ZAMBIA INSTITUTE FOR PUBLIC POLICY ANALYSIS

ZIPPA

January – March 2014

Theme: Inflation

Contents

Freeway
Inflation Disease

If only 'inflation' meant increasing the value of money, instead of increasing the amount of money required to buy our needs! Alas, it's the second. So we must make the effort to understand what causes the disease of inflation, and how to control it.

That is the purpose of this edition of the Journal. The timing is appropriate, as Zambia has suffered from severe inflation in the past, and we are now in serious danger of repeating that experience.

The articles in this issue of the journal speak for themselves. Or rather, they speak for ordinary people who cannot speak effectively for themselves. Studying them can improve our understanding of how the disease of inflation is caused, and how it can be cured, or at least greatly reduced. We must not sit idly by, hoping to see things get better. Inflation is deadly, and it must be tackled with determination NOW before it becomes desperate.

Note. The Journal contains one article which is not about Inflation. 'Business and Bureaucracy' is appropriate reading at a time when 'The Business Regulatory Bill, 2013' is about to come before Parliament. Will this new law multiply opportunities for corruption?

Inflation – Rhetoric and Reality

By Chisanga Puta-Cholwe

Recent pronouncements by Zambian politicians suggest a gulf between political rhetoric and economic reality. We have been down this road before and should be mindful of the deleterious effects of misalignment between economic reality and political action.

No doubt everyone would like to see individual earnings in Zambia rise to the highest level possible, but this rise must not take place in a vacuum. Raising wages without a corresponding increase in production leads to inflation which has negative effects on the economy.

The most basic definition of inflation is a persistent increase in the general price level of goods and services in an economy over a period of time. An increase in the general price level results in the Kwacha buying fewer goods and services. In other words there is a reduction in the purchasing power of every Kwacha in circulation. This represents a loss of real value in the currency.

Wage increases today do not translate into quantifiable inflation the following day because the inflation rate or the percentage change in a general price index is typically measured over the course of a year.

It is obvious from the foregoing that negative effects of inflation include the erosion of the value of money in the pocket and even in the bank. Other negative effects include the discouragement of both investment and savings as uncertainty grips the economy. Furthermore, rapid inflation can lead to shortages of goods and services as happened during the One Party State years when political dogma replaced sound economic principles as the main tool of economic planning.

The real rate of inflation during the dying days of Mr. Kenneth Kaunda's regime was put at 400 per cent. And yet interest paid on savings accounts was typically below 10 per cent, resulting in heavy loss to savers. Investment (both domestic and foreign) dried up, partly because there was little prospect of converting savings into investment capital. It is sometimes possible to invest in these circumstances, on the basis that the goods resulting from the investment would sell at a high enough price to offer a real return. But this was not a prospect for investors in a country where the bulk of goods and services were price controlled by decree.

However, inflation is not always negative. In times of zero or sluggish growth the central bank would be justified in adjusting interest rates and thereby encouraging spending with a view to stimulating the economy. In effect the central bank would be reducing the cost of money with a view to increasing demand for the currency. The central bank would also be setting the stage for certain types of investment. This approach, however, must be a short term measure designed solely to avert a recession with its dire consequences.

In general, high rates of inflation and hyperinflation (such as occurred in Germany's Weimar Republic and more recently in Mugabe's Zimbabwe) are caused by an excessive growth in the money supply brought on largely by reckless political promises not supported by economic performance. Prosperity cannot be legislated; neither can pay increases be a matter of political decree unsupported by solid economic data.

It is a question of balance. The writer is not advocating zero inflation, which is not without danger. For one thing zero inflation would deprive monetary authorities of the ability to stimulate an underperforming economy. A certain amount of inflation would appear consistent with economic dynamism. Zambia is a dynamic economy, thanks to the country's resilient private sector. To maintain this dynamism, a low and steady rate of inflation is acceptable.

