

## Strategies for Achieving Poverty

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*"Achieving poverty needs careful planning. Some well-known state-of-the art strategies for maximising poverty are now within reach."*

Politicians in all countries love policies known to prevent prosperity and we must therefore assume that they, or their advisors, want poverty. There is good news for them: the causes of wealth and poverty- free markets and interventionism respectively- are now so well known that state-of –the art strategies for maximising poverty are within their reach.

That we are living through an era of unprecedented global economic freedom and, consequently, a global tide of prosperity, notwithstanding minor setbacks in some advanced economies, causes serious problems for poverty-lovers. Technology, information, and prosperity make it harder than ever to impoverish entire populations. But it can still be done.

What can we learn from the world's greatest poverty achievers? In a widely republished article, *'the Miracle of Poverty'*, I explained why poverty is the greatest accomplishment of the modern governments. Governments have to be resolute and skilful. They can employ best –practice ways of achieving the modern economic miracle of poverty by learning from the world's most celebrated architects of poverty in once-rich countries like Argentina, East Germany, China and Tanzania.

### Don't cry for Argentina

Argentina was one of the most phenomenal Old Economics Miracles (OEMs). By maintaining relatively free markets and exporting meat and grain to Europe from its fertile farmlands, it became the world's ninth wealthiest country by the late 1920s. Proponents of poverty were appalled by the obscene spectacle of ordinary people acquiring increasing quantities of material goods, better health, cleaner environments, and comfortable working conditions. Fortuitously, skilled military dictators took over the government of Argentina after 1930. They used tried and tested techniques to bring the country to its knees.

Peron's post-war regime was the best. It empowered unions at the expense of investors and employers, and raised wages and benefits above market determined levels. It nationalised land and the commanding heights of the economy, imposed restrictions on foreign investors, applied exchange controls, taxed farm produce, regulated services and prices, and curtailed freedom of expression.

Successive regimes built on these early successes by deficit spending and money supply inflation. Newly empowered unions helped enormously by supporting Peronist anti-market policies and shouting down efforts to cut government spending, limit wage hikes and curb inflation. Argentina's dedicated leaders and state managers achieved one of the world's greatest economic declines. Their economic policies and civil rights violations encouraged debilitating strikes, violence, protests and terrorism. By the 1970s Argentinean economic freedom had been smothered by foreign trade restrictions, exchange controls, money supply inflation, high taxes, and anti-employer labour laws. A labyrinth of petty regulation was introduced, which was not dissimilar to apartheid –era dirigisme and South Africa's new surfeit of controls in areas such as financial services, informal trading, minerals, e-commerce, and monitoring and interception of communications.

### East Germany turnaround

Another seminal OEM was post-war East Germany. Having inherited Germany's technology, industry, natural wealth, and intellectuals, there was an ominous prospect that it might prosper. Happily, its "democratic" government employed good old –fashioned communism's tried –and – tested approach to inhibiting wealth-generation. All aspects of economic life were nationalised or regulated with predictably satisfying results.

### **China's great leap backwards**

Chairman Mao of China carried out one of the most successful poverty programmes of all time. His Great Leap Forward (1958-61) was one of the greatest leaps backward ever achieved. The Cultural Revolution was a splendid orgy of cultural revulsion. He railed against evil capitalist contraptions like toilets and mattresses. His vast bureaucracy battled heroically to prevent the runaway prosperity that was ravaging their former compatriots in Hong Kong.

Complex employment laws prescribed who was to work in which jobs. Land was redistributed from successful commercial farmers to unsophisticated peasant farmers. Communal associations and cooperatives were established to take over formal businesses not reserved for bloated government agencies. Huge state factories had to produce goods for heavy industry by prescription, instead of responding to consumer or any other demand. Rural communities were compelled to produce industrial products instead of food, which resulted in twenty million deaths from starvation. Negative growth-which means economic decline –was sustained, against the odds, for decades. Living standards declined by over 50 percent. Entire occupations and professions disappeared. With a touch of genius Mao banned classical arts. Works by people like Shakespeare, Picasso and Beethoven were prohibited in order to minimise the prospects of anyone enjoying their newfound poverty.

### **Other best practices**

For a New Economic Miracle (NEM) consider Tanzania, Nkrumah had turned prosperous Ghana- Africa's first decolonised independent country- into a basket case, but Nyerere outperformed him. His single-minded Tanzanian "African socialism" experiment imposed massive social-service burdens and mind-numbing bureaucracies on the country. Banks and industries were taken over, and rural people were resettled in collective farming "ujamaa" villages. Success was immediate. He halved agricultural exports and wiped out three-quarters of industrial output. He discontinued road maintenance to the point where thousands of miles of good roads became crude tracks.

Nyerere, known affectionately to those who appreciated his greatness as "Mwalimu," dragged per capita incomes down to \$120 per annum, and left Tanzania as one of the seven poorest countries on earth despite being the recipient of the highest per capita foreign aid. He achieved unprecedented material, spare-part and foodstuff shortages, even as currency black markets flourished. The fine arts of inefficiency and corruption were perfected. The "father of African socialism" recognised that most Tanzanians got much poorer during his rule. He boasted about his achievements for years as a celebrated "hero of the struggle" in speeches that were followed by standing ovations.

Closer to home we have the exciting Zimbabwean NEM. It is the most modern miracle of poverty, emulating and surpassing the achievements of its northern neighbour. At independence, Zambia inherited far richer agricultural land and mineral wealth to trash by implementing Marxist policies like nationalisation. Latecomer Mugabe failed dismally by comparison. He talked Marxism but was too lazy to implement it, so Zimbabwe's economy grew. In his twilight years he has finally taken note of Kaunda's earlier exemplary performance. Finally Mugabe is achieving his own belated miracle of poverty. His recourse to both proven and new creative strategies for bringing poverty upon his people are common knowledge.

### **Secrets to success**

What, then, are the most dependable secrets of these miracles of poverty-creation? Obviously, if you prefer poverty, you cannot ignore the manner in which wealth is generated. You must not, for instance, nurture markets, capital, entrepreneurship, and skills. If you allow their development, never leave them alone: regulate them under ever-changing rules-of-the-game. You can play on safe factors such as race and patriotism, and envious resentment of the rich, foreigners, multinational companies, capitalist superpowers, and so on. However, be careful to use well-crafted strategies to distract attention to ensure that domestic policies are not blamed for domestic consequences.

### **How to achieve the pinnacle of poverty**

An intriguing question to ask is whether there is a single success path or many routes to the pinnacles of poverty. The world's experience teaches that there are core common denominators amidst many macro options. After all, for every policy you may wish to copy, you can always find a previously successful country somewhere implementing it—think of Germany's labour market over-regulation, which has been insufficient on its own to destroy that powerful economy. Consider also the continued prosperity in Europe despite a plethora of poverty-promoting policies. This shows that you have to take care, because even the most conscientious of NEMs may regress by doing something that allows unintended economic growth.

And do not lose heart. If at first there is still some growth you can find endless scope for new creative intervention. The “angel” of poverty is often “in the detail.” For example, if for some reason you cannot raise import tariffs you can unload ships slower, impose costly minimum quality standards, slow custom inspections, ban foreign investment in land, intensify anti-employer labour laws, make it hard and expensive to provide financial services, regulate e-commerce, nationalise mineral rights, keep qualified productive foreigners out, victimise business for purposes of consumer “protection” and adopt a dazzling number of new laws annually. The world's stumbling economies demonstrate that such measures win out in the end. Implement them, and poverty will be assured.

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