

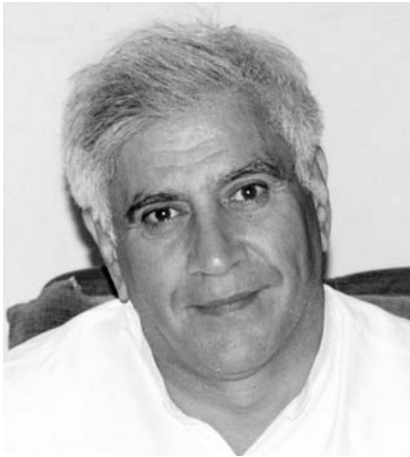
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The Media, Our Politics, and an Open Society: 19.5 2004

Our Islamic Identity: 13.11. 2003

Mother of All Dilemmas: 16.10. 2003

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THE MEDIA, OUR POLITICS, AND AN OPEN SOCIETY

This proliferation of satellite channels is a mixed blessing. Choice is of course both important and welcome. Who can even think now of turning the clock back to the days when PTV held complete sway and we saw only that which the government wanted us to see? Yes, there will always be elements who, usually in the name of some higher good ('national interest', 'Islamic values' etc.), want to dictate and control what we do, see, or hear. And this will always be true not only of Pakistan but, to a greater or lesser degree, of any society: the 'political correctness' and the jingoism of certain American TV channels, and the misfortunes of the BBC last year, are ample evidence that the virus thrives everywhere.

If, à la Popper, I call such elements 'enemies of an open society', I do not thereby imply that they are evil men with base motives. On the contrary, in their eyes such restrictions and controls are justified by them—to themselves and to others—for the noblest and purest of altruistic reasons. But, as my friend William noted, "*There is no art to read the mind's construction in the face.*" Nor should we take too seriously the claims of that fashionably modern exercise called 'de-

constructionism', which would have you believe that unconscious bias, hidden motives and 'true' intent can somehow be unearthed through textual analysis. So how can we, the ordinary public, be sure of someone's true intentions? We cannot. Should we simply take their word for it? That's not a risk worth taking. For we all know how easy it is for powerful men to equate private interest with public good. Besides, good intentions are no guarantee either against disastrous consequences. One of the great ironies of life is the surprisingly poor result a raw and innocent leadership can often produce in their zeal to do the 'right thing'. Remember NAB's early onslaught against 'corruption', targeting the business community? How about the efforts of President Bush to bring democracy to the middle-east?

Given such arguments, is it not amazing that the proponents of greater freedom and an open society always have such a tough time even being heard, let alone making a modest headway? I suppose the answer to this conundrum lies in the inherently conservative nature of any society. There is an automatic inertial bias in favour of the values and beliefs we have grown up with. In itself this is a serendipitous phenomenon, for order, stability, and a degree of certainty are prized political goals for any society.

Therefore the proponents of change must grudgingly accept they need to make an overwhelming case before they are entitled to make much progress. That much I concede. But the real problem remains: vested interests will often simply not allow the opposite case to be made at all. From subtle exploitation of 'political correctness' and outright censorship, to blatant intimidation and coercion, they will stop at nothing to silence dissenting voices.

Democracy, and the diffusion of power through decentralisation, provides a solid bulwark against such baleful influences. And a vigorous media remains the single most powerful catalyst facilitating progress towards an open society. Even allowing for the great deal of utter nonsense which the satellite channels and the tabloids churn out, thanks to them our ordinary citizen today is far better informed—and more involved in his fate—than previous generations. The Shabaz Sharif episode was an indicator that even while old attitudes persist there is change in the air. Yes, the government successfully deported him (sorry, graciously allowed him to transit: let the world of tourism admire the new standards we have set, including private planes, for handling transit passengers). But the heavy handed, knee jerk manner in which they dealt with the issue will not

easily be forgotten. Regardless of the rights or wrongs of the government position, it has been forcefully brought home by the media to a huge number of Pakistani's, how our rulers shamelessly employ state resources for private political ends. To block roads and stop ordinary people from going about their business, days in advance; to detain political workers without due process; and to harass journalists through the Agencies; Is that the way a government should deal with its own citizens over a trivial political matter? The widespread exposure may not yet be a sufficient deterrent for those in power to be more circumspect in the exercise of their authority, but every such incident, widely publicised, helps reinforce a people's desire to resist arbitrary authoritarianism.

The media reflects, and accelerates, the changes which are taking place. Appearances to the contrary, I think we have already passed the zenith of military over-lordship of our political affairs. I say this even though currently we have a President in uniform, an NSC, Article 58(2b), a powerless cabinet and assembly, and Javed Hashmi's example to contend with. Of course the Army is not about to leave centre-stage tomorrow. But read the papers or watch the TV channels and you can gauge unmistakably both the direction and intensity of the political tide. More and more politicians and ordinary people are openly and vociferously critical of the Army's role in our public affairs. Can the day be far off when such an opinion will reach a critical mass with its own unstoppable dynamics? When that happens, all politicians (including the Q-League types) and bureaucrats will realise that to be seen to be in cahoots with Generals will be the kiss of death for their careers. That day they will stop making a beeline to GHQ, even when in opposition. Which General then will have the temerity to stage a coup? For, like it or not, the Generals (and the dreaded 'agencies') need the assurance of a pliant civilian facade to indulge their whims.

Of course a 'real democracy', Pakistani style, is no panacea. But it is a pre-requisite for an open society in which the unending struggle against authoritarianism can be carried on by other means. In an important sense we are more fortunate than most of our Muslim brethren countries, for our vigorous and relatively free media is a hopeful indicator of a saner political future

for us. Alas, simultaneously, a very large segment of our media also finds it convenient to pander to our quarter century official love affair with Islam. And I am not so sanguine about our journey as a nation on that particular road.

OUR ISLAMIC IDENTITY

Existentialist philosophy finds its roots in such basic human emotions as anguish and despair; of helplessness and rage at our frequent impotence; and of bewilderment when we do not understand. For Bhudda the answer was a kind of all-enveloping humanism, while Kierkegaard found salvation in religion and Sartre in uncompromising atheism. Sartre's view was that for modern man, in today's essentially rootless world, such feelings arise from the fact that the essence of our being conscious is the freedom to make choices; that our choices determine who and what we become; but when all choices are horrendous such a freedom can become an impossible burden because we are not free even then not to be free (i.e. we still must make a choice). As personal freedoms have expanded dramatically, so have the dilemmas.

But this is not a philosophy column (even though, had Sartre been alive today, I would have loved to quiz him about that bit on 'not being free to not be free'. Would he say that having no principles is itself a principle?). Perceptive readers will however understand from the title the relevance of these introductory remarks. For is not the turmoil, anguish, confusion-- and the accompanying rage---- we see in the Muslim world, the direct consequence of our refusal to make some hard choices?

Of all the choices the toughest is that between our religious and cultural identity and the norms of the modern world. A small minority have made a clear-cut choice either way. The rest of us have tried, in varying degrees, to marry the two, with all its concomitant contradictions and uncomfortable confusions. And when the conflict between rigid old norms and largely flexible new ones is intractable, as it often is, we take refuge in self-deception and hypocrisy. The Islamic provisions of the Constitution, shariat bills and courts, the Council of Islamic Ideology, the OIC,

Islamic banking, Islamic democracy etc. are just a few examples of what I mean.

Now I am not so foolish as to believe it is possible— or even desirable— to completely shed the comforting warm cloak of our cherished Islamic identity. Who has the courage to go about naked, shivering in the icy blast of modern norms, searching for new garments to fit a badly distended body? And yet, the fact that very few of us have a stomach for full-fledged Islamisation is sufficient proof that the cloak is indeed badly tattered, soiled, and hopelessly dated. Like flared trousers which were once de rigueur but now look embarrassingly quaint. Even the illiterate, easily influenced poor, careful though they are not to offend the local mullah, have a healthy instinctive reluctance to follow his lead in worldly matters. But if a hybrid value system is inevitable, is there then no way to avoid the morass of self-deception and hypocrisy, with all its consequent confusions, unworkable solutions, and resulting angst?

There is a way. We must have the courage to make one fundamental choice firmly: in principle, on issues of public policy (especially in the field of political theory) prefer the modern norm to the religious. As Turkey has done. And not be half-hearted, defensive or apologetic about our choice by, for example, striving to justify the choice through concepts such as Ijtihad etc. For once you accept, even obliquely, the relevance of a religious framework to such questions, you ride a slippery slope where you will inevitably crash into the barrier of "must the will of man be allowed to prevail over the word of Allah or the dictates of the Sunnah?" Try answering that bit of blackmail directly if you dare.

