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Entrepreneurship and Democracy: A Case Study Approach
Prepared by the University of Virginia Center for Politics

Purpose: Students are introduced to the importance of the entrepreneurial spirit in American democracy by examining case studies of individuals and groups in Jamestown and colonial Virginia. By examining the characteristics of entrepreneurship and its relationship to a democratic society, students are asked to research modern American entrepreneurs and discuss the importance of their actions on the future of democracy.

Objectives:

1. Students will examine case studies of entrepreneurs from Jamestown in order to determine the characteristics that enabled these individuals and groups to succeed.
2. Students will research entrepreneurship in modern American society in order to evaluate the extent to which the entrepreneurial spirit either strengthens or weakens American democracy.
3. Students will analyze the costs and benefits of promoting entrepreneurship in developing nations.

Key Words:

Capitalism	Entrepreneur	Self-determination
American Dream	Investor	Joint Stock Corporation
Stockholders		

Materials:

1. Teacher Transparency, *The American Dream*
2. Teacher Transparency, *Characteristics of Entrepreneurs*
3. Student Resources, *Case Studies in Colonial Entrepreneurship*
4. Student Resource, *Case Study Comparison*
5. Teacher Resource, *American Entrepreneurs of the 20th and 21st Centuries*
6. Student Assessment Sheet, *American Entrepreneurs and Democracy*
7. Student Resource Sheet, *The \$25 billion question* (June 30, 2005 version of *The Economist*)
8. Extension Resource, *Meltdown: A Case Study* (Friedman, Benjamin. *The Atlantic Monthly: July/August 2005. pp 66-68.*)

Procedure:

1. **Warm Up/Motivation.** Display the teacher transparency, *The American Dream*. Instruct the students to read the quote from James Truslow Adams and Thomas Wolfe. Students should analyze the meaning of the American dream based on the quote, and describe the American dream in their own words.

- According to the quotes, what is the “American Dream?”
 - Define the idea of the American Dream in your own words.
 - What evidence communicates that an individual has attained the American dream?
2. List the following names on the board and ask the students to identify their common characteristics. This short list is only a suggestion and teachers can feel free to add additional names.

Tommy Hilfiger
 Bill Gates
 Oprah Winfrey
 Robert Johnson
 Donald Trump
 Sam Walton
 Donna Karan

What do these individuals have in common? How are they different? Have they achieved the American Dream? Why or why not? What qualities do they share that may have enabled them to be successful in their respective fields?

Students may suggest that these individuals have succeeded in starting and maintaining their own businesses, have achieved the American dream, had a good idea and developed it successfully.

3. Place the definition of **entrepreneur** on the board or overhead. Ask the students to read it and create a word web of characteristics that they think an entrepreneur would possess. Have the students share their responses with the class.

Entrepreneur- A person who organizes, operates and assumes the risk for a business adventure.

Display the teacher transparency, *Characteristics of Entrepreneurs*. Refer back to the warm-up and have the students describe the characteristics of the entrepreneurs on the list.

- Why are these characteristics important to starting, running, and maintaining a business?
 - Which characteristics do you think are most important? Why?
 - Why do you think that entrepreneurship is so prevalent in American society?
 - Part of the American dream is to work hard, own your business and become a success. Why do you think this idea became so popular in the United States?
4. In order to demonstrate the importance of entrepreneurship in the development of American democracy, ask the students to complete a case-study analysis of entrepreneurs during the colonial period. Divide the class into four groups.

Assign each group one of the case studies reproduced on the student resources, *Case Studies in Colonial Entrepreneurship*. Group members should read the case study and complete their section of the student resource, *Case Study Comparison*. Discussion within the groups should focus on identifying the characteristics that identify each person as an example of entrepreneurship. To share the information with other class members, groups could perform two to three minute skits or presentations that focused on the entrepreneurial spirit of their case study.

5. After the presentations discuss the following topics with the students:
 - What conditions existed in seventeenth century Virginia that allowed these individuals to become successful?
 - To what extent did these individuals attain the American dream?
 - What qualities of entrepreneurs do these individuals possess?
 - Evaluate the importance of **self-determination** and **self-interest** in the success of these individuals.
 - Would you consider these individuals entrepreneurs in today's terms? Why or why not?
 - How important are these early entrepreneurs to the establishment of the American dream?

6. Examine the impact of free enterprise and entrepreneurship on democracy by having the students investigate modern American entrepreneurs. A suggested list of entrepreneurs is provided on the teacher resource, *American Entrepreneurs of the 20th and 21st Centuries*. Students may select an entrepreneur from the list or come up with their own example. Using the assessment sheet, *American Entrepreneurs and Democracy* students should prepare a poster that highlights the achievements of their selected entrepreneurs. Create a gallery with the finished posters and have the students summarize their findings by discussing the following questions:
 - How were the modern entrepreneurs similar or different from those of the colonial period?
 - How have the freedoms of American democracy assisted in the development of entrepreneurship in the United States?
 - Does individual pursuit of the American dream strengthen or weaken American democracy? How?