Author: *Dr. Chisanga Puta-Chekwe Deputy Minister for Citizenship and Immigration, Ontario, Canada.*

Keynes on Inflation

Here is one of Keynes's keenest insights, from pages 220-233 of *The Economic Consequences of the Peace* (1919):

By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method, they not only confiscate, but they confiscate *arbitrarily*; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls . . . become 'profiteers', who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than the proletariat. As the inflation proceeds . . . all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless.

Inflation – Blame it on Governments

By Jasson Urbach

As far as inflation is concerned, Prof Stiglitz admits that "Monetary authorities can't, of course, ignore inflation", but then states "A single-minded focus on inflation, without sensitivity to the source of inflation, will produce neither growth nor stability". But the sole source of inflation (general price increases) is the printing of excessive quantities of money for which governments and their central banks are entirely responsible. Inflation undermines growth and creates instability. In essence, inflation is the result of weakening the internal purchasing power of a currency, which inevitably leads to the weakening of its external purchasing power. Under inflationary conditions it is impossible to plan or make any rational economic decisions as people are more concerned with anticipating inflation as opposed to seeking out profitable new production opportunities. When inflation forces prices to increase rapidly, people spend more of their income on consumption and virtually no money is saved.

Inflation has negative implications for trade because it adversely affects the competitiveness of export industries and import-competing industries. The negative consequences for industries can be partially offset by a depreciation of the currency through the manipulation of the exchange rate but this is just a temporary remedy that raises the cost of imports and increases the price of imported goods for the man in the street. Inflation benefits borrowers at the expense of creditors because it erodes the real value of money. Given that government is generally the biggest borrower, inflation therefore invariably redistributes wealth from the private sector to government. Money with a relatively stable purchasing power is imperative for the proper functioning of an economy. Deliberately weakening the internal and external purchasing power of a currency to foster exports is an extremely costly way to benefit exporters and comes at the expense of the population at large.

Author: *Jasson Urbach is a Director of South Africa's Free Market Foundation*

Inflation is a Form of Theft

By Eustace Davie

Stopping price inflation by halting the inflation of the rand would give pensioners, savers and low income people a break. It would halt the perpetual price increases that make their lives miserable. The action of curbing this form of theft is entirely in the hands of the SA Reserve Bank and government.

Inflation is not the unending price increases to which we all have had to become reluctantly accustomed; it is the debasement of the currency brought about by the issue of too much of it. All currencies now consist of pieces of paper with coloured printing on them; the issuing of excessive quantities is merely a question of keeping the printing presses running.

Limitations on the quantities of money printed is entirely in the hands of whoever issues the instructions to the technical staff that produce and distribute it. Because paper money is no longer backed by gold there is no limitation on its issue, such as the quantity of gold stored in a vault.

In ancient times, debasement of money could be discovered by weighing the coins or melting them down to determine their silver or gold content. The citizens of Rome, for instance, knew very well that on the instruction of their more untrustworthy Emperors the mint was adding an increasing percentage of base metals to the silver in the denarius. Between about 180AD and 280AD, the silver content of the denarius decreased from around 80% to about 5%.

Traders measured the quality of their goods against silver so they quite naturally adjusted the prices of their goods according to the silver content of the coins, which infuriated the Emperors. They expected the traders to blindly accept the coins as if the silver content had remained unchanged. Emperor Diocletian instituted price controls with severe penalties, including death, in an attempt to prevent traders from increasing their prices to compensate for the debasement. The traders responded by disappearing, along with their goods, into the hinterland, causing shortages of much-needed products. Nicolas Madura, the President of Venezuela, is currently conducting a similar futile and harmful exercise. Then, as now, attempts by government to fix prices at low levels cause shortages.

Debasement of coinage was easily detected in the old days, especially when the debasement was a crude clipping of the edges of the coins. Modern coins are mere tokens minted from base metals and often cost more to produce than the value they represent. Debasement of paper money is another matter entirely because it is invisible.

