



Theme: IDEAS FOR A FREE SOCIETY

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## Freeway A Taste of Ideas

Ideas have consequences. They influence the political, economic and social systems that govern our actions and affect the way we live our lives. Ideas have inspired many of the political and economic arrangements that have existed at different times in different places. Some of these arrangements have promoted creativity, innovation, peace and prosperity, leading to improvements in quality of life and enabling people to fulfill their myriad needs and goals. Other political and economic arrangements have undermined creativity, inhibited innovation and led to civil unrest, oppression, starvation, poverty and misery.

For most of history in most places the latter type of arrangements prevailed, and in consequence the large part of humanity was poor, oppressed and miserable. Beginning around 1600, political and economic ideas in some Western European countries began to shift, leading to improvements in living standards.

Over the past two hundred years, the number of countries with beneficial political and economic arrangements has gradually increased. As a result, the latter part of this period saw rapid improvements in technology and economic conditions. In

consequence the last fifty years saw a big decline in the number of people living in abject poverty, in spite of a dramatic rise in the world population. Nevertheless, well over a billion people continue to live in miserable circumstances.

The current issue of the journal consists of excerpts from a CD received from International Policy Network, a London based NGO with which ZIPPA enjoys a valued relationship. The CD is designed for those who are interested in the beneficial economic and political arrangements that have led to this remarkable economic growth, which has the capacity to eliminate poverty. It does not claim to provide a definitive answer, but rather to point people in the right direction.

The title of the CD, "Ideas for a Free Society," was inspired by the observation that the political and economic arrangements that seem to be most conducive to peace and prosperity are those that exist in societies that are politically, economically and socially free. In such societies there exist certain institutions that guarantee political, economic and social freedom, and which are in turn underpinned by ideas.

Such ideas have been explored by thinkers from many different perspectives, starting with ancient Chinese, Roman and Greek philosophers and continuing to the present day. Readers of texts selected for the CD, a mere taste of which is contained in this issue of the journal, will find a rich

intellectual debate about these ideas.

Many of the texts are difficult to access in Africa and Asia, which is why they have been collected and put on a single CD, with permission from owners of the copyrights. The CD has four sections: The Value of Freedom; How Markets Work; Contemporary Challenges and Understanding Economics. It is available free of charge to members of ZIPPA and to all libraries in Zambia, as well as to students for K5,000 and to all others for K10,000. Copies can be obtained from the Secretariat.

## Harmony

**By Lao-Tzu**

**Ex**terminate the sage [the ruler] and discard the wisdom [of rule], And the people will benefit a hundredfold. Without law or compulsion, men would dwell in harmony.

All things carry the yin and embrace the yang. They achieve harmony through their interaction.

The more prohibitions there are, the poorer the people will be. The more laws are promulgated, the more thieves and bandits there will be.

Therefore a sage has said: So long as I "do nothing" the people will of themselves be transformed; So long as I love quietude, the people will of themselves go straight. So long as I act only by inactivity the people will of themselves become prosperous.

The people starve because those above them eat too much tax-grain. That is the only reason why they starve.

The people are difficult to keep in order because those above them interfere. That is the only reason why they are so difficult to keep in order.

Source: ***Lao-Tzu writing in China in the 6th? Century BC***

## Politics

**By Aristotle**

**Philosopher and student of Plato**

### Part I

**O**ur purpose is to consider what form of political community is best of all for those who are most able to realize their ideal of life. We must therefore examine not only this but other constitutions, both such as actually exist in well-governed states, and any theoretical forms which are held in esteem; that what is good and useful may be brought to light. And let no one suppose that in seeking for something beyond them we are anxious to make a sophistical display at any cost; we only undertake this inquiry because all the constitutions with which we are acquainted are faulty.

We will begin with the natural beginning of the subject. Three alternatives are conceivable: The members of a state must either have (1) all things or (2) nothing in common, or (3) some things in common and some not. That they should have nothing in common is clearly impossible, for the constitution is a community, and must at any rate have a common place- one city will be in one place, and the citizens are those who share in that one city. But should a well ordered state have all things, as far as may be, in common, or some only and not others? For the citizens might conceivably have wives and children and property in common, as Socrates proposes in the Republic of Plato. Which is better, our present condition, or the proposed new order of society.