7. Examine the role of the United States in promoting democracy by extending aid and promoting entrepreneurship in developing nations.
 - Why does a country like the United States offer foreign aid to developing nations?
 - What are the advantages to the United States of helping developing countries?
 - How will increasing markets in these countries aid American entrepreneurship?
 - How will increasing entrepreneurial opportunities in developing nations help to promote democracy?

Display the following quote by President George W. Bush on the importance of aid to developing nations:

“Money that is not accompanied by legal and economic reform is oftentimes wasted. . . Sound economic policies unleash the enterprise and creativity necessary for development. So we will reward nations that have more open markets and sustainable budget policies, nations where people can start and operate a small business without running the gauntlet of bureaucracy and bribery.”

- According to the President, what is necessary to guarantee that economic aid will be successful?
- What can the United States do to assist countries in developing business?
- How might nurturing the entrepreneurial spirit help to promote better living conditions for citizens of developing nations?

Distribute the student resource, *The \$25 billion question*. Ask students to read the article and complete the activities included on the resource sheet. When students have finished reading ask them to list the advantages and disadvantages of sending financial aid to African nations.

- Do you think that to have a flourishing economy a nation needs also to have a system of law and order? Why or why not?
- Based on your reading, do you think that the aid proposed by the G8 will reduce poverty and create new businesses in Africa? Why or why not?

Extension Activity:

The question of whether or not entrepreneurship strengthens or weakens American democracy can be further debated by asking the students to think about the advantages and disadvantages of a free market economy.

Have the students read the article, *Meltdown: A Case Study*. After reading the article debate the relationship between the expansion of democracy and economic growth. What is the effect on personal freedoms when citizens have the opportunity for economic success? Does economic freedom equal political freedom?

What is the American Dream?

"The American Dream is that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement... It is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position." (p.214-215)

James Truslow Adams, *The Epic of America*, 1931.

" (The American dream is)...to every man, regardless of his birth, his shining, golden opportunitythe right to live, to work, to be himself, and to become whatever thing his manhood and his vision can combine to make him."

Thomas Wolfe

- Based on the quotes, what is meant by the “American Dream?”
- Define “American Dream” in your own words.
- How can you identify those who have attained the American Dream?

Characteristics of Entrepreneurs:

Achievement Oriented

Hard Working

Non-Conformist

Strong Leader

Tough Minded/ Persistent

Self-Confident

Risk-Taker/ Adventurous

Flexible

Goal-Setter/ Determined

Enthusiastic

Optimistic

Resourceful

Independent

Organized

Case Studies in Colonial Entrepreneurship

Case Study #1: The Virginia Company

In 1606 the Virginia Company was formed by a charter from King James I. The company was a **joint stock corporation** charged with settling the area of North America referred to as Virginia. A **joint stock corporation** is a company owned by a group of



investors who contribute money to fund a project. The objective is to fund a successful investment that will return a profit to the investors. The Virginia Company **investors** risked their capital betting that the settlement at Jamestown would provide riches and wealth.

Providing wealth to the Virginia Company created a pressing mission for the first settlers. Merely surviving in an unknown location was an

accomplishment and the land did not contain the gold or material wealth hoped for by the investors. Although the **stockholders** were disappointed in the lack of gold, they realized the potential of the abundance of other natural resources found in Virginia.

Early industries sought to capitalize on the resources found in Virginia. Glass manufacturing, pitch and tar production, beer and wine making and most importantly tobacco cultivation, took advantage of the resources and fertility of the land. However, these potential sources of income were limited due to the challenges provided by survival in a new environment. The lack of profit frustrated the stockholders of the Virginia Company, causing them to seek remedies to make the colony more successful.

One strategy the Virginia Company used to increase the likelihood of success in Virginia was to recruit more settlers. They published brochures, plastered streets with advertisements, and even convinced the clergy to preach the values of colonization. The company reorganized several times in an effort to increase profitability. It tried to require the settlers to diversify their crops but to no avail. The company's debts continued to increase.

As a result of its failure to turn a profit, King James I dissolved the company in 1624 and established Jamestown as a royal colony. During the seventeen years that the Virginia Company controlled the colony it never produced a profit. As an entrepreneurial venture, Jamestown was interpreted as a failure but its legacy would be evident later in the establishment of representative government.