This fundamental choice cannot be shirked if our vision of a modern and progressive Islamic state is ever to be realised. And the argument cannot be won if the playing surface is the turf of our religion. So we need to assert, and clearly demonstrate, that Islamic political theory has little to contribute to modern political structures. And this is easy. For no matter how hard religio-political leaders try and square the circle, our religion has little relevance to, if indeed it is not totally incompatible with, modern representative democracy. Let us demonstrate that this is indeed so, and what consequences inevitably follow. For example, many tout

sanitised versions of our glory days (such as the Khulafa-e-Rashideen era) as the perfect political model. Should we then be enamoured today of how, and on what basis, political power was then acquired or transferred? Ask if we should allow slavery, concubines, chopping of hands and stoning to death, and do away with a prison system? Should we rely on a basically militia army paid largely through a fixed share of the loot and plunder? What about all the political infighting and intrigue which led to the murder of three Khalifas? How can ancient tribal norms be a model for a modern state?

Of course, for a long time to come, religion will continue to have a huge influence on our society (and therefore our politics too). So be it. But if the saner elements of society wish to see a modern Pakistan, we must begin by ripping this veil of hypocrisy shrouding our public affairs, and stop paying even lip service to a medieval, and essentially obsolete, framework of ideas. As Sartre said, in the modern world we are what we are, and become what we become, through our own choices.

MOTHER OF ALL DILEMMAS

".....How many times hence shall this our lofty deed be acted o'er, in states unborn and accents yet unheard!"
(Cassius : Julius Caesar)

That 'lofty' deed was the murder of Caesar in the name of 'liberating' Rome from the clutches of a dictator. Are those prophetic words not eloquent testimony to what men will ever do under the cover of 'national interest'? And then there is the Brutus version of the justification for seizing power: "not that I loved Caesar less but that I loved Rome more." In the Pakistani context, this translates to "not that I love democracy less but I love Pakistan more".

Why are the middle-classes hypnotised by such slogan mongering, even though we know in our hearts that the bottom line is simply about power? The helpless poor know the irrelevancy of national politics to their daily struggle, while the elite never have a problem bending the rules or readjusting quickly to a new dispensation. It is only the middle-class which is concerned with morality, rules, progress and 'principled' politics.

Is that not a fair analysis of our political history? For every time I hear the common man being interviewed his only concern is the lack of basic necessities. The President's most striking characteristic is 'a take it or go lump it' attitude. And the Q-League and its allies are a fine example of a rapid adjustment to the new realities. Only we, the chattering class, stuffed full of drawing-room politicians, worry about law and order, political stability, constitutional problems, and the economy. And with good reason, for the fact remains that it is us as a group which makes a modern country effectively function. It is our lot which is most concerned with issues which ultimately touch everyone, particularly the poor. The middle-class is the cement which binds the nation. And though we may be too squeamish to participate directly in politics, it is us, through our voice, who can be the only real check on the predatory rich and powerful.

So much for theory. In practice, our inability to resolve the problems of legitimacy and prudence in the exercise of power, has led to a sullen divisiveness in our middle-classes. Everyone, including the religious parties and various ethnic and regional interests, has exploited this disenchantment to promote their own narrow agendas. But forget them for the moment. For simplicity, I will assume that the choice for most DT readers presently is between buying the arguments of the President or supporting one of the secular opposition parties. For most, this is the mother of all dilemmas, for surely everyone will agree that ideally the Army has no business to be a political player, and yet.....

But, the refrain goes, our politicians have given ample proof that they are too inept, too immature, and too self-seeking to run such a system, and the nation suffers thereby. True. Army rule is thus reluctantly seen by many as the lesser evil. False. For it is assumed to provide a stable and efficient government, allowing the nation to progress (but note that even this argument is framed in the negative: for the people not so much welcomed Musharraf as were glad to see Nawaz go). Yes, the politicians have performed miserably. And not many people believe them when they now claim to have absorbed the lessons of their past mistakes and excesses. But if efficiency and good governance are to be the

fundamental criteria for the right to rule then let us ask the British to come back. No. There is no escape from the issue of legitimacy, the legal right to rule. This 'doctrine of necessity' business is a sophisticated fraud. Yes, the people may be powerless to prevent the Army from being the self-appointed custodians of our destiny. But that does not mean we must therefore extend them our support. What if other state institutions like the judiciary, or the bureaucracy, or the police, tomorrow exceed their mandates in the name of 'national interest' or the doctrine of necessity? Will we acquiesce to that also? And if not, why not?

But there are deeper reasons why I disagree with many of my friends and think we have no choice but to continue the democratic experiment with all its flaws. For starters, one can take serious issue with the assumptions that our Armed Forces are less inept, irresponsible and self-seeking than their civilian brethren. Indeed, many would say they have cost the nation far more dearly overall than all civilian governments put together. More to the point, one can legitimately ask the President's supporters how long is this present guided democracy system is to last. For ten years? Is it permanent? Given that their tentacles spread every day, will it be possible for the Army to go back to barracks someday, peacefully? If the experience of the rest of the world (unrest, even civil war) is any guide, the answer is an overwhelming NO. That is because a military mind's favoured solution of *na rahay ga bans na bajay ge bansari* to most problems, is inherently confrontational and breeds resentment. No. Army rule is a Faustian bargain at best. One day it will have to go anyway. Even Bangladesh has turned its back firmly on this experiment. But we, excuse the pun, soldier on, oblivious of the deadly legacy we are thereby bequeathing our future generations.

Ross Clark

Move Directly to Jail: 4.10.03

Let the Poor Feed Us: 22.5.04

Globophobia: 1.5 04

The Spectator



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MOVE DIRECTLY TO JAIL ***The government punishes innocent companies and defends its own monopolies***

One of the Official Monster Raving Loony party's most coherent policies was to break up the Monopolies and Mergers Commission, on the grounds that it was insupportable that such a body should be allowed to operate without competition. It has been left to New Labour to implement the policy. Following the Enterprise Act, which came into force suitably enough on 1 April, there are now three regulatory bodies involved in the business of making sure that little Johnny's mum doesn't have to pay too much for his trainers: the Competition Commission, the Office of Fair Trading (OFT) — which now becomes independent of the Department of Trade and Industry — and an entirely new organisation called the Competition Appeal Tribunal.

Never before has there been so much choice for aggrieved consumers. Think your DVD or hatchback cost you too much? In future you won't just be able to write reams of invective to your MP, you will also be able to claim compensation through a tribunal. And with hundreds of new lawyers and officials, the chances of

a positive result are high, and the punishments harsh. Those accused of operating cartels — who now include the warden of Winchester School — are threatened with five-year jail sentences.

While the old Monopolies and Mergers Commission limited itself largely to takeover bids, its successors have assumed a far wider remit. The Competition Commission likes to use the expression 'complex monopoly' to describe the market for goods that it deems to be overpriced. Others might argue that the recent spate of cases against businesses supposedly cheating the British consumer amount to a hatred of profit. The sports chain JJB Sports and sportswear manufacturer Umbro were fined by the OFT £8.3 million and £6.6 million respectively for fixing the prices of replica football shirts. The Competition Commission forced mobile-phone operators to reduce their charges on calls made from fixed lines to mobiles. With no sense of irony, the OFT fined Hasbro, the toy company that manufactures, among other things, the board-game Monopoly, £15.5 million for fixing the prices of its products.

The point is that none of these industries — sportswear, mobile phones or games — remotely resembles the kind of monopoly encountered by the poor

bugger who has to mortgage his measly little house in Old Kent Road then lands on a hotel in Park Lane. I have a wardrobe full of shirts, not one of which was made by Umbro. There are four main mobile-telephone networks offering so many different pricing structures that it makes one's head hurt working out which is going to be the cheapest. As for toys, the high street is awash with choice — unless, that is, your sprog demands the fashionable toy of the moment and you are too feeble to tell him that he should be jolly grateful for what he has got and that when you were a child you didn't even have shoes, let alone toys.