### Part V

Next let us consider what should be our arrangements about property: should the citizens of the perfect state have their possessions in common or not? This question may be discussed separately from the enactments about women and children. Even supposing that the women and children belong to individuals, according to the custom which is at present universal, may there not be an advantage in having and using possessions in common?

Three cases are possible: (1) the soil may be appropriated, but the produce may be thrown for consumption into the common stock; and this is the practice of some nations. Or (2), the soil may be common, and may be cultivated in common, but the produce divided among individuals for their private use; this is a form of common property which is said to exist among certain barbarians. Or (3), the soil and the produce may be alike common. When the husbandmen are not the owners, the case will be different and easier to deal with; but when they till the ground for themselves the question of ownership will give a world of trouble. If they do not share equally enjoyments and toils, those who labor much and get little will necessarily complain of those who labor little and receive or consume much. But indeed there is always a difficulty in men living together and having all human relations in common, but especially in their having common property. The partnerships of fellow-travelers are an example to the point; for they generally fall out over everyday matters and quarrel about any trifle which turns up.

These are only some of the disadvantages which attend the community of property; the present arrangement, if improved as it might be by good customs and laws, would be far better, and would have the advantages of both systems. Property should be in a certain sense common, but, as a general rule, private; for, when everyone has a distinct interest, men will not complain of one another, and they will make more progress, because every one will be attending to his own business."

How immeasurably greater is the pleasure, when a man feels a thing to be his own; for surely the love of self is a feeling implanted by nature and not given in vain, although selfishness is rightly censured; this, however, is not the mere love of self, but the love of self in excess, like the miser's love of money; for all, or almost all, men love money and other such objects in a measure. And further, there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property. These advantages are lost by excessive unification of the state. .... No one, when men have all things in common, will any longer set an example of liberality, or do any liberal action; for liberality consists in the use which is made of property.

..... legislation (to make property common) may have a specious appearance of benevolence; men readily listen to it, and are easily induced to believe that in some wonderful manner everybody will become everybody's friend, especially when some one is heard denouncing the evils now existing in states, suits about contracts, convictions for perjury, flatteries of rich men and the like, which are said to arise out of the possession of private property. .... (but) we see that there is much more quarrelling among those who have all things in common,...

Source: **'Politics' Book Two, Parts I and V, 4th Century BC**

## Freedom

**By Nigel Ashford**

*"The only freedom that deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it."* John Stuart Mill

### **What is freedom?**

Freedom means that one should be able to choose to act without interference by others. One should be able to decide how one wants to live one's life, unless the action interferes with the liberty of others. To protect freedom is one of the primary purposes of government.

The moral value of freedom is now recognized as a major feature of the modern world, but it was not always so. For most of the history of mankind, it was thought that the purpose of government was to promote virtue, the good life and the good society. Humans were expected to work towards a common good decided by society and to subordinate their own interests and wants to a higher good. Originally freedoms or liberties were specific rights or entitlements given to particular groups or individuals, such as a baron or a guild. There was no general right to freedom.

The idea of freedom as a general condition belonging

to all was a development of the 18th century and associated with Hobbes and Locke. Locke stated "The end of law is not to abolish or restrain, but to preserve and enlarge freedom." The purpose of government was to protect the freedom of individuals.

This became one of the themes of the nineteenth century, the rise of freedom as the primary political value. In the twentieth century it came under threat from two sources: those who argued that freedom was a minor value that should be subordinated to the achievement of a higher goal, such as communism or a racially pure state, and from those, such as socialists, who sought to change the concept of freedom to justify a more extensive interference in people's lives by government.

### **The right to live one's own life**

Freedom is often expressed in the language of rights. I have a right to decide where I live, or where I work, or with whom I live my life. No one should force me or stop me from doing what I wish, provided I respect the rights of others.

Freedom is identified with limited government and the free market. The role of government is to provide the rules or framework that enables everyone to be free, to protect them from infringements on their freedom by others. The free market is associated with economic freedom or freedom of choice: the freedom of the consumer to buy, the freedom of the trader to fix the price of his goods and services (and of the consumer to accept or refuse to pay it), the freedom of the worker to choose his job or profession, and the freedom of the producer to produce what he wishes and to employ whom he chooses. This freedom can only exist in capitalist societies.