Case Study #2: Anthony Johnson

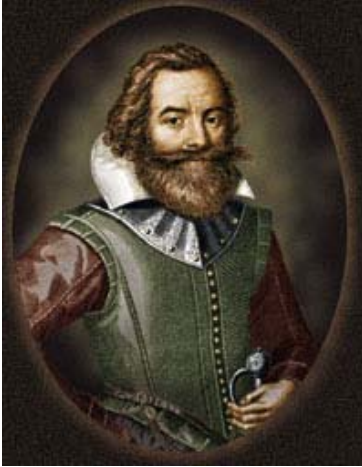
Anthony Johnson was one of the African colonists who were among the first to achieve the American dream. He arrived in Virginia from Africa in 1621 as either a slave or an indentured servant for the Bennett Plantation working in the tobacco fields. He did not allow his low status in the New World to discourage him. On March 22, 1622, the Indians of Tidewater Virginia led a widespread attack on the colonists, killing fifty-two at the Bennett plantation alone. Luckily, Anthony Johnson was one of few survivors, and he took advantage of this opportunity to gain freedom for himself and later his wife. Although it is unclear how they gained their freedom, by 1635 both Anthony and Mary were free and had established their first farm.

Through hard work and determination the Johnson family acquired a substantial estate during the 1640s. This was a great achievement for any colonial family white or black. The raising and selling of cattle and hogs became the family's main source of income. Their hard work paid off; in July 1651 Johnson increased his estate to 250 acres. Johnson's success was reflected in the fact that his wife and daughters were declared "untithable." This meant that they didn't work outside of the home and thus were not able to be taxed. This was a sign of prosperity in seventeenth century Virginia.

Sometime in the mid-1660s the Johnson clan risked a move to Maryland in search of more productive land, where they leased 300 acres from another planter. Anthony's sons were also successful in their own right, especially his eldest, John, who had by this time acquired 450 acres of his own land in Virginia. Shortly after the move to Maryland, Anthony died, his wife Mary took control of the property, and his son John assumed the role of head of the family.

Even after Anthony's death, the Johnson family saw continued financial success. John increased the family holdings, and gained significant economic standing within the community. He was even asked by a white planter to give testimony on his behalf in court, which he did willingly. Despite the odds against them, the Johnson family competed on even ground with the white community. By the time Johnson died, he had become a freeman, formed a large and secure family, built up a sizable estate, and in the words of one admiring historian, established himself as the "black patriarch" of Pungoteague Creek.

Case Study #3: Captain John Smith



An Englishman, John Smith was born in 1579, the son of a yeoman farmer. He was educated in a boarding school, and served as an apprentice to a local merchant. Near the end of the 16th century, he joined a volunteer army and fought for Dutch independence from Spain. His next wartime adventure was with Austrian forces that were fighting against the Turks. Allegedly, he was captured by the Turks, but was determined to gain his freedom and escaped from his captors.

In his search for further opportunities, he became involved with the Virginia Company's efforts to colonize Virginia for profit. On December 20, 1606, he set sail with the other colonists to Virginia. Upon arriving at Jamestown he was appointed to the governing body of the colony. This was surprising because he arrived under custody because of supposed mutinous behavior on the sea voyage. The Jamestown settlers faced a myriad of problems upon their arrival in Virginia. Harsh weather, disease, starvation and a lack of understanding about their Indian neighbors made survival an unlikely possibility for the colonists.

John Smith quickly took on a leadership role within the colony. His resourcefulness and determination led the colonists to rely on him for their survival and as such he was elected president of the colony in 1608. John Smith implemented policies that provided incentives for the colonists to work. By organizing the colonists he was able to increase food production and create trade partnerships with the Powhatan that prevented them from starving. Smith enforced a tough work ethic within the settlement. "He who does not work, will not eat" was his motto.

In addition to his role within the colony, Smith recognized that exploration and communication with the Indians would be vital to turning a profit in the New World. He was sent by the colony to establish trade with the Powhatan Indians. John Smith made meticulous maps and notes of the some thirty tribes within the Powhatan chiefdom. He believed in the superiority of European power and wanted to force the Indians into providing labor, supplies and materials for English consumption. His strong-armed tactics involved threatening the Powhatan by training his soldiers in the methods of Indian warfare. His tactics provided a brief period of calm between the Jamestown colony and the Powhatan.

In 1609 an injury sent John Smith back to England, thus ending his adventures in Virginia. Upon his return he recorded his adventures in a book, *A True Relation of Virginia* in which he described himself in terms of heroic proportions. It is suggested that he embellished the story of his capture by the Powhatan in which Pocohantas (the daughter of Powhatan) saves his life in an attempt to glorify his experiences.

Morgan, Edmund. *American Slavery, American Freedom*. W.M. Norton : New York, 2003. pp. 71-79.
<http://www.virtualjamestown.org/jsmith.html>
<http://www.apva.org/history/jsmith.html>

Case Study #4: John Rolfe



In May of 1609, John Rolfe set out for Virginia from England as part of the Virginia Company's effort to colonize and make a profit from the region. On the way to Virginia, the ship he was traveling on was shipwrecked in the Bermudas, and the colonists had to construct new ships before they could continue their voyage.

