will always fail, and that other policies seeking to interrupt the flow of resource rents to dictators (e.g. Wenar, 2016) must also fail (so that we had literally no means at our disposal of making resource rents advance the position of the poor), we might then determine that in *those* cases the conclusion of no effect is justified. But we do not know that. There are many policy proposals to circumvent the elite capture of resource rents (see e.g. Armand et al., 2020; Geipel, 2017; Humphreys et al., 2007), though they remain somewhat under-tested. But more fundamentally, the cosmopolitan concerned in the first instance with the well-being of individuals would still have reason to bridle at the conclusion of indifference. For even if restricted no effect established that in some cases we had no reason for concern about the differing endowments of (some) countries, it would not establish that we had no reason for concern about the benefits flowing to individuals. We might still determine that for those benefits to be captured by elites represents an objectionable injustice.

In summary, the conclusion of indifference about unequal shares of material resources (such as natural resources) appears to gain insufficient support from the domestic institutional thesis. *Mediation*, if true, might establish that our concern for resource shares should be instrumental. But to show this is not to demonstrate that resource shares do not matter. That conclusion might be supported if what we have called *no effect* were true. But as a general claim no effect appears to be plainly false, and moreover is not supported by the institutionalist scholars on whom our critics rely. The *restricted no effect* claim, meanwhile, establishes only that resource wealth is not sufficient for growth, and not that we have no reason for caring about unequal access to resource wealth. Indeed, given that cosmopolitans are fundamentally interested in how individuals are faring, any argument to

the contrary would be perverse. It would amount to dismissing the moral claims of individuals on the basis that those claims are often denied in practice.

Against redundancy

The conclusion we are calling *redundancy* holds that we have no reason to suppose that transferring material resources to poor countries will stimulate growth, thereby mitigating poverty or inequality. Thus Risse (2005b: 84) argues that 'If growth depends on domestic institutions, development aid should take the form of support in building institutions, rather than resource transfer'. If institutions are not already strong, all we can contribute to the advancement of the global poor is 'analytical work, identification of internal reform champions, training of future leaders, bureaucrats or professionals, and technical assistance' (Risse, 2005b: 90). Rawls had earlier claimed that 'there is no easy recipe' for reforming politics in a poor country, but that 'Throwing funds at it' was not the way forwards. Instead, advice and guidance are likely the best we can offer (Rawls, 1999: 110). Nili claims likewise that, since resource wealth does not cause poverty, there is no reason 'to believe that a redistribution of natural resource wealth will achieve significant poverty gains', and that we must look elsewhere for progress in helping the poor (Nili, 2016b: 206). On these accounts, resource transfers are superfluous.

It is important to be clear that the conclusions of indifference and redundancy are distinct, and require independent support. Indifference rests on a claim about the salience of natural resources for growth; but in principle, the causal mechanisms involved in the case of transfers – including financial transfers – could be different. In practice, the disanalogies between resource rents and aid appear to be profound. Whereas resource endowments are in a sense randomly distributed, aid money is not. Although aid could be more effectively allocated, it can nevertheless track need in a way which endowments do not. Whereas resource rents are in a sense unconditional – so long, that is, as there is someone somewhere prepared to buy a country's resources – aid is frequently conditional on observable progress in development, and both its administration and its eventual outcomes are scrutinized, within and without a recipient country, to a much greater extent than is the case with resource rents. According to Collier (2006: 1483), this helps explain why aid is 'markedly more effective' than resource rents in promoting economic growth. The conclusion of redundancy, then, deserves independent scrutiny, just as it requires independent argument from those who would defend it.[8]

How might our critics go about defending the conclusion of redundancy? We can once again usefully distinguish three specific claims which might be thought to support the desired conclusion. These are analogues of the claims of *mediation*, *no effect* and *restricted no effect*, which are familiar from the last section. *Mediation*, in the case of redundancy, would then claim that transfers of money from outside can only stimulate growth by enhancing institutional quality. Once more, that claim can be placed to one side: the finding that the effect of financial transfers on growth was indirect would give redistributors no reason for

pause. As I noted in the last section, the reverse appears to be true: we would then have (what Risse, 2005b: 97 calls 'instrumental') reasons *to* transfer funds to poor countries, rather than the reverse. Mediation does not support redundancy.