### **The individual is the best judge of his own interests**

Only the person himself has the knowledge of his own wants, preferences and desires, his goals in life, and therefore his interests. It implies that man has free will, and his choices are not simply determined by his circumstances or social background. He can use his reason and understanding of morality to make the right choices for him. Only the individual knows his own wants and preferences.

### **Freedom promotes the interests of all**

There is no conflict between freedom and order, or the common good or the interests of others. Freedom operates in the long-term interests of all.

Source: **Principles for a Free Society**

## Private Property

**By Nigel Ashford**

*"Private property creates for the individual a sphere*

*in which the individual is free of the state. It sets limits to the operation of the authoritarian will. It allows other forces to arise side by side with and in opposition to political power. It thus becomes the basis of all those activities that are free from violent interference on the part of the state."* Ludwig von Mises

### **Without property rights, there are no human rights**

The freedom of the individual to use his own knowledge and skills to pursue aims that are distinct from others is dependent upon the institution of private property. Without the private ownership of property, the aims of every individual would be controlled by the state. Some say that human rights take priority over property rights, but this is based on a misunderstanding. Property rights are not the rights of property, but human rights to property. In fact since the most fundamental human right is the right to own one's own body, property rights are the source of human rights. The individual is morally entitled to the fruits of his or her own labour. The rights that the authors of the American Declaration of Independence enumerated, the right to life, liberty and the pursuit of happiness, are all dependent upon property rights, including the right to own ourselves. The right to own property is recognized by the UN Declaration of Human Rights in Article 17.

**Source: Principles for a Free Society**

## The Rule of Law

**By F A Hayek**

The Rule of Law was consciously evolved only during the liberal age and is one of its greatest achievements, not only as a safeguard but as the legal embodiment of freedom. As Immanuel Kant put it, "Man is free if he needs to obey no person but solely the laws"....The idea that there is no limit to the powers of the legislator is in part a result of popular sovereignty and democratic freedom. It has been strengthened by the belief that so long as all actions of the state are fully authorized by legislation, the Rule of Law will be preserved. But this is to completely misconceive the meaning of the Rule of Law. The rule has little to do with the question whether all actions of government are legal in the juridical sense. They may well be and yet not conform to the Rule of Law. The fact that somebody has full legal authority to act in the way he does gives no answer to the question whether the law gives him power to act arbitrarily or whether the law prescribes unequivocally how he has to act.

To say that in a planned society the Rule of Law cannot hold is not to say that the actions of the government will not be legal or that such a society will necessarily be lawless. It means only that the use

of the government's coercive powers will no longer be limited and determined by pre-established rules. The law can, and to make a central direction of economic activity possible must, legalize what to all intents and purposes remains arbitrary action. If the law says that such a Board or Authority may do what it pleases, anything that Board or Authority does is legal - but its actions are certainly not subject to the Rule of Law. By giving the government unlimited powers the most arbitrary rule can be made legal; and in this way a democracy may set up the most complete despotism imaginable.

The Rule of Law thus implies limits to the scope of legislation: it restricts it to the kind of general rules known as formal law, and excludes legislation either directly aimed at particular people, or at enabling anybody to use the coercive power of the state for the purpose of such discrimination. It means, not that everything is regulated by law, but, on the contrary, that the coercive power of the state can be used only in cases defined in advance by the law and in such a way that it can be foreseen how it will be used.

The conflict is thus not, as it has often been misconceived, one between liberty and law. The conflict is between different kinds of law, law so different that it should hardly be called by the same name; one is the law of the Rule of Law, general principles laid down beforehand, the "rules of the game" which enables individuals to foresee how the coercive apparatus of the state will be used, or what he and his fellow-citizens will be allowed to do, or made to do, in stated circumstances. The other kind of law gives in effect the authority power to do what it thinks fit to do. Thus the Rule of Law could clearly not be preserved in a democracy that undertook to decide every conflict of interest not according to rules previously laid down, but "on its merits".