Prior to Rolfe's arrival, the Virginia Company had not been successful in turning a profit despite several experiments. After observing the Indians harvesting and smoking tobacco, Rolfe decided to experiment with it. Beginning in 1612 he began to work with creating a tobacco that would appeal to European tastes. Since the taste of the Virginia Indian tobacco did not appeal to the English, he obtained sweeter tobacco from somewhere in the Caribbean and began to cultivate it in Virginia. His venture was wildly successful and tobacco became the first profitable export for the colony. In 1630, 1.5 million pounds of tobacco were exported from the colony. The growth of the tobacco industry created a need for greater tracts of land leading to a conflict with the colony's Indian neighbors.

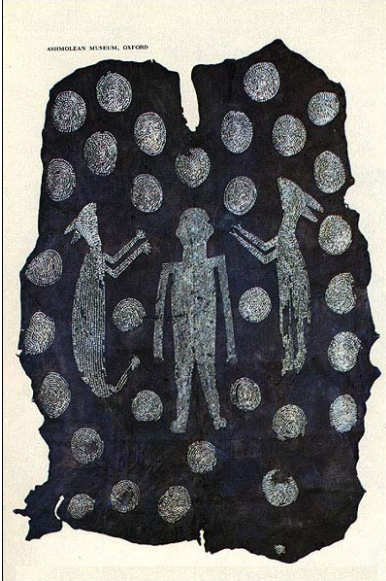
In 1614 Rolfe married the Powhatan Princess Pocohantas. Their marriage eased tensions between the Powhatan and the English temporarily. Rolfe traveled with his son and wife (Pocahontas) to England, but sadly, Pocahontas died before they could return to Virginia. When Rolfe returned to Virginia, he became even more involved in the colony as a strong leader, serving as a councilor and a member of the House of Burgesses. He also continued to promote the export of tobacco, and improve upon its quality. In 1617, 20,000 pounds of Virginia tobacco were exported to England. The following year, the export more than doubled.

<http://www.virtualjamestown.org/jrolfe.html>

<http://www.apva.org/history/jrolfe.html>

Case Study #5: Chief Powhatan

In the late 1500s, Chief Wahunsonacock of the Pamunkey, or Chief Powhatan, unified more than 30 tribes forming the Powhatan Confederacy. This confederacy included tribes such as the Pamunkey, Rappahannock, Nansemond, and the Mattaponi, all concentrated in the coastal areas of Virginia, around the Chesapeake Bay. Powhatan created his empire to prevent the loss of his lands by both other Indian groups and the English. By uniting the tribes could live together in peace as a unified nation, allowing for trade and greater productivity. Powhatan was a powerful leader who dressed like the common man in deerskin breeches, moccasins, and a mantle or cloak he made for himself of raccoon fur. (See picture)



The tribes of the Powhatan Confederacy were much more capable than the English in working the land and in hunting. Their method of agriculture has been shown to produce more food per man-hour than any other method. After using an area of land for a certain number of years, the Indians stopped farming it for decades, allowing its natural state to flourish. This technique allowed the land to re-fertilize, and increased its productivity. Each werowance, or tribal leader, within the empire was required to pay a yearly tribute to Powhatan. These tributes took the form of furs, copper, pearls, game and corn. Powhatan distributed the wealth among the citizens in return for their loyalty and support.

Trade was very important to the Indian economy long before the English arrived. The Powhatans, for example, traded with the Monocan Indians for copper. It is suggested that the Potomac, part of the confederacy, traded with tribes in upstate New York. The Indians within the confederacy were not in competition with one another through Powhatan's

leadership they were able to become more productive. They believed trade was a generous process, practiced to share the gifts of the Earth with all people equally. In contrast with the English who sought to gain more from a transaction than they were willing to pay.

Chief Powhatan was a ruler who provided incentives for his citizens to follow his lead. Each werowance, or tribal leader, within the empire was required to pay a yearly tribute to Powhatan. These tributes took the form of furs, copper, pearls, game and corn. Powhatan distributed the wealth among the citizens in return for their loyalty and support. When the English arrived in Virginia Powhatan viewed them as an opportunity to be exploited. Fearing their expansion into Powhatan territory he wanted them to settle on the James River where he could keep an eye on them. Powhatan also sought to act as a middleman between the English and tribes further west negotiating agreements on trade and establishing truces. The English dependency on the Powhatan Indians would then allow the acquisition of prized goods, such as metal tools and glass beads. This fragile trade relationship with the English continued until Chief Powhatan's death in April of 1618.

Axtell, James. *Natives and Newcomers: The Cultural Origins of North America*. Oxford University Press: New York, 2001.