Pricing goods and services is a discovery process and depends on the relative value that consumers place on them. If we did not have the problem of steadily debased currencies forcing prices to continually move upwards, they would actually remain relatively stable. Price increases and decreases would reflect shortages and surpluses of goods and services, not a change in the purchasing power of the currency.

Currency inflation interferes with myriad economic calculations that occur daily in the market place and considerably reduces economic efficiency. Price increases under such circumstance do not necessarily reflect a shortage of supply but probably result from a reduction in the purchasing power of money after an untoward increase in its quantity. Exchange rates of currencies are similarly affected and, over time, reflect the different rates of debasement. As in the adjustment of prices for goods and services the process of adjustment of currency values is not instant. The first receivers of newly created paper money enjoy an advantage of being able to buy at prices not yet affected by the latest currency inflation.

South Africans suffer severely from the continual debasement of the rand. Savings have been eroded, economic calculation disrupted, and South Africans have become poorer than they otherwise would have been. Particularly cruel, is the surreptitious theft of pensioner savings.

When the rand was introduced on 14 February 1961, R2 equaled £1 and R0.714 equaled US$1. Today, we exchange about R16.50 for £1 and R10.30 for US$1. This means that since 1961, the rand has lost 93% and 87.9% respectively of its purchasing power by comparison with the dollar and pound.
On 29 November 2001, Reserve Bank Governor, Tito Mboweni, pointed out that prices in SA were approximately 70 times higher than in 1921 while, over the same period, prices in the United States had only increased tenfold.

Many economists tend to warn against deflation but one of the best decades in US economic history was marked by deflation. During the period 1879 - 1889, the first years after the return by the US to the gold standard following the Civil War, there was a remarkable phenomenon. Prices declined by 4.2% and wages rose by 23% over the decade. In the absence of inflation, savings and capital formation rose, productivity increased and the economy flourished. If instead of inflation, SA enjoyed a period of deflation with prices steadily decreasing and wages steadily rising, standards of living would definitely improve.

The SA Reserve Bank can stop general price increases (PPI and CPI) by ceasing the inflation of the rand. There will be some repercussions for businesses that thrive on currency inflation but they will benefit by sound money in the longer term. To deal with the effects of a stronger rand, government can abolish exchange controls and the legal tender laws. Firms will deal with currency issues directly by conducting business in the currencies used by their foreign customers.

With no currency inflation to perpetuate continual price increases, the poor will be able to cope easier; pensioners will again be able to live their lives according to a reliable means, and all other South Africans will be able plan much better for the future, and that includes government.

Author: *Eustace Davie is a director of the Free Market Foundation, South Africa*

How to Stop Inflation Dead

By Eustace Davie

The executives of the South African Reserve Bank are freezing their salaries for the whole of 2013. At last, a few key people are openly admitting that South Africa's economy is in a bad way and are prepared to do something 'drastic' to aid its repair.

The full announcement posted on the SARB website on 11 December 2012 read: "In response to the prevailing economic climate locally and globally, the Governor and Deputy Governors of the South African Reserve Bank (SARB), together with all Board members, unanimously decided at the Board meeting of 30 November 2012, to forego salary and fee increases for non-executive and executive directors in 2013. This is in support of President Zuma's call to CEOs and executive directors in the private and public sectors, to agree to a freeze on increases in salaries and bonuses over the next 12 months. This decision does not apply to the SARB staff and general management."

This decision could have an unexpected beneficial effect for SA's citizens. The top echelons of the bank will be reluctant to see a rapid increase in their living expenses while their wage freeze is in place. In other words, they will have an incentive to curb inflation even though this was not their declared intention. In order to be really effective, however, the proposed wage freeze does not go far enough or last long enough.

The Reserve Bank of New Zealand Act, 1989, made the Governor of the bank responsible for inflation. It provided for a Policy Target Agreement to be signed between the Minister of Finance and the Governor in which the well-known inflation target of 0 to 2 per cent was set. Governor Donald T Brash, the first Governor to be held to account by the new law, was told by the Minister that the reason why the full responsibility would rest on his shoulders was that "the Government did not feel that it would be feasible to fire the whole Bank!" A provision that the Governor gets fired if the inflation rate does not remain below 2 per cent had a salutary effect in New Zealand and is likely to do the same in any country. However, putting all the pressure on one person does not, in my view, adequately distribute the responsibility for banishing inflation.