**Source: The Road to Serfdom**

## Adam Smith on 'The mutual gains from exchange'

**By Eamonn Butler**

Smith explains how material exchange spreads the benefits of productive efficiency around the community. Through some particular mental or physical talents, he conjectures, one person in a 'primitive country' might be better than others at making arrows, while another is better at metalworking. By specializing, the fletcher produces more arrows, and the smith more blades, than either can use. So they exchange arrows for blades. Both now have a useful mix of tools and each has benefitted from the other's efficient, specialized production.

The propensity to 'truck, barter and exchange', claims Smith, is a natural and universal feature of

human behaviour, precisely because both parties benefit. Indeed, the exchange would not occur if either side thought themselves the loser by it. And this is a crucial insight. In Smith's world, like ours, most goods were exchanged for money rather than bartered for other goods. Since money was regarded as wealth, it seemed that only the seller could benefit from the process. But Smith shows that the benefit is mutual. By exchanging both sides get the goods they want for less effort than they would have to expend in making them for themselves. Each is made richer by the exchange. Wealth, in other words, is not fixed, but is created by human commerce. It was a groundbreaking idea.

Another crucial insight is that exchange still benefits both sides, even though each party proposes and accepts the bargain entirely in their own self-interest and not with the other side's welfare in mind. That is fortunate, because it gives us a way to induce other people to part with things we want. In Smith's famous words:

It is not from the behaviour of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard for their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

By 'self-love' or 'self-interest' Smith does not imply 'greed' or 'selfishness'. His meaning is an eighteenth century one: not some unpleasant readiness to gain by making others worse off, but an entirely due and appropriate concern to look after our own welfare.

*Source: 'Adam Smith - A Primer'*

## Introducing Bastiat

***By Sauvik Chakraverti***

I have been studying Economics from 1974 - and I first got to hear of Frederic Bastiat in 1995! That too, from a dentist! He was an active and vocal participant at a seminar on liberty at the end of which I approached him to exchange pleasantries. On hearing of his occupation, I naturally asked the man as to what he had read that made him such a staunch advocate of liberty. His answer - Frederic Bastiat - left me cold; I had never heard of the man.

I then proceeded to get hold of Bastiat's works. Upon going through three volumes, I came to a momentous conclusion: that economic journalism mattered. It was an economic journalist that had set fire the mind of a dentist. Convincing the masses of liberty, free trade and individual rights will require high-power economic journalism - something that Bastiat pioneered. It was the inspiration Bastiat provided that made me decide to take up economic journalism as a career.

In the late 1990s, I decided upon compiling a short "essential" Bastiat. The project first involved getting all his works in electronic form, selecting the best writings that expressed both the passion and the clarity of this great friend of liberty, and then editing them. The project proceeded slowly, for I had a regular job and was also busy with other writing work.

In the meantime, the International Policy Network of London announced that they were setting up an annual Frederic Bastiat prize for journalism - and I was lucky enough to be a winner in the first instance. I realized that Bastiat was gaining in popularity, and that it was high time I readied the volume I had embarked upon several years ago. It took another year to get this volume ready.

One reason why Bastiat remains outside Economics classrooms is that university professors do not accord much academic credit to the writings of a man they consider a mere journalist and pamphleteer. I, on the other hand, believe that the freedom we Indians aspire for today requires more and more such journalists and pamphleteers, who can write simply, teasing the intellect, and exposing the dangerous fallacies in the arguments of statisticians, socialists and protectionists. Every journalist should read this book. After all, the professors of freedom have won their battles; it remains for journalists now to sell the idea of freedom amongst the people: to echo these simple ideas of natural liberty amongst our long suffering populace.

However, I do believe that this book will be enjoyed by every citizen concerned with citizenship. Bastiat had an unusual talent with words, with simple explanations, and the use of parables to get his points across. He wrote for the citizenry - especially the youth. He did not really direct his writings at academia. For this reason, his works can be thoroughly enjoyed by the layman.

Man survives only by engaging in economic activity - buying and selling. Thus, to be ignorant of the principles of political economy is suicidal for Man - because he can be easily duped into supporting the mad ideas of demagogues, megalomaniacs and the like: like 5-Year Plans. We as a nation have been woefully ignorant for far too long. Mercifully, ignorance is a curable disease. Towards that end, I have compiled these simple and entertaining essays of one of the greatest classical liberals that ever lived, and whose memory should never die. I hope the reader will not only be enlightened, but also find delight in the reading.