Gleach, Frederic W. *Powhatan's World and Colonial Virginia: A Conflict of Cultures*. University of Nebraska Press: Lincoln, 1997.

<http://www.virtualjamestown.org/Powhat1.html>

http://www.virtualjamestown.org/essays/kupperman_essay.html

Case Study Comparison

Case Study	Achievements	Entrepreneurial Characteristics	Importance to the Development of American Democracy
The Virginia Company			
Captain John Smith			
Anthony Johnson			
John Rolfe			
Chief Powhatan			

American Entrepreneurs of the 20th and 21st Centuries
Suggestions:

Thomas Edison
Madame C.J. Walker
Ray Kroc
Sam Walton
Oprah Winfrey
Ingvar Kamprad
Bill Gates
Stephen Bezos
David Chu
Michael Dell
Marcus Garvey
Rudy Rojas
Jerry Yang
Bill Mow
Ted Turner
Steve Wozniak
Martha Stewart
James Kimsey
Mark Cuban
William Paley
Dave Thomas
Donald Trump
Warren Buffet
Thomas J. Watson
Victor Kiam
JoMei Chang
Henry Ford
J.D. Rockefeller
Andrew Carnegie
Estee Lauder
Donna Karan

American Entrepreneurs and Democracy

Entrepreneurs have played an important role in the development of American society in the modern age. Select an entrepreneur and research his/her role in American democracy by creating a poster presentation. The poster should highlight the achievements, struggles, and characteristics that lead to his/her success, and whether the actions of this individual have helped to strengthen American democracy.

The following criteria will assist you in researching and designing your poster:

Name of Entrepreneur: _____

Criteria	Points Possible	Points Earned
Highlighted the achievements of the entrepreneur	25	
Identified struggles and characteristics typical of an entrepreneur	20	
Referred to entrepreneur's ability to take advantage of opportunity.	15	
Discussed the impact of this person's achievements on democracy and American society as a whole.	20	
Created an interesting and organized poster.	10	
Used design to communicate ideas efficiently.	10	
Total Points:	100	

Comments:

Aid to Africa

The \$25 billion question

Jun 30th 2005

From The Economist print edition

Still Pictures



Years of mistakes have taught donors a bit about how to spend aid money better

THE itch is unremitting. Scratching brings little respite, but leaves lasting scars. A sufferer's skin will lose pigment, and his vision will begin to fail. Onchocerciasis—riverblindness—which once infected tens of millions of Africans living near the rivers that gave it its name, is caused by parasitical worms, carried from person to person by blackfly. The worms work their way through the skin and behind the eyes, blinding the most unfortunate of their victims.

No longer a scourge, riverblindness is now an icon: a symbol of what aid to Africa can accomplish. The campaign to fight the disease, launched in 1974, now spans 30 countries, counts on 26 donors, and benefits from worm-killing drugs donated by Merck, a pharmaceutical giant. By 2010 it will have cost \$735m, according to a recent report by a team from the World Bank and the African Programme for Onchocerciasis Control.

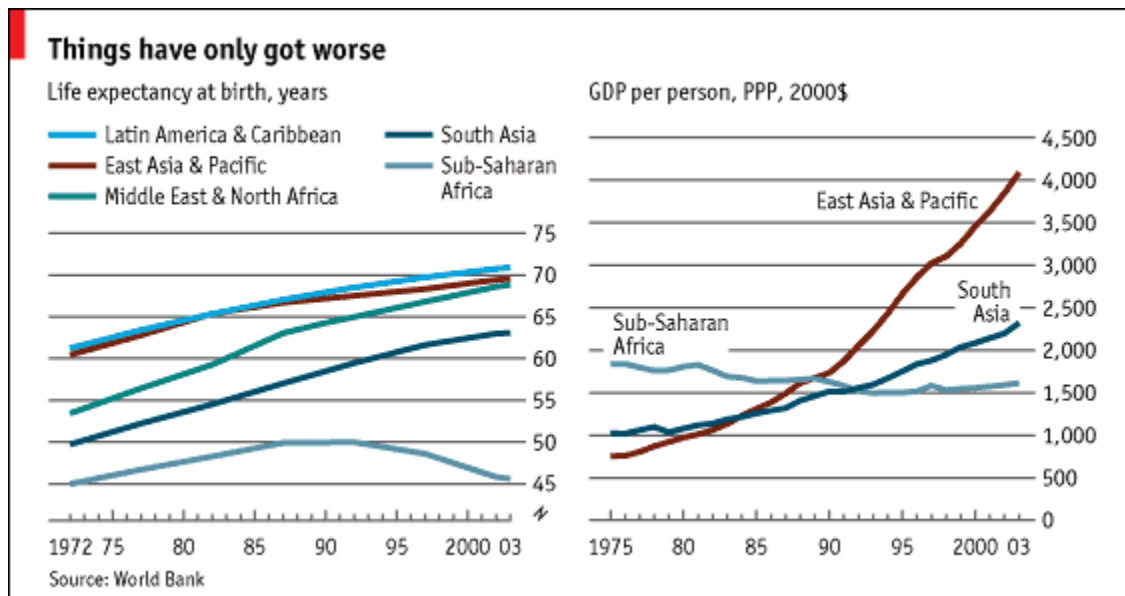
The campaign has saved the sight of 600,000 people in West Africa and opened up 25m hectares of fertile, riparian land—a new frontier to plot, settle and sow. It achieved this despite one of Africa's other afflictions, bad politics. A military coup in 1978 threatened the campaign's air bases in Ghana, from which it carried out its aerial spraying of blackfly breeding grounds. In 1985, Burkina Faso and Mali fell out, closing their border. On both occasions, the campaign survived. But even aid's triumphs flirt with disaster.