Therein lies the reason for Labour's crusade against 'price-fixing' and 'profiteering'. While the government likes to brandish words such as 'enterprise economy', its policy on competition amounts merely to a series of populist gestures for the benefit of lower-income groups who always spend and never invest. For anybody who does invest, the forcing down of prices by competition regulators is at best a double-edged sword. It might mean that you get a fiver off your Manchester United shirt; your pension fund, on the other hand, has almost certainly been damaged. On the day the Competition Commission announced its inquiry into mobile-phone charges, shares in mobile companies fell 6

per cent. When you read the Competition Commission's ruling on mobile-phone charges, it is hardly surprising that UK share prices have remained so much more depressed than US share prices, even though Britain has so far avoided recession. The mobile companies, complained the commission, had been levying charges '30 to 40 per cent' above cost. The Competition Commission is ruling, in effect, that profitability is unacceptable above a certain level. No matter how ingenious your product, no matter how much risk you have taken in bringing it to the market, take more than x per cent profit and you are deemed to be exploiting the British consumer.

That the government has become fixated on 'complex monopolies' which are supposedly being operated by private enterprise is an astonishing piece of hypocrisy, given the stubbornness with which it defends the state's own monopolies. What hope is there of the Competition Commission laying into the NHS or state schools? None at all. In spite of gross inefficiency, huge losses and the threat of strikes, the government has done nothing to remove the monopoly enjoyed by the Royal Mail. Even the European Union wants to see the back of the rule that prevents any private postal or courier service in Britain charging under a pound per item — a piece of price-fixing if ever there was one. Even where there is a bit of competition on the railways, the government is working hard to eradicate it. Thanks to the amalgamation of franchises, the few towns which do enjoy a choice of operator, such as Ipswich, will lose it — eradicating the very reason for separating the track authority from train operators.

Nothing demonstrates the absurdity of competition regulators better than the case of Coloplast International, a Danish company that manufactures incontinence pads and other medical supplies. The company recently took over a rival, SSL International, which meant that its share of the UK market for incontinence pads rose from 34 per cent to 92 per cent. This, naturally, caught the attention of the Competition Commission. After much investigation and negotiation, the Secretary of State for Trade and Industry, Patricia Hewitt, earlier this year placed a cap on the price which the company can charge for its incontinence pads. The irony, of course, is that the market for medical

supplies is itself highly monopolised by the NHS. Ms Hewitt was using the full weight of competition law in order to drive down the price of a product for which an arm of government is by far the largest customer. When supermarkets are accused of behaving in such a way, all hell breaks loose. The message is that monopolies are quite acceptable as long as they belong to the state.

Given that the prices of consumer goods are already falling and that deflation now poses a bigger threat than inflation, it is far from obvious why we need a crusade against high prices. On the contrary, suppressing consumer prices — and therefore profits — is helping to depress share prices and therefore investment. One thing is certain: what we save at the shops we will end up paying in taxes. Last year, the Competition Commission nearly doubled its budget to £19 million to 'prepare for the Enterprise Act'. Then there is the cost of the new OFT and Competition Appeals Tribunal, both of which have yet to present accounts. It is just a shame that UK taxpayers have only one Treasury to choose from.

LET THE POOR FEED US

Amid the mayhem in Baghdad this week, it would be easy to overlook a significant development towards international peace and security. It came in a letter from Pascal Lamy, EU trade commissioner, and Franz Fischler, agriculture commissioner, to the trade ministers of all 148 members of the World Trade Organisation (WTO). The EU, they wrote, is prepared to end export subsidies paid to European farmers who sell their goods abroad. By making this offer, the EU raises the possibility that the Doha round of world trade talks, which failed in Cancun last September, can be revived.

The threat of trade sanctions is bandied about all too easily in international politics. Rather less often asserted is the contribution towards peace and prosperity made by free trade. Samuel Johnson's adage that 'there are few ways in which a man can be more innocently employed than in getting money' is as true on a global scale as it is of individuals. Countries which maintain good trading links are less likely to go to war because they have too much to lose by doing so. In order to see this, it is

necessary only to study the history of Europe since 1945. A continent ravaged by two wars has been brought to a position in which armed conflict is unthinkable.

Much of the credit for this achievement lies with the Common Market, as it originally was. Yet Europe's commitment to free trade has always been compromised by the bizarre exemption granted to agriculture. While our factories and increasingly our offices have been forced to compete internationally, much to the benefit of innovation and wealth-creation, our farmers, through subsidies, quotas and tariffs, have been preserved as anthropological specimens, and grumbling ones at that.

It is not just Europe that is guilty of feather-bedding its farmers but America and developed countries in general, which between them are subsidising their farmers to the tune of \$1 billion a day. Over the past 20 years, significant strides have been made towards freeing up trade in industrial goods and, more recently, services. Yet again and again the issue of agricultural goods has been pushed to the sidelines. Manufacture a spanner and you can sell it around the world these days with relatively little hindrance; grow a carrot, on the other hand, and you run up against a formidable array of barriers and taxes. Why should a carrot be treated any differently from a spanner? The argument that an industrialised nation needs to grow its own food in case it somehow gets cut off from the outside world is not supported by the reality of subsidies. The Common Agricultural Policy (CAP) favours the growing of hay and straw, but pays no handouts to soft-fruit farmers; so, come Armageddon, the horses will munch on quite happily while we die quickly from scurvy.

The distortions created by subsidies and tariffs are an inconvenience to Western consumers, who have to pay more for their food as a result. But they are devastating to the world's poor. In a free market, a far greater proportion of the food eaten in Europe and America would be grown in developing countries than is the case at present. This is so because it is developing countries that have the comparative advantage in agriculture: their labour costs and land prices are lower. Yet at present we have the bizarre spectacle of America exporting rice to Haiti and the European Union exporting

tomatoes to Ghana — all thanks to generous subsidies paid to American and European farmers. Taxpayers in developed nations, in other words, are helping to undermine the main industry in which developing nations have a comparative advantage. This isn't just bad economics; it is immoral. According to Oxfam, which last year produced a report on the effects of trade barriers on the world's poor, trade barriers cost poor countries £100 billion a year, twice what they receive annually in aid. If poor countries were allowed to increase their share of world trade by just 1 per cent, it would lift 128 million people out of poverty.

Welcome though it is, last week's announcement by Pascal Lamy should not be taken for granted. Europe's agricultural lobby is powerful and will not give up its subsidies without a fight. Nor is the ending of export subsidies enough: all support for farmers in Europe should be phased out, just as it was in New Zealand in the 1980s, much to the benefit of consumers and, as it has proved, the farming industry too. The proposed 'reform' of the CAP is absurd: it will mean the end of farmers being paid to produce unwanted quantities of milk; yet they will continue to receive handouts simply for being farmers — without necessarily producing any food at all.

The real battle of ideology being waged across the globe at present is between free trade and protectionism: between those who see trade as a generator of wealth and peace across the world, and those who just want to stand up for the little guy down the road. The ending of export subsidies would be a small victory for free trade, but one which points Europe in the right direction.

GLOBOPHOBIA

A weekly survey of world restrictions on freedom and free trade

Ten new members join the European Union on Saturday and thousands of economic migrants are queueing up at the borders, raring to go. I refer, of course, to Western European property investors hoping to make a killing on property markets in the East. While we have heard a lot of grim warnings in the press about Eastern Europeans descending on Dover

by the busload to take our jobs, steal our women and eat our children, buy-to-let investors have received nothing but encouragement: last weekend's property sections were brimming with suggestions as to where to invest, what to buy and how much rent it is possible to screw out of your Estonian tenants.

Such is the hypocrisy we show towards free trade. When it's about us travelling abroad without the need for a visa, buying property and coming home with an MPV-load of cheap wine and fags, we're all for it. When it's about foreigners coming here to look for work in our restaurants and on our building sites, on the other hand, suddenly it's not such a good idea after all. Western European nations have been quick to erect barriers to keep out Eastern European workers for seven years to come. Yet as part of their conditions of entry the EU's new member states have been ordered to open their property markets to foreign investors from the outset. Poland and the Baltic states have already done so; the Czech Republic will have to relax rules against foreigners buying property by 31 January next year.

The attentions of buy-to-let investors aren't going to make life any easier for young Eastern Europeans wanting to buy their own homes: house prices in the Lithuanian capital Vilnius, for example, have risen by 50 per cent over the past year in anticipation of EU membership. Eastern Europeans face seven years at the hands of Western European rentiers before they will be allowed to reap their own benefit from the single market.