In liberty, SAUVIK CHAKRAVERTI NEW DELHI  
January, 2006

*Source: 'The Essential Frederic Bastiat'*

## The Candlemakers' Petition

(shortened)

**By Frederic Bastiat**

From the Manufacturers of Candles, Tapers, Lanterns, Candlesticks, Street Lamps, Snuffers, and Extinguishers, and from the Producers of Tallow, Oil, Resin, Alcohol, and Generally of Everything Connected with Lighting.

**To the Honorable Members of the Chamber of Deputies.**

Gentlemen:

You are on the right track. You reject abstract theories and have little regard for abundance and low prices. You concern yourselves mainly with the fate of the producer. You wish to free him from foreign competition, that is, to reserve the domestic market for domestic industry.

We come to offer you a wonderful opportunity for applying your practice.

We are suffering from the ruinous competition of a foreign rival who apparently works under conditions so far superior to our own for the production of light that he is flooding the domestic market with it at an incredibly low price; for the moment he appears, our sales cease, all the consumers turn to him, and a branch of French industry whose ramifications are innumerable is all at once reduced to complete stagnation.

We ask you to be so good as to pass a law requiring the closing of all windows, skylights, inside and outside shutters, curtains and blinds--in short, all openings through which the light of the sun is wont to enter houses, to the detriment of the fair industries with which, we are proud to say, we have endowed the country, a country that cannot, without ingratitude, abandon us today to so unequal a combat.

Be good enough, honorable deputies, to take our request seriously, and do not reject it without at least hearing the reasons that we have to advance in its support.

First, if you shut off as much as possible all access to natural light, and thereby create a need for artificial light, what industry in France will not ultimately be encouraged?

If France consumes more tallow, there will have to be more cattle and sheep, and, consequently, we shall see an increase in cleared fields, meat, wool, leather, and especially manure, the basis of all agricultural wealth.

If France consumes more oil, we shall see an expansion in the cultivation of the poppy, the olive, and rapeseed. These rich plants will come at just the

right time to enable us to put to profitable use the increased fertility that the breeding of cattle will impart to the land. Our moors will be covered with resinous trees. Thus, there is not one branch of agriculture that would not undergo a great expansion.

The same holds true of shipping. Thousands of vessels will engage in whaling, and in a short time we shall have a fleet capable of upholding the honor of France.

There is no needy resin-collector on the heights of his sand dunes, no poor miner in the depths of his black pit, who will not receive higher wages and enjoy increased prosperity.

It needs but a little reflection, gentlemen, to be convinced that there is perhaps not one Frenchman whose condition would not be improved by the success of our petition.

## Economics in One Lesson

**By Henry Hazlitt**

(This book is a primer on economics, focusing on common and widespread fallacies which are used as a justification for government intervention in the economy.

Part One - "The Lesson" - offers a key insight based on Frederic Bastiat's "broken window fallacy". Government intervention may produce immediate benefits for particular interest groups -- but in the longer term, this intervention is likely to produce negative consequences (economic harm) for the community as a whole.

Part Two - "The Lesson Applied" -- applies this lesson to many "conventional wisdom" ideas about economics, and explains why these ideas are fallacies.

Through his succinct and clear style of writing, Hazlitt explains complex economic ideas in a way that is accessible to a person who is not familiar with economic concepts.)

"...the whole of economics can be reduced to a single lesson, and that lesson to a single sentence. The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups."

Source: **'Economics in One Lesson'**

## 'Markets Promote Greed and Selfishness'

**By Tom Palmer**

**'People in markets are just trying to find the lowest prices or make the highest profits. As such, they're**

*motivated by greed and selfishness, not by concern for others.'*

Markets neither promote nor dampen selfishness or greed. They make it possible for the most altruistic, as well as the most selfish, to advance their purposes in peace. Those who dedicate their lives to helping others use markets to advance their purposes, no less than those whose goal is to increase their store of wealth. Some of the latter even accumulate wealth for the purpose of increasing their ability to help others. George Soros and Bill Gates are examples of the latter, they earn huge amounts of money, at least partly in order to increase their ability to help others through their vast charitable activities.