The Big Push

Sagas like these explain why the aid business suffers from a kind of manic depression, as Phyllis Pomerantz, a World Bank official, puts it in her recent book on the industry. In the 1990s, it endured listless donors and woeful budgets. But now the mood and the money are both on an upswing. Last year, the aid budgets of the big OECD donors increased to more than \$78 billion, the highest dollar total ever.

Tony Blair, Britain's prime minister and chairman of the G8 summit, which meets in Gleneagles in Scotland from July 6th-8th, has put Africa at the top of its agenda. In March the Commission for Africa, which he set up, called for another \$25 billion of aid to the continent each year for the next three to five years. In January, the United Nations unveiled the results of its Millennium Project, which called for a doubling of aid worldwide. Based on a study of particular countries, this is its best guess at the cost of meeting the Millennium Development Goals around the world. These goals—set in a burst of enthusiasm almost five years ago, with a deadline ten years hence—include halving poverty and hunger, arresting disease and environmental degradation, helping new-born babies survive infancy and educating them in childhood. In September, the UN will meet again to check on progress.

At the present rate, Africa south of the Sahara will meet none of these goals. In many countries in the region, income per head has yet to regain levels reached in the 1960s. Life expectancy is in decline (see chart). According to Jeffrey Sachs, who led the Millennium Project, tropical Africa is caught in a poverty trap. Simply put, it is too poor to grow. The region is uniquely burdened by disease (its people account for 85% of malaria's annual death toll of 1.2m and 75% of the 3.1m deaths from AIDS last year). It is also disfavoured by geography (less than a quarter of sub-Saharan Africans live within 100km of the coast). As a result, it can attract and amass too little capital to support a growing population. Short of capital, it is too poor to save: its gross national savings were just 16% of GDP in 2003, whereas in East Asia they were 42%. And without sufficient saving, the region cannot overcome its shortage of capital.



To escape, Mr Sachs says, Africa needs a “big push”, which is to say big sums of foreign money. Only large amounts will do. This is development economics as rocket science: mix the fuels in the right quantities, and Africa's earth-bound economies will reach escape velocity.

On what might these sums be spent? Mr Sachs has plenty of ideas. In his recent book, “The End of Poverty”, he describes a visit to the villages of Sauri, Kenya, which his university, Columbia, has taken under its wing. He envisages a complete economic makeover for the villages. Leguminous trees planted alongside crops would fix nitrogen in the soil and raise cereal yields. The village clinic, padlocked and unused, would be re-opened. In the local school, the children would enjoy a full free meal to ease hunger and sharpen concentration; the adults would learn how to bore wells and harvest water. A village truck would carry goods to market and the sick to hospital. What should be done in these eight villages, Mr Sachs says, should be done on a continental scale.

The big push is an old idea. In the 1950s and 1960s, the World Bank lent money for large capital projects, such as dams and mines, to help poor countries fill the gap between their need to invest and their ability to save. Aid fuelled investment, which fuelled growth. Or that was the idea. If it had borne fruit, Zambian incomes would long ago have surpassed \$20,000 per head, reckons William Easterly, a former Bank economist now at New York University. In fact, despite decades of aid, they are still less than \$500. According to Mr Easterly, the West has spent \$450 billion on foreign aid to Africa over the past 40 years. If that has not filled the gap, what will?

The Bank's thinking has now moved on. It worries less about filling a financial gap and more about improving a country's “investment climate”—the policies, regulations and institutions that can be kind or inhospitable to the spirit of capitalism. A new UN

report reckons that Africans hold 40% of their financial portfolios overseas. Were Africa able to attract this money back, its private capital stock would increase by about two-thirds.

Size can matter in development. Some schemes to save mankind work on a grand scale, or not at all. The fight against riverblindness had to wipe out blackfly larvae across great swathes of West Africa, lest treated watercourses suffer a reinvasion of flies from elsewhere. To be effective, the drugs it distributes must be taken by two-thirds of a village for up to 20 years.