Michael Gove

Immigration Should be About Money not Blood: 6.4.04

Privatisation Gave Us Safer, Faster and Better Trains: 20.1.04

Let's Unleash a Working Class Revolution in Our Schools : 15.7.03

The Times



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IMMIGRATION SHOULD BE ABOUT MONEY NOT BLOOD

The debate on immigration has been poisoned by racism. You just need to look at some of the stuff in the papers. Like *The Guardian* or *The Independent*.

In the past week both these newspapers have depicted Michael Howard, the Jewish son of Romanian immigrants, as a vampire alternately terrorising Tony Blair or sinking his fangs into David Blunkett. Perhaps I'm being over-sensitive, but I'm not sure it's very helpful to a mature consideration of migration and citizenship to portray Jewish Britons as demonic bloodsuckers.

I'd prefer the debate on immigration to be driven by reason not prejudice. Easy enough to assert, perhaps. But more difficult to carry through practically. So let me try, in a manner I believe to be blind to any question of race or ethnicity.

I believe that open economies are healthy economies. Like the Government, I think growth can undoubtedly be stimulated by migration. I wouldn't, however, expect everyone to take that on trust from me. And after the way ministers have behaved they certainly can't expect anyone to trust them on any assertion they make as to the benefits of migration. There is, however, a way of proving the economic benefits new Britons can bring. We can market-test migration.

Why don't we offer British citizenship in

future to those who are prepared to demonstrate their commitment to this country in the most tangible way - by paying for it? Our Populus poll today indicates that three quarters of the British population are happy to accept migrants provided they either pay their own way or have skills which we need. The best way to ensure that new Britons do make a net contribution to our economic welfare, or have skills which we require, is to use the market to find out.

I propose that we set a price for a British passport, at say Pounds 10,000, and allow anyone either to pay that sum upfront, or remit it to the Treasury over a set period of time, like a student loan. The British Citizenship Bond would entitle the bearer to full membership of the nation after a probationary period of, say, four years during which time the only state benefit available would be individual emergency healthcare. Any criminal offence during that time would result in instant deportation.

The principle of buying British citizenship is not novel. If you bring Pounds 200,000 to this country to start a business, or simply invest Pounds 1 million in Britain and live off the interest, then residence is yours by law. My scheme is an effort to democratise that process by opening it to those who have no capital to start with, only a willingness to work. If after four years you have paid all your taxes, not claimed benefit and in addition repaid to the Exchequer the Pounds 10,000 cost of your bond, you are clearly a transparent

economic asset to this country. The Pounds 10,000 level is a starting suggestion, but it is not entirely arbitrary. It is only a little more than Chinese migrants are willing to pay to be smuggled in by snakehead gangs. If we can get economic migrants to pay a similar sum to the Treasury for the right to work here then we can put the people-smuggling gangs out of business and doubly enrich the nation.

The setting of a price on access to the British labour market will do what all proper price mechanisms do and make economic factors work more rationally in the interests of all. At the moment, ministers simply assert that we need a set number of, say, new computer programmers or catering workers to fill a skills shortage.

But governments are notoriously bad at second-guessing the market and why should Patricia Hewitt be in a better position to know how many foreign chefs we need now any more than her predecessor, Tony Benn, knew how many motorbikes we should have been manufacturing in the Seventies?

My scheme would allow industries to hire any foreign workers they calculated were necessary, but would ensure that they didn't simply opt to import cheap labour to the detriment of British workers. If firms really needed to hire from abroad they could pay the cost of their foreign workers' citizenship bond. That would force them to rationally calculate how

much each new hiring really mattered to them.

I know we're told we have full employment at the moment and there is no option if we want to grow but to import labour. But we're also being told that one of the reasons for the radicalisation of Muslim youth is the high levels of unemployment among minority Britons. Wouldn't it be better to do something to include these young people in the labour market before we automatically assume that we need to try to integrate even more new people into Britain?

My proposal may seem coldly rational, but on the whole I prefer cold reason to hot passion when discussing an issue like immigration. I also accept that nationality involves more than just making an economic commitment to your fellow citizens. But what's wrong with ensuring that initial commitment, at minimum? As our poll suggests, nothing would so effectively draw the poison from any debate on migration as transparent proof that migrants are net contributors to Britain. That is what my scheme provides.

Perhaps I've set the cost of a passport too high, or too low, at Pounds 10,000.

Let's see how many apply, and how much industry is willing to pay, and we can debate the correct price. Whatever the correct level, wouldn't such a discussion be altogether more edifying, and constructive, than talking about race in terms of blood, as some other newspapers appear to have done?

PRIVATISATION GAVE US SAFER, FASTER AND BETTER TRAINS

Labour's agenda has done nothing but stop rail improvement in its tracks.

Shelley was wrong. It's not poets who are the unacknowledged legislators of mankind, it's playwrights. Just 12 days ago David Hare's jeremiad against rail privatisation, *The Permanent Way*, opened at the National Theatre, to rave reviews. Yesterday, the Transport Secretary, Alistair Darling, joined in the applause, declared privatisation to have been an over-complicated disaster and accelerated progress towards the renationalisation of our rail network.

How Shakespeare must regret not having lived under a Blair Government. If he premiered *Othello* today there'd be an inquiry into racism in the Armed Forces within a fortnight.

Hostility to rail privatisation is not, of course, restricted to the dress circles in which David Hare moves. Now even Conservative Shadow Cabinet ministers condemn the legislation as fatally flawed. It would seem foolish to argue with such a consensus. Especially since rail privatisation was the flagship policy of the Major Government, an administration which even its members can scarcely find a good word for. It cannot be prudent to defend anything which emanated from the Government that brought us the Pooteresque banality of the cones hotline, the imperial horror of Black Wednesday and the libido-chilling spectacle of David Mellor playing horizontal tontil hockey in a Chelsea strip. But out of the wreckage came a few good things and rail privatisation was one of the best.

Taking the railways out of the public sector was, by any rational measure, a runaway success, whatever the takings at the National Theatre box office may tell you. A far more reliable set of figures by which to judge privatisation has been produced by the economists Michael Pollitt and Andrew Smith. They subjected the policy to a witheringly-close analysis for Cambridge University and found that under privatisation the railways carried more passengers and freight farther than ever before, more cheaply and with no cost in safety. Indeed, there are very good reasons to believe that it was safer to take a trip on a privatised train travelling over privately-maintained track than ever it was in the days of British Rail.

Before the Hatfield crash in 2000 passenger train miles and freight tonne miles, the best measures of how efficiently a railway is getting people and goods about, rose by 13 per cent and 19 per cent respectively. At the same time the costs of our rail network fell by 6 per cent in real terms. Messrs Pollitt and Smith also calculate that privatisation brought efficiency savings of around Pounds 800 million. And all without us being in any greater danger. The number of signals passed at danger fell under privatisation. The 2001 Cullen report into rail safety also found that post-privatisation "the statistics do not bear out a picture of a declining safety trend".

Lord Cullen was, of course, commissioned to write his report after the Paddington rail crash and delivered his verdict after the Hatfield crash. Both those tragic incidents helped to convince people that there was something inherently unsafe about privatisation, that it put "profit before safety". The conviction that privatisation was to blame for blood on the tracks was pushed by an unholy alliance of radical lawyers, far-left unions and an epically incompetent minister.

The solicitor who acted for the Paddington victims was Louise Christian, of the Trotskyist Socialist Alliance. The main union voice damning the privatised rail network was Bob Crow, formerly of the Stalinist Socialist Labour Party. And the minister nominally in charge at the time was John Prescott, neither Trotskyist nor Stalinist, just hopeless.

All three had reasons for wanting to see the private sector blamed, even though the casualty toll of Hatfield and Paddington combined was the same as the Clapham rail crash, which occurred when British Rail was still firmly in the public sector. It certainly suited the agenda of the Labour Government to have us think that these deaths were somehow the result of a Tory policy driven by corporate greed and crackpot ideology.

The Government used both accidents to browbeat the private sector and impose heavy-handed regulation on the railways. Station and track closures, combined with speed restrictions, drove travellers off the still relatively safe railways and on to the considerably less safe roads. Not for the first time, knee-jerk regulation driven by a political imperative to reduce risk proved counter-productive -and ever more costly for taxpayers.