A Mother Theresa wants to use the wealth available to her to feed, clothe, and comfort the greatest number of people. Markets allow her to find the lowest prices for blankets, for food and for medicines to care for those who need her assistance. Markets allow the creation of wealth that can be used to help the unfortunate and facilitate the charitable to maximize their ability to help others. Markets make possible the charity of the charitable.

A common mistake is to identify the purposes of people with their "self-interest", which is then in turn confused with "selfishness". The purposes of people in the market are indeed purposes of selves, but as selves with purposes we are also concerned about the interests and well-being of others - our family members, our friends, our neighbors, and even total strangers whom we will never meet. And as noted above, markets help to condition people to consider the needs of others, including total strangers.

As has often been pointed out, the deepest foundation of human society is not love or even friendship. Love and friendship are the fruits of mutual benefit through cooperation, whether in small or in large groups. Without such mutual benefit, society would simply be impossible. Without the possibility of mutual benefit, Tom's good would be June's bad, and vice-versa, and they could never be co-operators, never be colleagues, never be friends. Co-operation is tremendously enhanced by markets, which allow cooperation even among those who are not personally known to each other, who don't share the same religion or language, and who may never meet. The existence of potential gains from trade and the facilitation of trade by well-defined and legally secure property rights make possible charity among strangers and love and friendship across borders.

Source: *'Twenty Myths About Markets'*

## 'Markets Don't Work in Developing Countries'

**By Tom Palmer**

*Markets work well in countries with well-developed infrastructures and legal systems, but in their absence developing countries simply cannot afford recourse to markets. In such countries, state direction is necessary, at least until a highly developed infrastructure and legal system is developed that could allow room for markets to function.*

In general, infrastructure is a feature of the wealth accumulated through markets, not a condition for markets to exist, and the failure of a legal system is not a reason why markets are underdeveloped, but that failure is a powerful reason to reform the legal system so it could provide the foundation for the development of markets, not to postpone legal reform and market development. The only way to achieve the wealth of developed countries is to create the legal and institutional foundations for markets so that entrepreneurs, consumers, investors, and workers can freely cooperate to create wealth.

All currently wealthy countries were once very poor, some within living memory. What needs explanation is not poverty, which is the natural state of mankind, but wealth. Wealth has to be created, and the best way to ensure that wealth is created is to generate the incentives for people to do so. No system better than the free market, based on well-defined and legally secure property rights and legal institutions to facilitate exchange, has ever been discovered for generating incentives for wealth creation. There is one path out of poverty, and that is the path of wealth creation through the free market.

The term "developing nation" is frequently misapplied when it is applied to nations whose governments have rejected markets in favour of central planning, state ownership, mercantilism, protectionism, and special privileges. Such nations are not, in fact, developing at all. The nations which are developing, whether starting from relatively wealthy or relatively impoverished positions, are those which have created legal institutions of property and contract, freed markets, and limited the powers, the budget, and the reach of state power.

Source: *'Twenty Myths About Markets'*

## The Land and the People

**By Peter Bauer**

It is widely held that the most important cause of poverty lies in the relationship between land and people, that is, in scarcity of land or exploitation of cultivators. This is not so. For instance, amidst

abundant land and vast natural resources, the American Indians before Columbus remained wretchedly poor, without domestic animals and without even the wheel, when much of Europe with far less land was already rich and had developed a very high culture. Incidentally, before Cortez the Aztecs were very poor and practiced large scale human-sacrifice, which was not good for living standards, especially those of the victims.

Nor is the present Third World short of natural resources. Most of Africa and Latin America and much of Asia is sparsely populated. Many millions of extremely poor people have abundant cultivable land. Neither shortage of land nor exploitation accounts for the famines in thinly populated African countries such as Ethiopia and Tanzania. Even in India much land is officially classified as uncultivable but usable. The small size and low productivity of farms in much of the Third World reflect the want not of land but of ambition, energy and skill, which explains the low level of productive capital.