	Ghana	Tanzania	Uganda
Pricing hope Foreign aid required to meet the millennium development goals, \$ per person per year 2005-15			
Hunger	3.3	6.2	2.4
Education	11.8	7.8	6.7
Gender equality	1.5	1.6	1.4
Health	17.8	24.3	20.0
Water supply and sanitation	2.4	1.5	0.7
Energy	5.7	5.2	4.1
Roads	6.6	13.6	11.4
Total	49.1	60.2	46.7

Source: UN Millennium Project

But what is true of a particular aid effort need not be true for the entire continent. Unless Africa is trapped as Mr Sachs supposes, one need not feel bound by the precise sums he recommends. There need not be a specific quantity of aid below which it will do little and above which it will make all the difference. Sadly, one cannot name a magic number—\$25 billion, \$50 billion, or otherwise—that will push Africa over the threshold to prosperity.

Which is not to say such sums are wildly generous. The Commission for Africa's plea for \$25 billion represents just 0.08% of the 22 richest donors' national income; the Millennium Project's ambitions require donors to raise their worldwide spending from just 0.25% of GDP to about 0.5% by 2015. America's post-war Marshall Plan for Europe, which Gordon Brown, Britain's chancellor of the exchequer, cites as inspiration, called, on average, on more than 1% of America's national income (albeit for only four years).

Meltdown: A Case Study

What America a century ago can teach us about the moral consequences of economic decline

By Benjamin M. Friedman

Would it really be so bad if living standards in the United States stagnated – or even declined somewhat – for a decade or two? It might well be worse than most people imagine. History suggests that the quality of our democracy – more fundamentally, the moral character of American society – would be at risk if we experienced a many-year downturn. As the distinguished economic historian Alexander Gershenkron once observed, even a country with a long democratic history can become a “democracy without democrats.” Merely being rich is no bar to a society’s retreat into rigidity and intolerance once enough of its citizens sense that they are no longer getting ahead.

American history includes several episodes in which stagnating or declining incomes over an extended period have undermined the nation’s tolerance and threatened citizens’ freedoms. One that is especially vivid, and that touched many aspects of American life that remain contentious today, occurred during the Populist era, toward the end of the nineteenth century – roughly from 1880 through the middle of the 1890s.

For a decade and a half after the Civil War, economic growth was largely exuberant, society optimistic and social progress undeniable. But all that changed over the next fifteen years, beginning with a faltering economy. From 1880 to 1890 Americans’ real per capita income grew on average by just 0.4 percent a year (versus almost four percent in the 1870s). Then, after a few strong years at the start of the 1890s, the economy collapsed altogether. A severe banking panic set off a steep downturn, widely known at the time as the Great Depression. By the end of 1893, 500 banks and 15,000 other businesses, including several major railroads, were bankrupt. Prices, especially farm prices, had been falling even when the economy was growing

strongly. Now the declines became ruinous. Wheat dropped from an average price of \$1.12 a bushel in the early 1870s to fifty cents or less in the mid-1890s, and corn went from forty-eight cents a bushel to twenty-one. By the early 1890s farmers in some western states were burning their nearly worthless corn for fuel. By 1895 per capita income had fallen below the level it had reached fifteen years earlier.

Popular discontent followed economic distress. In 1892 labor action against the Carnegie Steel plant in Homestead, Pennsylvania, sparked an armed battle between striking workers and company-hired Pinkerton forces, leaving sixteen dead and more than 150 wounded. Two years later a strike against the Pullman Sleeping Car Company led President Grover Cleveland to call in the Army to protect the railroads. At the same time, hundreds of unemployed men, led by Ohio businessman Jacob Coxey (the group was known as “Coxey’s Army”), marched on Washington to demand federal assistance. Altogether, during the course of 1894 seventeen such “industrial armies” marched on the capital.

But economic concerns did not manifest themselves only, or even primarily, in labor marches and job riots; they soured many aspects of American society. As wages fell and unemployment rose, fearful citizens sought to close the country to newcomers – particularly from areas other than northwestern Europe. The new Statue of Liberty (completed in 1886) may have proclaimed America’s welcome to the world’s “huddled masses” and “wretched refuse,” but such popular magazines of the day as *Harper’s* and *The Atlantic Monthly* were full of ethnic jokes and slurs. Beginning in the 1800s hard times catalyzed a movement to tighten immigration standards. In 1882, after riots protesting the use of Chinese labor for railroad construction, Congress barred Chinese immigrants entirely. All other immigrants were subject to a head tax. Some

states adopted legislation prohibiting certain non-citizens from acquiring land.