Milton Friedman said, "Inflation is always and everywhere a monetary phenomenon", which means that central banks have total control over inflation. Everyone in the central bank and all people remunerated out of taxes should therefore feel pain from inflation that follows debasement of the currency. They would then all have a powerful incentive to ensure that there is zero inflation and the potential for stable prices would be high. In fact, as productivity increases in a stable non-inflationary environment, there will be a gentle decline in prices. Instead of losing purchasing power, the currency would buy more and all consumers would, instead of having to consistently pay more for their purchases, enjoy the benefit of those stable or gently declining prices.

Of concern are the entirely unnecessary and harmful general price increases brought about by an untoward and never-ending increase in the base money supply. A mechanism has to be introduced to stop debasement of the currency and to halt the deleterious effect it has in eroding people's savings, the uncertainty it introduces into economies, and the mal-investments that result, like the "bubbles" it causes in asset prices such as those of shares and property. Worst of all are the unstable prices that reduce economic calculation to guesswork and investment decisions to perpetual gambles.

My first option would be for a Currency Board to be established in South Africa, managing a 100 per cent gold-backed rand, with every rand backed by a designated weight of gold, and severe penalties for

Board members if any deviation from the 100 per cent prescribed backing occurs.

My second option would follow the New Zealand example of making the Reserve Bank Governor entirely responsible. New Zealand inflation for the period 1991 to 2010 averaged 2.21 per cent per annum and GDP for 1990 to 2012 averaged 2.45 per cent per annum. So central bank governors do know how to stop inflation if their jobs are on line!

My third option would be the comprehensive permanent wage freeze of all salary and wage levels in the Reserve Bank, and of tax-dependents of any nature. This would bring an abrupt halt to inflation, but it would be a hard sell except in the depths of a depression. It would include a freeze on the salary levels of all members of Parliament, Provincial Councils, Local Authorities as well as all government and parasternal employees. The purpose of such a freeze would be to stop currency debasement in its tracks by ending untoward increases in the base money supply. If no one else knows that excessive issue of notes and coins causes inflation (general price increases) you can be sure that SARB executives know it. How else would Donald Brash have kept his job in New Zealand if he did not know it?

A valid question to ask is, "Has the rand been debased in the past and is it being debased currently?" The best way to find out is by looking at the figures.

The base money supply, M0, which consists of notes and coins in circulation plus bankers' deposits at the Reserve Bank, totaled R481 million in March 1965, R2.73 billion in June 1980, and R153.937 billion in June 2012. The increase in the 15 years 1965 to 1980 was R2.249 billion, an increase of 467.56 per cent on the 1965 figure. The increase in the 32 years 1980 to 2012 was R151.688 billion, an increase of 4,638.71 per cent on the 1980 figure, and a 31,900 per cent increase on the 1965 figure in 47 years. Such currency inflation borders on economic sabotage.

If the base money supply had increased at the same rate as the growth of GDP, and GDP growth had been 5 per cent per annum during the period 1965 to 1980, a base money supply of a maximum of R1 billion might have been justified. And if GDP growth had averaged another 5 per cent per annum for the period 1980 to 2012 (which it did not - GDP shrank by more than 1.0 per cent per annum during the period 1980 to 1994), a base money supply of about R4.76 billion in June 2012 would have had M0 keeping pace with the 5 per cent assumed GDP growth rate for 47 years. The actual increase over the 47 years has been R147 billion more than theoretically justified. And we wonder why a car that cost R10,000 in 1980 now costs in the region of R350,000 to R400,000. Also why one US dollar that cost us R0.77 in 1980 now costs R8.50, a loss of 1,004 per cent against a currency that has itself lost a great deal of purchasing power.