Mr Prescott and his successors have rolled back privatisation, all the time increasing delays, costs and frustration. Railtrack was taken back into public ownership. Private companies were banned from bidding for track maintenance contracts. And yesterday Mr Darling signalled that even more decisions would be taken by the state. All of these steps have been operationally foolish and fiscally wasteful. Railtrack may not have been Britain's best run firm, but its public sector successor, the not-for-profit company Network Rail, is immeasurably worse. Without shareholders, there is no incentive for Network Rail to cut costs and, inevitably, they have exploded, with the amount

spent on maintenance rising from Pounds 2.8 billion in 1999-2000 to Pounds 5 billion last year. Those costs are set to rise after the decision to ban private contractors from maintenance work. Now all repair work will be done by a union-dominated public sector monopoly.

The story of our railways under the Blair Government is a melancholy lurch back to the 1940s when Labour nationalised everything that moved. Now they have almost completely renationalised an industry which was getting more people moving, more quickly, more cheaply and more safely. Labour has stopped that process in its tracks. They have once again proved that increasing state control is the Permanent Way to screw things up.

LET'S UNLEASH A WORKING CLASS REVOLUTION IN OUR SCHOOLS

Labour's classroom betrayal can be reversed only by scholarships for all

Betrayal is a game anyone can play. But its particularly popular on the Left. Who was Britain's biggest class traitor? Ramsay Macdonald, Roy Jenkins or Tony Blair? And what was the greatest betrayal of the working class? The TUC's surrender at the time of the 1926 General Strike, the NUM's pursuit of the 1984 miners' strike, or Denis Healey's spending cuts in the Seventies?

The truth, of course, is none of the above. The biggest traitor to the working class was Shirley Williams. And not because she joined the SDP. She deserves the accolade for presiding over the biggest betrayal ever endured by the nation's poor. Comprehensive education.

There are a thousand little ways in which the English working class are betrayed daily. There was the insult of Cool Britannia, a party held by the Government they elected to which they were never invited. There is the indignity of reality television, programmes from Kilroy to Club Reps, in which the working classes become inmates of modern bedlams, to be patronised and pitied. There is the confidence trick which is the National Lottery, a means of transferring money from those without resources and without opera houses in the North to those who enjoy a surfeit of both in the South East. But of all the ways in which

we fail the working class, none is so shameful as the failure of our education system.

It is an ongoing story of promise betrayed, in which those who suffer most are silent. So let some dry numbers speak for them. One in four British children leave school functionally illiterate and innumerate. The statistics which suggest that literacy and numeracy are improving are being manipulated. The pass mark for 11-year-olds in their English and maths test has been cut to 44 per cent in English and 45 per cent in maths from 49 per cent for both tests last year. These tests are going the way of the Reichsmark in Weimar.

The knowledge that our education system is failing those who need it most is placing increasing pressure on those few schools that uphold standards. In the past week it was reported that two decent, but far from exceptional, schools have had to curtail their catchment areas because of massive over-subscription for places. Brooklands in Blackheath will accept pupils only from within 400 yards of its door. Lauriston in Hackney will take only children who live within 110 yards of its gate. Who benefits from these beacons of successful state education? The estate agents who can add a premium to homes within these tiny pales, and the middle classes who can afford those premiums. These schools are becoming like The Ivy - doors open to all in theory, enjoyment really open only to the rich in practice.

There are of course other ways in which the wealthy can buy educational advantage.

And they're taking them. After six years of a Labour Government which promised its priority would be education, education, education, the number of children being educated in non-state schools has risen. From 413,000 in 1999 to 432,000 this year. Even though fees in the private sector have galloped ahead of inflation.

Private schools have become like the lifeboats on the Titanic. The rich are scrambling for places, the poor are left to sink.

That betrayal is now being compounded by the current Education Secretary, Charles Clarke. There is widespread concern that the examinations with which pupils leave school have been progressively devalued, a fear which has

gathered pace with the replacement of proper tests at A level by "modules" that allow candidates huge scope to massage their work until it secures a pass. As Professor Carol Fitz-Gibbon of Durham University pointed out to the Education Select Committee, changes in examinations have been accompanied by a steady decline in real standards.

Mr Clarke's answer to this, to be outlined tomorrow, is yet further dilution of academic standards with school-leaving examinations to be "broadened" to give marks for such activities as "playing for the local village cricket team" or being "involved in the production of the school play". Instead of improving maths, English, science, history and languages, the bread and butter education working-class children need to compete in the modern world, Mr Clarke's answer is to let them eat cake in the cricket pavilion.

There is a better way, one championed by politicians of the Left in America who are responding to the cries of their urban poor. The choice which the wealthy already exercise, through private education and housing market manipulation, should be given to the working classes.

Every parent in Britain should be given a scholarship for their child, worth broadly the amount currently wasted by the State on their schooling. This scholarship could then be used to buy a place at schools, which would have to compete for parents' money just as vigorously as airlines now compete for their holiday custom. Polling by the pressure group Reform, which does a marvellous job in making the case for real change in the public sector, shows there is majority support for just such a scholarship, or voucher, scheme among swing voters.

Extending choice would benefit all, but a scholarship system could explicitly favour the poorest. If scholarships or vouchers were tied to household income, working-class parents could be given larger sums than their bourgeois neighbours.

Their children would enter the market in a superior bargaining position. Precisely the opposite of their status now.

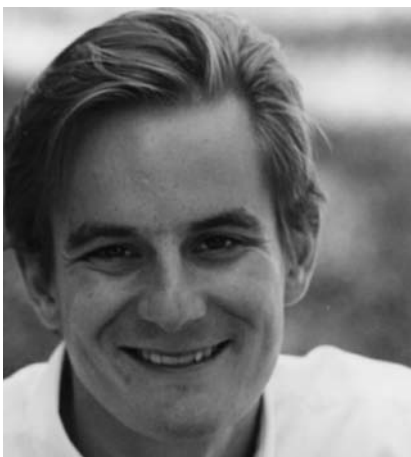
After 60 years of state control, 30 of the comprehensive regime, and six of new Labour, the time has come for a proper revolution - an irreversible shift of wealth and power into the hands of the working class. Through the market.

Robert Guest

How to Make Africa Smile: 17.1.04

Extracts from a survey on Africa

The Economist



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FIRST GET THE BASICS RIGHT *Africa remains poor mainly because of bad government. The remedies look simple, but will be hard to apply*

THE view from the pick-up truck rolling through the Zimbabwean countryside was grim. Field after field that should have been prepared for planting was idle and choked with weeds. But the farmer driving the truck—let's call him "Dave"—had no time to stop and grieve. He had an appointment to get his tractors back.

As part of President Robert Mugabe's programme of "land reform", Dave's big farm had been carved up among half a dozen members of the ruling party, ZANU-PF. These middle-ranking cronies had in turn been thrown off by a big shot, a former brigadier with his own militia, who grabbed the lot for himself.

Under Zimbabwean law at the time, black would-be farmers allocated plots of formerly white-owned land were supposed to take only the land. The crops, cows and combine harvesters were deemed still to belong to the people who had sown, reared or bought them. But when Dave tried to salvage his moveable

possessions, the brigadier's bodyguards blocked his way. So Dave got himself a court order and a promise of an armed police escort to help him reclaim this modest fraction of his life's accumulated assets.

He arrived at the local police station at the appointed hour, with some friends to help and your correspondent, incognito, to observe. The armed escort did not show up. The police chief shrugged and mumbled excuses. Then the brigadier stormed into the police station to complain that someone (possibly the farmworkers he had evicted) was stealing "his" crops at night. The police immediately dispatched a car and four officers to assist him. It was a striking vignette of how selectively the law is applied in Zimbabwe. Property rights are secure only to the extent that you enjoy the favour of those in power.

Land reform was supposed to benefit the poor, and indeed some 134,000 people have been allocated plots. Mr Mugabe promised the new farmers seeds and fertiliser, but delivered almost none, partly because he has evicted the farmers who used to grow the seeds. Few of Zimbabwe's new farmers know much about farming, so yields have plunged. Half the population now depends on food aid, which the ruling party

shamelessly tries to reserve for its own supporters. There is a harsh partisan logic to this. Didymus Mutasa, ZANU's foreign-affairs secretary, once said the country would be better off with only half its current population, "with our own people who support the liberation struggle".

A continent in need of leadership

Sub-Saharan Africa (hereafter, "Africa") is the world's poorest continent: half of its 700m people subsist on 65 US cents or less a day. Even more worryingly, it is the only continent to have grown poorer in the past 25 years, despite the explosion of technology and trade that has boosted incomes in other regions. Not even Africans want to invest in Africa: an estimated 40% of the continent's privately held wealth is stashed offshore. This survey will ask two questions. Why is Africa so poor? And what are Africans doing about it?