For its part, a claim of *no effect* once more appears to be easy to refute. To do so, we need only identify *some* cases in which cross-border transfers have promoted growth – and for these purposes, any kind of transfers will do. We might point to evidence about the economic effects of reparations, of the Marshall Plan or more recently of the various European Union structural funds. The latter are commonly agreed to have narrowed economic inequalities between EU member states. Although there have certainly been some cases in which the resulting growth has been poor, there are many others in which structural funds appear to have spurred significant growth (Becker, 2012).

Similar points can be made in the case of aid. In recent years, the aid industry has attracted some trenchant criticisms, and scepticism about the effectiveness of transfers is widespread. But even aid critics acknowledge that aid *can* encourage growth, and that there are many cases in which it has done so (Bueno de Mesquita and Smith, 2009; Collier and Dollar, 2001; Galiani et al., 2017). Indeed aid, in tandem with other development policies, can stimulate *pro-poor* growth (Bueno de Mesquita and Smith, 2009: 313; Collier and Dollar, 2001: 1788; Nallari and Griffith, 2011: 133). The frustration with contemporary aid typically arises not from a belief that it is ineffective per se, but rather from the belief that it is capable of delivering major positive outcomes if only it were properly directed. Even William Easterly (2003), perhaps the most famous and vituperative critic of the contemporary aid industry, acknowledges that there are cases in which aid has been successful (and even strikingly successful) in stimulating growth. For the most part Easterly is simply sceptical that we know much about what makes aid effective, and concerned to defend a role for market-led and experimental aid policies in establishing what 'works' (Easterly, 2008). Successful experiments might then in principle be scaled up to ensure that aid finally delivers on its promise.

But if cross-border transfers can and do stimulate growth, the claim of no effect fails. A more promising strategy might again be to work up a scope-restricted version of the claim of no effect. This would claim that there are *some* countries for which transfers will not stimulate growth. Perhaps transfers will fail to stimulate growth, in particular, in countries where institutional quality is sufficiently poor that transfers can simply be squandered or embezzled. We are back with the idea of a threshold effect, and specifically with the idea that below some threshold of institutional quality, shares of resources (here, transfers) will not correlate with growth. Again, we must be clear about the consequences of modifying the claim in this way. For if this is to be the claim, the general conclusion of redundancy has again been vacated. *Restricted no effect* is compatible with the view that transfers can do considerable good. Rather than an across-the-board argument about the superfluousness of transfers, we have a conclusion of limited scope. Just how limited would depend on where we ought to draw the relevant threshold: to my knowledge our critics have not made any suggestions for where it must be drawn.

But even if appropriately specified, would the threshold view in any case support the conclusion of redundancy? Here I will consider two responses which, taken together, suggest that it would not. First, we can usefully acknowledge the diversity of aims that transfers – such as aid – in fact serve. Much aid is not aimed at increasing growth. Aid can be aimed at preventing starvation, promoting security cooperation and many other goals. Moreover it is often effective in advancing those goals. Easterly (2008: 23), for instance, notes that a variety of scalable aid interventions have proven successful in reducing poverty or ill-health, including programmes providing iodine supplements, spraying for malaria, subsidizing school meals or providing vouchers for parents who send their children to school. For would-be redistributors, transfers might have welcome distributive effects even in cases where they failed (and perhaps did not even aim) to boost growth. To give but one example, 'the aid money that supported the smallpox eradication programme campaign accomplished its goal, whether or not that campaign's success will ever be felt in the national accounts' (Clemens et al., 2011: 614). Furthermore, transfers might be valuable inasmuch as they shifted income within a country in an egalitarian direction, or in such a way as to ease domestic poverty (for an argument that aid reduces poverty even in cases where it does not promote growth, see Alvi and Senbeta, 2012). Such redistributive effects might be valuable all things considered even if the intervention *reduced* growth to some degree: we can certainly imagine conditions in which improvements to the well-being of the least advantaged morally outweighed even somewhat larger losses to the better-off.

Transfers might also have welcome political effects. The relationship between aid and democratization is much contested (Kersting and Kilby, 2014), but even sceptics suggest that there are circumstances in which aid *can* persuade leaders to bring more citizens into the fold. For instance, in cases where a government already distributes its largesse to a reasonably broad pool of recipients (so-called 'large coalition' states), aid will tend to widen that pool still further, bringing more people into the privileged fold (Bueno de Mesquita and Smith, 2010: 946). The effect of aid on democratization appears complex, and the source of aid may matter: on one study, aid from autocracies often serves to entrench autocracies, whereas aid from democracies is often associated with democratic transition (Bermeo, 2011). But if aid can advance these valuable goals, the failure of transfers to promote growth in some countries would not render them superfluous. Fortunately, as I have noted, the contemporary aid industry is not exclusively concerned with promoting growth, but with a broader set of valuable goals. Theorists of global justice ought to follow suit.