Race relations also deteriorated. In a spectacularly unfortunate coincidence that would affect American history for decades, this period of economic stagnation – the worst up to that time – set in just as Reconstruction ended and the federal government finally withdrew its troops from the defeated southern states. No one will ever know whether the country's race relations, both in the South and elsewhere, would have taken a different course had America enjoyed robust economic growth during this period. In the event, the result was segregation by race in practically every aspect of daily life, together with appalling racial violence.

One reason for believing that economic frustrations contributed to the sad history that followed is that although the former Confederate states regained full political independence with the end of Reconstruction, in 1879, most of them did not begin to adopt what in time became pervasive “Jim Crow” laws until the 1890s. By the end of that decade most southern states had made it illegal for blacks to ride with whites in railroad cars, and some had also segregated city streetcars and railroad-station waiting rooms. The devices used to deny most black citizens their voting rights – property and literacy requirements, poll taxes, and white-only primaries – were likewise adopted mostly in the 1890s or after.

But the legal changes enacted during this period barely capture the racist and anti-immigrant (and anti-Catholic, anti-Semitic, anti-ethnic) sentiment of the time. The 1880s saw a rise in vigilante violence in rural areas – not only lynchings in the former Confederacy but also beatings, murders, and arson by such groups as the Bald Knobbers, in the Ozarks, and the White Caps, in Kentucky and elsewhere. Such colorful populist figures as “Pitchfork” Ben Tillman, who served as governor of South Carolina from 1890 to 1894 and then as a U.S. Senator, and Tom Watson, a widely read newspaperman who ran for vice president on the Populist ticket in 1896, were outspoken white supremacists. Tillman publicly defended lynchings, called for the repeal of the Fifteenth Amendment

(which had given the vote to blacks), and advocated the use of force to disenfranchise blacks in the meantime. Watson's speeches and editorials were regularly devoted to sensational attacks on blacks, Catholics, Jews, and foreigners. The American Protective Association, an anti-Catholic organization founded in Iowa in 1887, spread rapidly once the 1893 depression began, and claimed to have 2.5 million members nationwide by the mid-1890s. Anti-Semitic propaganda was so common among Populists by 1896 that William Jennings Bryan felt obliged to disavow it during his campaign for the presidency.

Steps that would have made America more democratic were not without advocates during this period. Many Populists favored such measures as direct primaries and the popular election of U.S. senators. Some also favored women's suffrage. Bryan was a tireless advocate for all these causes. Yet none of them advanced in the face of prolonged economic stagnation. Meanwhile, the Supreme Court only made matters worse. In two key decisions it effectively gutted the Civil Rights Act passed in 1875 (when economic growth was strong), declaring private racial segregation and then segregation legislated by the states to be constitutionally protected. Throughout the Populist era America's media, politics, and legislation all lent support to cultural exclusion, societal rigidity, and efforts to turn back the clock. These ultimately proved futile, but for a while they poisoned both politics and society. Openness toward the future, faith in a better society for all, and support for the rights of minorities were simply not the order of the day.

Economic weakness does not always produce social regress, of course; history is not so deterministic. The depression of the 1930s led, for the most part, to a reaffirmation of America's openness and generosity. But that was atypical; the Populist era was more the norm.

When slow growth together with widening inequality halted improvements in living standards for many Americans in the 1920s, the upshot was the revival of the Ku Klux Klan (not just in the South – at the Klan's peak perhaps one in ten white

Protestant U.S. men was a member), the tightest and most discriminatory immigration restrictions in the nation's history, and the elimination of both federal and state laws designed to protect women and children. Similar economic conditions in the 1970s and 1980s provided the backdrop for another round of anti-immigrant agitation, the rise of the right-wing militia movement, and incidents of politically motivated domestic terrorism.

Not just in America but in the other Western democracies, too, history is replete with instances in which a turn away from openness and tolerance, often accompanied by a weakening of democratic institutions, has followed economic stagnation. The most familiar example is the rise of Nazism in Germany, following that country's economic chaos in the 1920s and then the onset of worldwide depression in the early 1930s. But in Britain such nasty episodes as the repression of the suffragette movement under Asquith, the breaking of Lloyd George's promises to the returning World War I veterans, and the bloody Fascist riots in London's East End all occurred under severe economic distress. So did the ascension of the extremist Boulangist movement in late-nineteenth-century France, and the Action Française movement after World War I. Conversely, in both America and Europe fairness and tolerance have increased, and democratic institutions have strengthened, mostly when the average citizen's standard of living has been rising.

The reason is not hard to understand. When their living standards are rising, people do not view themselves, their fellow citizens, and their society as a whole the way they do when those standards are stagnant or falling. They are more trusting, more inclusive, and more open to change when they view their future prospects and their children's with confidence rather than anxiety or fear. Economic growth is not merely the enabler of higher consumption; it is in many ways the wellspring from which democracy and civil society flow. We should be fully cognizant of the risks to our values and liberties if that nourishing source runs dry.