Before the mid-nineteenth century, when many of them had already become rich, Jews and nonconformists in Europe had neither land nor political rights. Again, the poor, illiterate Chinese immigrants in pre-war Malaya were largely barred from owning land, but they nevertheless greatly outdistanced not only the privileged Malays but also the immigrant Indians - one of many examples of group differences in economic performance.

Sustained prosperity owes little or nothing to natural resources - witness, in the past, Holland, much of it drained from the sea by the seventeenth century, Venice, a wealthy world power built on a few mud flats; and now West Germany, Switzerland, Japan, Singapore, Hong Kong, and Taiwan, to cite only the most obvious instances of prosperous countries very short of land and natural resources, but evidently not short of human resources.

If poverty were inherently self-perpetuating, as is often argued, countless people would not have risen from poverty to riches all over the world, conspicuously so in the United States and the Far East.

Nor do income differences normally reflect exploitation, but differences in performance. Income and wealth are usually earned or produced, not extracted from other people by depriving them of what they had, or could have had. The way to look at income differences is this: some people and societies have emerged from the surrounding sea of poverty sooner or to a greater extent than have others, but the earlier emergence of the former helps rather than obstructs the performance and prospects of the latter.

Economic performance depends on personal, cultural and political factors, on people's aptitudes, attitudes,

motivations, and social and political institutions. Where these are favorable, capital will be generated locally or attracted from abroad, and if land is scarce, food will be obtained by intensive farming or by exporting other goods.

Poverty and prosperity are not usually matters of land. Poverty or riches and personal and social satisfaction depend on man, on his culture, and on his political arrangements. Understand that, and you understand the most important cause of wealth or deprivation.

Source: '*From Subsistence to Exchange*'

## Quotations

A people averse to the institution of private property is without the first elements of freedom. **Lord Acton**

Liberty is liberty, not equality or fairness or justice or human happiness or a quiet conscience. **Isaiah Berlin**

Slavery is the ultimate and greatest evil. For it is based on a denial of the dignity of the human soul. **Arthur Bryant**

Everything that is really great and inspiring is created by the individual who can labour in freedom. **Albert Einstein**

The idea that all public needs should be satisfied by compulsory organization and that all the means that individuals are willing to devote to public purposes should be under the control of government, is wholly alien to the basic principles of a free society. **Friedrich Hayek**

Political liberty is good only so far as it produces private liberty. **Samuel Johnson**

In a free society the state does not administer the affairs of men. It administers justice among men who conduct their own affairs. **Walter Lippman**

Where there is no market economy, the best intentioned provisions of constitutions and laws remain a dead letter. **Ludwig von Mises**

No people ever yet grew rich by policies, but it is peace, industry and freedom that bring trade and wealth. **Dudley North**

The secret of happiness is freedom, and the secret of freedom is courage. **Pericles 431BC**

Free men are not equal and equal men are not free. **Lawrence Reed**

There exists no more democratic institution than the market. **J A Schumpeter**

The great advantage of the market is that it is able to use the strength of self-interest to offset the weakness and partiality of benevolence, so that

those who are unknown, unattractive or unimportant will have their wants served. **Adam Smith**

Despots themselves do not deny the excellence of freedom, but they want to keep it all to themselves.

**Alexis de Tocqueville**

## Political and Economic Freedoms Together Create Miracles

**Temba A Nolutshungu**

In July 1794, Maximilien Robespierre, revolutionary republican, radical democrat and driving force behind the Reign of Terror in revolutionary France, during which some 40,000 French men and women died on the guillotine as 'enemies of the nation', was put to death by his political opponents. Moments before his death, he addressed the mob that used to adulate him but now was buying for his blood, with the following words: 'I gave you freedom; now you want bread as well.' The moral we can draw from this is that while there may be a link between political freedom and economic well-being, they are not the same thing.

Economic well-being is a consequence of freedom. In South Africa, with a formally recorded unemployment rate of 25.2 per cent (a figure which does not include those who have given up looking for work), the disjuncture between political freedom and economic well-being reflects a potentially cataclysmic state of affairs. A danger exacerbated by successive political administrations repeatedly promising all sorts of benefits to their constituencies.

To deal with the challenges that face us, we have to clear away certain misconceptions.