The short answer to the first question is "bad government". As recent events in Zimbabwe show more vividly than any economics textbook could, rulers who respect neither property rights nor their own laws swiftly impoverish their people. No other African country has regressed as fast as Zimbabwe has over the past five years, but several have made similar

mistakes in the past from which most have yet to recover. Only one African country, Botswana, has been consistently well governed since independence. Not coincidentally, average incomes in Botswana have grown faster than anywhere else in the world in the past 35 years, from bare subsistence to over \$3,000 a year. But only one African in 400 lives in Botswana.

The short answer to the second question is that many individual Africans are working hard to better their own lot, but their rulers are prone to getting in their way. Too many governments are predatory, and not enough are competent. On the plus side, the continent has grown more democratic since the end of the cold war, raising hopes that African governments will become more responsive to their people's needs. That is very welcome. But, as Africans say, you cannot eat democracy. The real test is whether democratic governments will be able to lay the foundations for economic growth.

A few African countries are growing rapidly. Leaving aside those that have enjoyed sudden oil windfalls, the best performers are Mozambique, Rwanda and Uganda, which notched up growth rates of 12%, 9.7% and 6.2% respectively in 2002. All three countries have been doing well for a decade or so, and all three can plausibly claim that this is a result of better governance. The catch is that all three are growing from the lowest base imaginable, having suffered cataclysmic civil wars. All three have been given torrents of aid--between 50% and 70% of the national budget--to help them rebuild. None has yet regained its (modest) pre-war prosperity, and Rwanda's growth slowed in 2003.

Some African presidents, led by Thabo Mbeki of South Africa and Olusegun Obasanjo of Nigeria, are promoting a grand pan-African plan to promote better governance, attract more aid and boost growth. Most of the proposals obviously make sense: who could be against less corruption or better telephone links? But the plan will work only to the extent that individual African governments take it seriously.

Power in Africa today resides with national governments. Africa's nation-states may be artificial creations of the

colonial era, but no one has the stomach to re-draw Africa's borders, so the continent is stuck with them. Progress, if and when it comes, will come country by country. The best-governed places will probably grow fastest, so African politicians must get the basics right: spend within their means, pass sensible laws and see that these are enforced even-handedly. Until they do, nothing else will move.

THE RULE OF BIG MEN OR THE RULE OF LAW?

The wait for better governance could be long

THREE old judges sat in an empty courtroom, waiting for a case. They had time to talk: this was a traditional, informal court. "We used to gather under a tree," said Bernard Setshedi, the chief judge. "The king would sit there all day, people would bring their problems, and he would make judgments." There were no written laws, just traditions, understood by all and enforced by the king.

Then the tribe, the Bafokeng of South Africa, made a fortune from the platinum in its ancestral soil. The king built a brick courthouse and appointed some full-time judges from among the tribal elders. The surroundings look modern, but the traditions the judges uphold have not changed much from the old days.

"We tried a case today where one woman said her neighbour had sworn at her. We called a witness and found it wasn't true, so we threw the case out. It lasted 15 minutes." The court deals with petty theft, marital problems and anti-social behaviour. Under South African law, it can hand down fines, but not punishments such as whippings (once a staple of customary justice) or jail terms. Serious crimes such as rape or murder must be turned over to the formal justice system.

Traditional courts have several advantages. Barney Mokgatle, one of the king's staff, explains: "It's better than going to town, queuing for ages and paying a lawyer money you don't have. It's quicker, cheaper, and less confrontational. We try to solve quarrels. If a man is having an affair, we try to show him that he has brought sadness

into his house. It's about building relationships, not winning."

Customary law is somewhat arbitrary, as it depends on unwritten rules and the whim of an unelected chief. But although the rules are unwritten, people are familiar with them and respect them. A traditional African chief may be unelected, but he is not wholly unaccountable. He lives in the same village as his people and hears their complaints. If he rules badly, he can be deposed, usually without bloodshed.

What traditional law cannot do is cope with the complexities of the modern world. You cannot have an unwritten banking code, or regulate telecoms by fiat. What works for simple local matters does not work for nation-states. And this brings us to one of Africa's greatest problems.

Before European colonists arrived, Africa was divided into several thousand kingdoms and chieftaincies whose systems of government had evolved over hundreds of years. By the time the Europeans left, they had squeezed the whole lot into a few dozen nation-states, whose borders cut some tribes in half and lumped others together with neighbours they did not much like. On to this artificial structure were grafted systems of government that mimicked European models.

Parliamentary democracy is a fine system, but it was alien to Africa. A bureaucratic state on the European model can function only if there are educated people to run it. But at independence Tanzania, for example, had only 16 university graduates.

Africa's first experiments with democracy did not last long. Elected governments quickly turned authoritarian or were swept aside by the army. The new regimes proved dysfunctional and unstable. In 1960-79, a total of 59 African rulers were toppled or assassinated. Only three retired peacefully, and not one was voted out of office (see table 2). Before long, most African countries had leaders who ruled as arbitrarily as traditional chiefs, but were far less accountable. A peasant could walk up to his chief's hut and ask him questions; getting to talk to the president in his walled palace was a lot more difficult. Some of Africa's new rulers called

themselves socialists, others capitalists, but they often had more in common with each other than these labels suggested. Most concentrated as much power as they could in the presidency, and used it to enrich themselves and their supporters. Mobutu Sese Seko, ruler of Zaire (now Congo) from 1965-97, was the archetype. Bluntly declaring that "democracy is not for Africa", he ruled by decree, jailed his opponents, grabbed foreign businesses and shared them out among the elite. Lesser officials followed his example. From the fattest minister to the humblest clerk, anyone with power tried to turn it into cash. The regime even forged its own currency: the contractors printing bank notes for the government were caught producing more than one note for each serial number, and trousering the duplicates. Not surprisingly, inflation hit 9,800% in 1994.

The same sort of thing, although usually in less extreme form, was repeated all over Africa. The cleverest people either emigrated or went into government and devoted their energies to extracting rents from their productive compatriots. Politics became a zero-sum game. If you were in power, you would grow rich and your kinfolk would get more jobs in the civil service. If you lost power, you were in trouble. Of the 107 African leaders overthrown between 1960 and 2003, two-thirds were killed, jailed or driven into exile. This combination of risks and rewards gave African leaders a compelling reason to cling to power. They gagged the press, banned dissent and turned the security services into their private militia.

Enough is enough

Rule by big men rather than by law has been a disaster for Africa, but it cannot last forever. Urban Africans, who are better informed and harder to intimidate than peasants, are sick of being pushed around and are hollering for better government. Their numbers are rising, from 23% of Africa's population in 1980 to 35% in 2001, so their views are getting harder to ignore.

Foreign aid donors are also pushing for reform. Now that the cold war is over, they are less inclined to bankroll African despots for strategic reasons. Most of them insist that governments become more democratic and introduce liberal economic reforms. If African governments

want the cash, they have to listen.

Since the mid-1980s, every African country bar the inaptly named Democratic Republic of Congo has held elections of some sort, and even Congo is due to go to the polls within a couple of years. Granted, many African elections are phoney. In Swaziland, elected MPs have no powers other than the right to advise the unelected king. In most countries, the ruling party uses all the apparatus of the state to buoy its re-election campaign. Public radio blares out its propaganda, public money pays for bags of grain to hand out to voters on polling day, and the police arrest opposition activists for holding meetings without permits.

No incumbent African leader ever lost an election until 1982, when the people of Mauritius booted out their prime minister. That was it for the 1980s, but 12 African leaders were voted out in the 1990s, and 11 since then. Their replacements were often just as bad, but sometimes obviously better, as in South Africa in 1994.

Several African countries are now less frightening places than they were. In Nigeria, for example, dissidents no longer fear being arrested and tortured since the death of the dictator Sani Abacha in 1998. The media have become freer in most parts of the continent: the number of boisterous private radio stations and newspapers has shot up in the past decade.

However, greater freedom has yet to spur greater prosperity, despite a sharp increase in the number of African governments that have embarked on liberal economic reforms. Such reforms were usually undertaken under duress. Decades of misrule had left most African governments flat broke, so they often agreed to do whatever the IMF asked--balance the budget, privatise, deregulate, whatever--in return for a bail-out. The results have been dismal. Africa is poorer now than when the reforms began. This failure is trumpeted by anti-globalisers as proof that market forces are bad for developing countries. Liberal economists, on the other hand, tend to blame the grudging and haphazard way reforms were implemented.