On reflection, the citizens of every country in the world should either demand a gold-backed currency, legislation similar to the New Zealand Reserve Bank Act, or a wage freeze for their central banks and governments. Zero inflation would give the SA economy an enormous boost. Our Reserve Bank has come up with a brilliant idea; it merely needs to be extended over the entire government (including the rest of the bank).

Author: *Eustace Davie is a director of the Free Market Foundation, South Africa*

Free Falling Kwacha

By Chola Mukanga

(Posted: 20 Nov 2013) Zambian Economist.

Over the last month we have seen the Kwacha experience its sharpest fall since PF came to power and the lowest value in five years, if not longer. The currency has substantially eroded in value since PF came to power in 2011. It is also clear that the ban in the use of dollars, Kwacha rebasing and exchange control restrictions have not stemmed this substantial decline.

A number of things are clearly moving against the Kwacha. Top of the list is declining confidence in the Government's ability to manage national finances. A recent IMF statement warned that GDP growth in 2013 is weaker than expected (only 6% against the 7.3% in 2012).

But more worrying is that Zambia faces significant economic challenges in the fiscal area as concerns escalate over the inherent weaknesses in our macroeconomic fundamentals. It is noticeable that the current fall in the Kwacha has coincided with the Fitch downgrade and the worsening economic outlook by Standard and Poor.

The credit agencies have picked up on the fact that Government finances have deteriorated sharply with projected deficit (8.5%) in 2013 twice the target level, and GDP much lower than forecast. Spending is likely to significantly over-run again in 2014, reflecting the cost of the public service wage increase and higher debt service costs. The GDP outlook for 2014 is quite bleak.

The problems for Zambia are also international. Despite our expansion in copper output the forecast of copper prices is negative. Zambia remains vulnerable to China's ongoing adjustment which has seen copper prices fall by $3000 per ton over the last two years. There's a high likelihood of further fall in copper prices as supply expands off the back of new mines and expansions in Chile, Mongolia, Indonesia and Zambia. The lack of diversification of Zambia's economy means a significant fall in copper prices may negatively affect the economy. These and other factors mean that the Kwacha is increasingly now looking "less safe".

The bottom line of course is that there's no right or wrong level for the Kwacha. Whatever level the Kwacha finds will have its pros and cons. The policy goal therefore must be to let the Kwacha find its 'natural' equilibrium in line with prevailing market forces. The goal of exchange rate policy under our current exchange rate mechanism is to aid stable adjustments. Zambia has a flexible floating exchange rate system. Indeed at our level the real exchange rate has made Zambia uncompetitive.

What we need is to ensure that BoZ continues to minimize currency volatility as the currency adjusts downwards. That requires prudent use of foreign reserves. Unfortunately, the reserves are dwindling. They are currently just at 2 months of import cover. This is below the Government's 2013 target. International reserves have continued to fall over the last year as the Bank of Zambia has been directly funding Zambia's oil import bill and debt-servicing obligations. The Government has recently moved to halt the practice in an effort to stabilize the reserves.

What does this all mean for all of us? A weaker Kwacha means GRZ debt repayments become dearer. And of course with its inevitable credit downgrades going forward the cost of repayments will be higher.

At the individual level, the short term impact of weaker Kwacha is higher cost of imports, mostly for consumption purposes, but some significant ones for production as well! The elasticity of imports becomes crucial here, but needless to say, oil is a critical input for mining production costs, and a weak exchange rate, means higher domestic production costs for other sectors, not least general transportation.

That said, a weaker Kwacha opens a window of competitiveness for non-mining sectors especially agricultural produce. The real question is whether the Zambian economy has diversified enough in recent years to take advantage of this window. We have seen some signs of diversification, but in general this remains an aspiration.

GRZ can't change the fate of the Kwacha, but they can work to restore confidence in its finances and to project to investors some degree of credibility. Recent policy initiatives have sent all the wrong signals. The deportation of investors, confusion on export taxes, media corrupt allegations against Finance Minister, Chikwanda, political infighting and reckless borrowing all send wrong signals.