Job creation is not a role of the state. For jobs to be sustainable, they have to be created by the private sector. Government generated jobs are at the taxpayers' expense and amount to subsidised employment. They have no positive economic consequence. The private sector is the main creator of wealth, and the state sector a consumer. Thus, in my opinion, when we talk about meaningful job creation we should focus solely on the private sector.

This raises the question as to which policies should apply to private enterprises. Which ones will enhance their productivity and which retard it?

Let's examine the principles that underlie the simplest of exchanges between two parties. Simple transactions can serve as an example and a microcosm of the bigger economy. They should inform policymakers as to which policies are most compatible with human nature, because the human factor is pivotal in the economic context. Start far back in time with a hypothetical caveman who is skilled at hunting but inexpert at making a weapon for hunting. Our caveman meets a skilled weapon

maker and agrees to exchange part of his quarry for a weapon. Both men come away from the transaction feeling they have profited by getting in return something of greater value to them than what they gave away. Sooner or later, the weapon maker finds that if he specialises in weapon making, instead of going hunting, he can barter the weapons for fur, meat, ivory and so on. He is in business. He prospers and all his customers prosper because they are now using more efficient hunting weapons.

What is important to note about this scenario is that there is no force or fraud involved. No third party involvement. No party that prescribes the rules of conducting business. The rules that the transacting parties uphold come about spontaneously. They comply as though with a natural order. This is what the late economist Friedrich Hayek referred to as the spontaneous order and part of this order is that private property is reciprocally respected.

From this simple example, one can extrapolate that in the modern day economy, in a country where the government refrains from interfering in the economic arena, there will be high economic growth and concomitant socio-economic benefits. In other words, if a government promotes the economic freedom of producers and consumers and allows them to engage in transactions that do not entail force or fraud, the country, and its people, will prosper. These fundamental principles apply to all economies, regardless of the cultural context within which each has taken shape. The persistent 'work ethic' myth warrants critical attention. This view implicitly reinforces national or ethnic group stereotypes in terms of having or lacking a work ethic, the logical extension of which is that the poor are poor because they lack a work ethic and the rich are more successful because they do have one. A very dangerous view to uphold, especially when it coincides with race.

Before the Berlin Wall came crashing down in 1989, West Germany was the second biggest economy in the world while East Germany was an economic disaster zone. Same people, same culture, and the same families in some cases before they were divided after World War II. A similar judgment can be made with regard to the two Koreas, the South an economic giant and the North an economic abyss that continues to absorb foreign aid. Again, same people, same culture. And what of the contrast between Mainland China and Hong Kong, before 1992 when Deng Xiaoping ushered in radical free market reforms after announcing that it was glorious to be rich and that it didn't matter if the cat was black or white so long as it caught mice? Yet again, same people, same culture, and the same telltale economic discrepancies. The difference caused, every time, by the degree of freedom allowed to the economic actors.

Since 1992, thanks to the most radical free market reforms seen in recent years, China now looms large as the third biggest economy in the world.

The legislative and institutional framework within which economic activity takes place, and, in particular, the degree of regulation to which an economy is subjected, is the determinant of how wealthy a country and its inhabitants can be. In other words the degree to which governments allow individuals to exercise economic freedom.

These words in 1986 by Professor Walter Williams, author of the thought-provoking book *South Africa's War Against Capitalism*, sum it all up: '...the solution to South Africa's problems is not special programmes, it's not affirmative action, it's not handouts, and it's not welfare. It is freedom. Because if you look around the world and you look for rich people, diverse people who have the ability to get along fairly well, you are also looking at a society where there are relatively large amounts of individual freedom.'

Author: **Temba A Nolutshungu** is a director of the **Free Market Foundation**.

## Theme for October Journal

The next issue of the Journal will be on Entrepreneurship. Offerings from entrepreneurs and others with views and experience to share will be welcome.

## Progress on Charters

The latest news on customer service charters is that, thanks to funding from USAID, and following a positive response to our advertisement in mid June, a consultant should be appointed early in July, to work with understudies from the Management Development Division of Cabinet Office. Another workshop will be held in Sept/Oct to chart the way forward, with a view to achieving greatly improved impetus and performance.



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