Reform cannot work unless the people in charge actually want it to. But few

African rulers have LAISSER-FAIRE instincts, not least because anything that reduces their ability to make arbitrary decisions reduces their powers of patronage. George Ayittey, a Ghanaian economist, argues that most IMF-sponsored reforms have "amounted to reorganising a bankrupt company and placing it, together with a massive infusion of new capital, in the hands of the same incompetent managers who ruined it in the first place".

The electorate has not shown much support for liberal reforms either. This is partly because they tend to cause short-term pain, as when subsidies are withdrawn or workers at state-owned firms are laid off. Some voters have even grown accustomed to corruption, and ask only that they should receive a cut. "The populace expects to exchange political support for concrete help," says Jean-Pascal Daloz, a French academic. "That is the only way in which politics makes sense to them." Often, this means they vote for a member of their own tribe, on the assumption that he will be more likely to share with them what he snaffles from the treasury.

Some electorates are more sophisticated than others. The voters of Zimbabwe, for example, are relatively well educated (thanks in part to Robert Mugabe's progressive education policies in the 1980s), which is why, now that Mr Mugabe is no longer popular, he has had to take such extreme measures to stay in power. In less than five years, he has cowed the judiciary, smashed most of the independent media, stolen two elections, dispossessed Zimbabwe's most productive citizens and printed money until inflation, though not at Zairean levels, has robbed savers and pensioners of almost all their assets (see chart 3).

The best thing that can be said about Zimbabwe's collapse is that it is one of a kind, at least in African countries not at war. Mr Mugabe has tried to disguise his contempt for the law (for example, by bringing in new legislation to authorise his land grab), which suggests that Africans have higher expectations of their leaders now than they did 20 or 30 years ago. Mr Mugabe may be murderous, but not on the scale of, say, Idi Amin in Uganda in the 1970s. And at least he pretends to hold free elections; Mobutu never bothered.

On the negative side, other African leaders have given little sign that they disapprove of Mr Mugabe. Several were upset at the way Zimbabwe was suspended from, and eventually quit, the Commonwealth. South Africa's president, Thabo Mbeki, has promised America's President George Bush that the Zimbabwean crisis will be solved this year. But Mr Mbeki is not under pressure from his own electorate to do anything drastic. Themba Khumalo, news editor of the DAILY SUN, South Africa's most popular black paper, says his typical reader has met refugees from Zimbabwe, and would not want to see South Africa go the same way. "But on the other hand, they think [Mugabe] is a hero, that he's sorting them [the whites] out."

BREATHING LIFE INTO DEAD CAPITAL

Why secure property rights matter

YOUR correspondent once asked a Somali nomad how much his house cost. The nomad found the question slightly baffling. He explained that he had built it himself, with materials he had to hand. The walls were made of sticks, woven together and curved into a dome. For protection against rain and sandstorms, he had laid animal hides over the top and lashed them down. He could not say how much the dwelling was worth, because it would never have occurred to him to sell it. When he moved away in search of better pasture, he simply dismantled his house, loaded it onto a camel's back and took it with him.

Such a lifestyle requires a lot of space. When their cows have stripped one area of grass, nomads simply move on. But as Africa's population grows and farmers encroach upon nomads' traditional grazing grounds, the wandering herdsman are being squeezed into ever smaller and more arid pockets of territory. They will be able to defend themselves for a while--young male nomads in Somalia, Ethiopia and Kenya all seem to carry submachineguns--but in the long term, their lifestyle is probably doomed.

For settled Africans, however, there should be more than enough land to go around. The continent is only one-25th as densely populated as East Asia. But Africans find it

hard to use what they have to best advantage because they lack secure property rights. Very few can prove that they own their land or their homes, because they do not have title deeds. This matters, because without a reliable system for ascertaining who owns what, assets cannot be used as collateral.

In rich countries, if a farmer wants to invest in better seeds or bigger tractors, he can probably borrow the necessary cash using his land as security. If he fails to honour his debt, the bank takes the land. If all goes well, however, his easy access to credit allows him to make his land more productive, which in turn increases its worth. Asset-backed lending is a crucial element in the dynamism of advanced capitalist countries. In America, for example, the most common way for an entrepreneur to raise start-up capital is by mortgaging the family home.

In Africa, this is much harder. Less than 10% of the continent's land is formally owned, and barely one African in ten lives in a house with title deeds. Farmers and urbanites, unlike nomads, usually have a clear idea what their homes and maize-plots are worth. For example, in Mtandire, a Malawian slum, a sturdy brick bungalow costs about \$300. That is a large sum by Malawian standards: nearly twice the average annual income. But home-owners in Mtandire have enormous trouble making their assets work for them.

One explained that she wanted to borrow \$200 to expand her goat-slaughtering business to meet a ravening demand for goat stew, but no bank would accept her house as collateral. Like the other houses in Mtandire, it was built on "customary" land. She had bought it from peasants who had farmed it for generations. The only proof that they had owned it was the say-so of the village chief. Banks need more surety than that, so the home-owner's butchering business seems likely to stay small for the foreseeable future.

Multiply this story by several million, and it is clear that Africans are sitting on a colossal stock of underexploited assets; what Hernando de Soto, a Peruvian economist, calls "dead capital". Mr de Soto estimated that the total value of Africans' informally owned houses and farmland in 1997 was roughly \$1 trillion.

That is nearly three times sub-Saharan Africa's annual GDP, and more than 70 times the amount of aid the continent receives each year.

Sound property rights have great advantages. When people are confident that they will not suddenly be dispossessed, they are more inclined to make long-term investments, such as extending the family home or buying a new plough. Property rights promote flexibility, too. They allow peasants who want to move to the city to look for work to sell their land, or to rent it out without fear of being unable to get it back later.

Transparently useful

In rich countries, property registries provide a wealth of commercially useful information. They show who owns a piece of land, where the boundaries are, and whether it is legal to build a factory on it. Such information makes it easier to spot commercial opportunities, and gives strangers confidence to do business with each other. Buyers know what they are buying. If someone cheats them, they know where to send the bailiffs.

In most African countries, by contrast, registries cover only a small fraction of fixed assets. Most Africans, being outside the formal system of rules and paper, prefer not to risk buying anything they cannot see. So farmers have to take their maize crop physically to market and usually have to sell it straight away, even if the prices are low, because they cannot afford the truck fare back. Western farmers can sell promises to deliver crops they have not yet planted, which is less cumbersome and better for the cashflow.

Many African peasants are aware that they lack property rights, and resent the fact. A survey in Zambia found that, despite the country's low population density, nearly half the farmers questioned felt that their land tenure was insecure. These farmers said they were willing to pay an average of \$40 for more secure tenure. Several African governments have also realised that better property rights would help their citizens prosper, and have passed laws seeking to formalise customary tenure. This is a good first step.

Obviously, secure property rights cannot

be established overnight. In the West, they evolved over centuries. And Africa cannot simply adopt rich countries' rules, because its governments do not have the expertise to enforce them, except perhaps among small enclaves of their better-off citizens. For example, other things being equal, it is desirable for land to be accurately surveyed before being registered. But there are never enough surveyors in Africa, and their services are too expensive for the poor. In Zambia, surveyors' cartels artificially restrict the number of surveyors who may practise, leading to backlogs of up to seven years. So if property rights are to be extended to the maximum number of people, the system has to start rough and cheap; it can always be polished later. And if it is to be accepted by ordinary people, it must build on arrangements they know and trust.

Mozambique's story is instructive. During the 1970s and 80s, property rights did not exist there. A Marxist government had abolished them in theory, and a vicious rebel movement had destroyed them in practice in all the areas it ravaged. Some 5m people--a third of the population--were driven from their homes, and their fields were sown with landmines.

After the war ended in 1992, however, the (now ex-Marxist) government was able to resettle those 5m people astonishingly quickly. Land records were rudimentary or non-existent, so the government relied on local institutions to resolve the inevitable disputes. The state still owns all the land, but families' occupancy rights were codified in law in 2000, and investors can now buy long leases. Those who want to lease unoccupied land, of which the country has a lot, have to negotiate with neighbouring communities, which reduces the likelihood of anyone being unjustly dispossessed.

The system is far from perfect, but it is not bad for a country where the average citizen earns only \$200 a year. Better property rights have fostered confidence, and therefore investment. Economic growth in Mozambique has been in double digits in four of the past six years. Such successes have been too rare, however. A recent study of 19 African countries that had passed laws to upgrade customary tenure found that eleven had done absolutely nothing to put these laws into practice.