The Government also needs to use this "window" to encourage more diversification. But that requires money, which is a problem because GRZ is broke!

Author: *Chola Mukanga - Economist* .

Policy Chaos at BOZ

By Chola Mukanga

Posted: (29 Nov 2013) Zambian Economist.

Policy confusion continues to rock the Bank of Zambia (BOZ) as the Kwacha slides further. BOZ is struggling to halt the depreciation of the currency which is now at its weakest level in five years. And they do not know what to do.

A Media interview with leading figures at the BOZ suggests that the Bank is lost for options. BOZ's Financial Director Emmanuel Pamu says the Kwacha is merely on a “random walk" and that BOZ is not "concerned too much" because it expects "some correction.” He believes that the kwacha will be in “equilibrium” at a rate of 5.30 to 5.40 per dollar. A surprising hint that PF is now resigned to a Kwacha at that level at best. Is this the new policy?

Pamu's position contradicts the BOZ Governor Gondwe who admits the political problems associated with the sustained sharp slide. He is promising that BOZ is "looking at mopping up liquidity in the economy and a lot other measures". He assured journalists this week that BOZ will intervene to reverse the situation.

As I have recently noted, there's actually nothing that BOZ can do apart from reducing volatility. This is for two reasons. First, Zambis'a foreign reserves are dwindling. They are currently just at 2 months of import cover. This is below the Government’s 2013 target. Reserves have continued to fall over the last year as BOZ first tried to keep the Kwacha at a strong level, then started directly funding Zambia's oil import bill and debt servicing. GRZ has recently moved to halt these practices in an effort to stabilise the reserves. Any return to artificially maintaining of the Kwacha will erode the reserves substantially!

Secondly, the factors eroding the Kwacha are on the fiscal and political side. The Kwacha has substantially eroded in value since PF came to power in 2011. There is little confidence in the Finance Minister Chikwanda's ability to manage national finances - or PF macroeconomic policies in general. A recent IMF statement warned that GDP growth in 2013 is weaker than expected (2013 growth is only 6% against the 7.3% in 2012).

But more worrying is that Zambia faces significant economic challenges in the fiscal area as concerns escalate over the inherent weaknesses in our macroeconomic fundamentals. It is noticeable that the Kwacha's current sharp fall has coincided with the Fitch downgrade and the worsening economic outlook by Standard and Poor.

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Politically we have significant chaos, which has diminished confidence in the long term economic and political direction of the country. Recent policy initiatives have sent all the wrong signals. The deportation of important investors, confusion on export taxes, corrupt allegations among PF ministers, especially against Finance Minister Chikwanda, political infighting among ministers and reckless borrowing without sustainable plans to repay all send wrong signals.

Put your seat belts on - 2014 is looking very bumpy indeed. Unless Chikwanda starts heeding the advice that I have been pumping out throughout the year. How much worse do things have to get for him to listen?

Author: *Chola Mukanga, Economist.*

Business and Bureaucracy

The Economist

The red tape that ties down businesses is being modestly pruned around the world. But there is still an awful lot left to cut.

Nov 4th 2010 | LAGOS AND MEXICO CITY

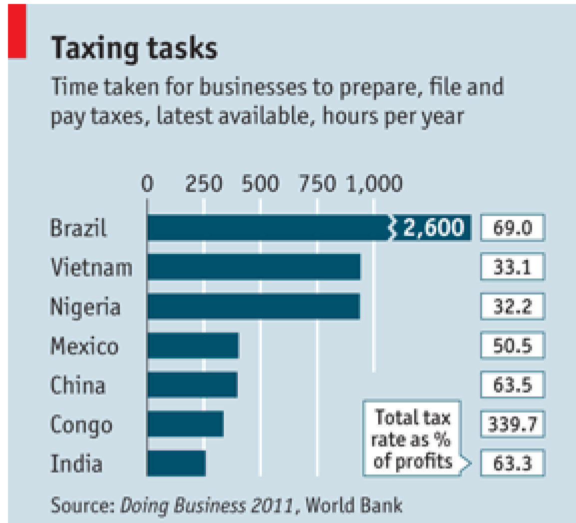
Nov 4th 2010|Lagos and Mexico City. The Economist print edition (with permission)