One source of dissatisfaction with aid might lie with a belief in the substitution thesis (Ahmed, 2012), according to which as aid transfers increase, government social spending decreases. If aid simply crowds out the state's welfare activities, transfers might not have beneficial effects overall. But even if substitution were perfect, aid could achieve valuable ends. Confidence in our ability to make transfers directly into the hands – or mobile phones – of some of the world's poorest people is rapidly burgeoning (Blattman and Niehaus, 2014; Kendall and Voorhies,

2014; Moss, 2020). Doing so might have important effects even if every dollar transferred to an individual citizen led to one dollar fewer being spent on government services. As I noted in the last section, proposals to place resource revenues directly into the hands of ordinary citizens promise to reverse the institutional malaise associated with the 'resource curse'. If the problem in resource-cursed societies is that governors have a source of revenue which absolves them of the need to elicit the cooperation of citizens – and if foreign aid often functions in just the same way, as a source of so-called 'unearned income' – then placing money in the hands of citizens promises to reverse the situation, by positioning citizens as the agents with the funds which governors seek. Financial transfers to ordinary citizens might, then, have welcome political effects. They would also increase the economic security of citizens. Unless we know that such proposals will not work, the presence of these effects again undermines the claim of redundancy. Not only do we not know that, but there is evidence that direct transfers can be very effective (Hanlon et al., 2010; Moss, 2011).

Second, we ought to be highly cautious about attempts to extrapolate from the failure of aid to promote growth in some countries, to the conclusion that aid cannot promote growth in those countries, and indeed the conclusion that the transfers which redistributors have proposed will necessarily replicate those effects. Let us begin with the first point: that we cannot move straight from the finding that aid fails to promote growth in some countries to the conclusion that it will always fail to do so. There may be pathologies currently affecting aid which we have reason to believe would not also apply to the proposals of would-be redistributors. For instance, we have abundant evidence that existing aid is very poorly directed. Political and strategic considerations frequently crowd out need in the allocation of aid (Alesina and Dollar, 2000: 40). The result is that 'The neediest do not receive the most; rather, those whose policy compliance can be purchased at an affordable price are offered aid and agree to take it' (Bueno de Mesquita and Smith, 2009: 336). If it does have positive welfare effects, this appears to be 'coincidental' as far as much aid policy is concerned (Bueno de Mesquita and Smith, 2009: 311).

But there is no obvious reason to suppose that the many proposed global tax-and-transfer schemes would be captured by domestic political elites in the same way. To the contrary, on the most prominent proposals domestic elites have no discretion over transfers (see e.g. Pogge, 2002). It is therefore unclear why the woeful failure of transfers to adequately track disadvantage must be replicated. We might be tempted to infer from the frequent failure to direct aid to the neediest countries that doing so is just terribly difficult. But many countries – including Canada, the Nordic countries and the Netherlands – appear to be highly successful at directing aid in line with need (Collier and Dollar, 2001), and in general 21st-century aid is much more likely to be targeted on the basis of need (Bermeo, 2017).

A further lesson we can usefully draw from the aid literature is that the effectiveness of existing aid is often attenuated by its volatility and its lack of coordination. One important finding from the resource curse literature is that weak states fare badly when their main source of income is highly volatile. Unfortunately, aid

income is often highly unpredictable too. In fact, the evidence suggests that aid is much *more* volatile than government revenue as a whole in recipient countries, making financial and infrastructural planning difficult (Nallari and Griffith, 2011) – on one influential account fully 12 times as volatile (Bulir and Hamann, 2006). Moreover, rather than smoothing out the vicissitudes of the resource market, aid flows appear to *decline* when government revenue declines, rather than increasing (Bulir and Hamann, 2006). Aid volatility is correlated negatively with economic growth, reducing its overall effectiveness (Hudson and Mosley, 2008). By contrast, timely aid can be tremendously effective in cushioning the effects of shocks to the terms of trade (Collier, 2006: 1494).

Coordination is also a major problem, with different donors funding different and sometimes conflicting projects, often requiring adherence to different recipient–state policies and standards (Nallari and Griffith, 2011: 156). So too is the fact that only an estimated 45% of aid arrives when promised (OECD, 2008). But again, we have no reason to suppose that the transfers envisaged by would-be redistributors must be highly volatile, ill-coordinated or simply fail to materialize, just as we have no reason to suppose that they must be as poorly directed as contemporary aid flows (Collier, 2006: 1494 argues that 'the most effective way of coordinating aid is to pool resources financially, letting a single agent decide how to use them within certain agreed limits').

I have argued in this section that the conclusion of redundancy requires independent support, and cannot simply lean on claims about the lack of salience of native resource endowments to growth. But I have also argued that redundancy enjoys very weak support. Aid can have important beneficial effects, even when it does not advance growth. Even if we unaccountably restrict our attention to the promotion of growth, the claim of mediation fails to support redundancy, and the claim of no effect must be rejected in light of the evidence. The claim of restricted no effect is more plausible, but as I have shown there are ample reasons to doubt that the frequent failures of contemporary aid are inevitable, or that the cross-border transfers envisaged by redistributors must replicate them.

Conclusions

Proposals for cross-border transfers have played a central role within debates on global justice – especially in their early years – and perhaps, at times, too central a role. Within recent years attention has often shifted, and shifted helpfully, to more structural reforms which would seek to change the economic and political environment in which the world's least advantaged people live. But this does not mean, *contra* our philosophical critics, that proposals for transfers are redundant. A full engagement with empirical studies on the effects and effectiveness of transfers is certainly sobering. But it is compatible with the view that transfers will remain a significant part of the policy mix for anyone interested in reducing global poverty and inequality. Scholars interested in the distribution of natural resources also have much to learn from empirical work on the effects of resources on growth and on individual well-

being, and from recent proposals to ensure that resource wealth more reliably promotes the latter. But that empirical work does not provide grounds for indifference about access to resources. In this article I have, therefore, rejected the normative conclusions I have called indifference and redundancy. The philosophical critics have attempted to prove too much on the basis of the domestic institutional thesis, *even if* that thesis provides a satisfying and self-contained theory of development. Whatever their precise role in delivering progress for the worst-off, the claim that cross-border redistribution can achieve valuable ends remains very much in play, as does the claim that resource deficits can be objectionable at the bar of justice.

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Notes

1. It is not clear why Risse believes this. To the contrary, *if* the likely failure of transfers to engender growth embarrasses egalitarian theories, it would presumably embarrass views which require the alleviation of poverty too.
2. This is the essence of Beitz's (2000: 690–691) response to scepticism about the benefits of simply sending money to poor countries: 'the complexity of the policies required to carry out a principle of distributive justice, as well as the potential for error arising from naive beliefs about the prospects of simple redistribution, do not argue against the principle itself. The question goes, instead, to matters of implementation'.
3. We could also describe a poverty-specific variant, on which we need not be concerned with the fact that natural resource endowments fall below some threshold because such deficits are not a cause of poverty (Nili, 2016b).
4. Acemoglu et al. (2001) are noted critics of the claim that 'geography' matters for development. But whereas their claim is that the current, direct effects of geography are weak, their account of institutional development grants a key role to geographical factors in determining the character of institutions which emerged under colonialism and which, on their view, continue to shape the fates of countries today. In particular, the burden of malaria and yellow fever, in turn strongly influenced by climate, determined whether colonizers established what they call inclusive or extractive institutions. We might actually consider this an instance of mediation, though a particularly long-term one.

5. Though this does not strictly follow if Rodrik et al. (on whom Risse relies heavily) are right that resources have a comparatively large mediated effect on growth, and a smaller direct effect. The right conclusion would be that we should embrace such a tax primarily because of resources' indirect effect on growth, and to a lesser extent because of their direct effect.
6. That is, if we also assume (as I have argued that we should not) that growth is all that matters from the point of view of justice.
7. There is also some empirical evidence that diversifying trade with dictatorships can also improve the bargaining-power of citizens vis-a-vis their rulers. See Armstrong (2020).
8. Though it does not always receive it. Nili's (2016b: 206) claim that, since resource deficits do not cause poverty, transfers of 'resource wealth' cannot cure it seems to elide the fact that the currencies, and perhaps mechanisms, at stake in the two cases are different.

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