THE streets outside are searingly hot, noisy and pot-holed. But Tunde Oyekunle's air-conditioned office is an oasis of calm. Mr. Oyekunle runs a property consultancy in Lagos, Nigeria's business capital. He is also setting up a company to make window-frames and other fittings. "You're expected to keep jumping through the obstacle course—and to enjoy it," he says of the constant frustrations of being an entrepreneur in such a chaotic country.

Nigeria's population and oil reserves—both, at 150m people and 37 billion barrels, the largest in sub-Saharan Africa—should make it an attractive place to do business. But these advantages are offset by misgovernment, rampant corruption and dismal infrastructure. Each year since 2003 the World Bank has published a "Doing Business" survey of how countries compare on some of the most important factors in opening, running and closing a firm. From a very low base, Nigeria has been among the fastest improvers, and Mr. Oyekunle confirms that things have indeed got a bit less terrible. But in the bank's latest report, out this week, Nigeria slips three places to 137th out of 183 countries surveyed. It stood still over the past year as many other countries, rich and poor kept reforming.

The report does not try to assess broader questions of governance, such as macroeconomic policy or overall levels of corruption; even though these have a big effect on how easy it is to do business. What it does measure are the petty bureaucracy and onerous rules that can make life a nightmare for firms. But the findings correlate well with those of wider studies of national competitiveness, such as those by the OECD and the World Economic Forum.

Familiar names lead the "Doing Business" league: Singapore, Hong Kong, New Zealand. At the bottom are the usual sub-Saharan suspects, plus Venezuela, whose socialist leader, Hugo Chávez, has continued to harry private industry.



Since the World Bank's studies began, businesspeople globally have experienced a slight loosening of the red tape. The top reformer over the past year was Kazakhstan, which leapt 15 places to 59th after making it quicker and cheaper to start a firm, and simplifying construction permits. But for most businesspeople in most developing countries (and a few rich ones), trying to keep a firm going and provide jobs and economic growth is still a soul-destroying task. The bank notes that whereas the most dynamic and fastest-growing countries continually improve and update their regulatory systems, the poorest ones plod along under business rules dating from the late 19th century. While they do, they will stay poor.

The remaining differences between the most and least efficient countries on each measure are so extreme that there can be no justification for them. In New Zealand it takes one day to create a new company; in Suriname it takes almost two years. The charge for registering a change of property ownership in Syria amounts to more than a quarter of the building's entire value. Despite Kazakhstan's other improvements, it still takes ten documents and 81 days to export goods from there, compared with three documents and five days in Estonia.

Mr. Oyekunle says he has no problem in principle with having to register his companies, apply for permits and so on. It is just that the rules are executed painfully slowly. Everyone knows that having "an ally in the ministry" can speed things along, he says; it may be that the fees he pays to lawyers to push through his paperwork include backhanders to such "allies"—though he doesn't ask.

This is a common phenomenon in business-unfriendly countries. In Mexico, the proliferation of *trámites*, as pettifogging rules and paperwork are collectively known, has spawned a breed of middlemen called *tramitadores*, who deal with greasy-palmed bureaucrats on behalf of harassed businesspeople. Brazil's equivalents, *despachantes,* also get official documents pushed through suspiciously quickly, for a fee. It is an extra cost, but at least it gets things done.

Topic for April 2014 Issue

The topic for April issue is yet to be selected. Readers are invited to offer their suggestions: contact the Editor at <zippa@zippamail.com>

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ZAMBIA INSTITUTE FOR PUBLIC POLICY ANALYSIS

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