Overall, since independence, African governments have tended to weaken property rights rather than strengthen them. The European colonists, for the most part, had preferred to leave customary land arrangements alone, except in areas where they themselves wanted to live or establish plantations. After liberation, however, several African governments declared a state monopoly over the ownership or allocation of land. This took power away from local chiefs and bestowed it on bureaucrats. In the absence of checks and balances on central power, this proved disastrous.

Ethiopia provides an illuminating example. Within living memory, the country has suffered both feudalism and Marxism. In the 1970s and 80s, peasants were forced at gunpoint into giant collectives, causing production to collapse and paving the way for the great famine of 1984, in which 1m people died. Since 1991, when a less oppressive regime seized power, harvests have been up again and droughts less lethal. But the feudal system of imposing heavy taxes on subsistence farmers remains, as does the Marxist notion that the state should allocate all the land.

Peasants' rights over the ground their families have tilled for generations are conditional on them living on or near it. Owners who have not cultivated their farm for two seasons risk having it confiscated. This ties them to a location and a way of life that offer little hope of advancement. Even the most ambitious think twice before seeking their fortune in the city, because if things do not work out they may have nowhere to return to.

Establishing sound property rights is a long and tricky process, but dismantling them is quick and easy. Think of Zimbabwe, which until the late 1990s had a large and sophisticated formal sector. Since Robert Mugabe started gleefully tearing up title deeds, Zimbabwean industry has all but collapsed.

A qualified welcome

Another, less remarked example is Cote d'Ivoire. Under the fairly benign dictatorship of Felix Houphouët-Boigny, migrants from neighbouring countries, such as Burkina Faso, were welcome to come and grow cocoa in Cote d'Ivoire.

They arrived during an economic boom, when many young Ivoirians were migrating to the cities to take up paid jobs. But when the boom turned to bust, many of the city-dwellers lost their jobs and went back to their villages looking for land to cultivate.

In the absence of clear title, squabbles erupted. Tensions between native Ivoirians and Burkinabe planters were already high when a law was passed in 2000 under which all customary land not converted to full title within ten years would revert to the state. It was obvious from the outset that most claims would not be processed in time. Burkinabe planters feared that they would lose their land. Many did: land grabs became common, often with the connivance of the police and officials. Within two years, these and other quarrels had snowballed into civil war.

Tion Kwa

No 2 Nu Taxes: 24.06.04

This Is News?: 27.11.03

Risky Colas?: 4.9.04

Far Eastern Economic Review



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NO 2 NU TAXES:

The Philippines should resist easy money

YOU KNOW something's a bad idea when no one wants to take credit for it. That's what happened with a proposal, now dropped, in the Philippines to tax senders of mobile-phone text messages. This week, Gloria Macapagal-Arroyo's office denied that the idea came from the presidential palace. Let's hope Mrs. Arroyo, with her election victory finally confirmed, will resist other dodgy ideas on how to plug the hole in the country's yawning budget deficit.

The problem with taxing text messages has nothing to do with the worthiness (or otherwise) of the technology. In fact, text messages can be a pain —many of us will have frantically dived for our phones before, to turn off insistent beeps that herald such dubiously useful messages as "hi. wat r u up 2?" There's no way of knowing how many of the 140 million text messages sent each day by 14 million Filipinos are at this level of profundity. (But probably, lots are; and Filipinos are no exclusive group here.) And how useful is it for mobile users to get text messages of thoughts-of-the-day from their favourite celebrity? Still, it's no business of ours how people choose to spend their money.

Our concern lies with how governments decide to tax them.

Because they are cheap -- costing pennies to send -- text messages swamp the Philippine airwaves. By the same token, politicians hoped that a, say, 20% tax on an already paltry sum won't go noticed. For when you add it all up, taxing text could reportedly bring in nearly 14 billion pesos (\$250 million) a year. Easy money.

And easy money is precisely the reason to oppose such taxes. It's usually best to resist any novel form of taxation as this only gives governments ideas about what other areas of life to tax.

The fact is, the Philippines' budget deficit stems from an old problem: the inability of the state to collect on all the taxes it already imposes. To make matters worse, a shortfall in revenues means that the government must borrow to plug the hole, and an increased debt burden usually shows up in an even wider deficit in following years. But rather than dream up new taxes, the way around this is to reform tax collection. If this were even as efficient today as it was during the Ramos administration, the Philippines wouldn't have a deficit. Having done this once, it isn't beyond the ability of state institutions to do so again -- if made to try harder.

As she begins a new term, the challenge for Mrs. Arroyo is to avoid the temptation of bad ideas. There's often a good reason why some proposals are untried.

THIS IS NEWS?

Australia Funds Vietnamese Propaganda

VIETNAM HAS changed in many ways since thousands of Vietnamese were forced to flee as "boat people" at considerable risk to their lives. But when it comes to ideas, Hanoi's communists continue to insist that there are unacceptable thoughts, and those who hold them still find themselves in peril. This year, authorities sentenced Pham Hong Son to 13 years in jail (now reduced to five years) for what the European Union characterized as apparently "a mere exercise of freedom of expression." Hanoi thus will be chuffed to find an ally in the Australian government-funded Special Broadcasting Service, which has taken to screening propaganda from Vietnam.

Beginning in October, SBS—whose mandate is to be a "multicultural" broadcaster—has been showing news bulletins six days a week from VTV4, the overseas Vietnamese channel of Vietnam

Television. The screening is part of SBS's WorldWatch television programme, a politically correct offering of news bulletins from 19 countries. There is no doubt about the nature of VTV4's content. Vietnam Television's Web site candidly says the organization is a "governmental institution assigned with the function of disseminating information regarding policies adopted by the party and government ..."

After 5,000 Vietnamese-Australians protested against the affront in Sydney, the head of SBS was summoned to Canberra to explain the broadcaster's decision to air the bulletin. Asked how many of the messages SBS had received about the programme were negative, Nigel Milan reportedly said: "In the order of ... 90%." Yet he was unswayed by all the reaction: "I am still to be convinced that the majority of people in the Vietnamese community do not want this service." Apparently, he knows better than the 200,000-strong community -- many of whom ended up in Australia precisely because it represents the opposite of everything they abhorred and feared about communist Vietnam.

And in an amazing turn, Mr. Milan accused Vietnamese-Australians of "an organized campaign against freedom of speech and freedom of expression," adding that "I find it deeply troubling."

As one ethnic-minority observer in Sydney put it to us: "It's just another example of hypocrisy. The ostensible purpose of SBS is to cater towards the needs of Australia's ethnic minorities. The only problem is that in its current form, it's run more to suit what the Left believes should be the needs of those minorities." We wonder what Pham Hong Son would think. Too bad VTV4 isn't likely to air his views. What about his freedom of expression?

RISKY COLAS?

Debates over pesticides in soft drinks miss the point

WE DON'T doubt the intentions of those Indian lawmakers who have pushed for a public inquiry into charges that pesticide residues in local soft drinks are too high. But public safety is a matter of managing risk. So given the realistic risks to health in India generally, the flap over fractions of a billionth part of pesticide concentration in

soft drinks surely misses the point.

One thing that should be mentioned from the start is that the controversy doesn't have anything to do with bashing multinational firms, such as when Coca-Cola was booted out in 1977 for refusing to let its secret-formula syrup be manufactured locally. When a New Delhi-based group, the Centre for Science and Environment, set out to test soft-drink samples -- such as Thums Up and Mirinda -- it didn't realize they were all brands owned either by Coca-Cola or Pepsi.

When it finished with its tests, the CSE said the 12 samples it looked into were found to contain levels of pesticides above those allowed by the European Union. The source of the pesticides is believed to be groundwater used for the drinks, into which chemicals from farming, for example, may have leached. Sales of soft drinks plummeted. Matters weren't helped by press reports using words such as "unsafe" and even "lethal."

Actually, the trace amounts of impurities in question pose only varying degrees of theoretical risks to health, and aren't explicitly "unsafe" -- you're more likely to catch something by dunking your head into the Ganges. Indeed, government tests subsequently found that pesticide levels in the drinks were much lower than those claimed by the CSE, though in some cases higher than what the EU would allow. But importantly, in every case they met local regulations for bottled water. In other words, they were below a risk threshold set by the Indian government.

The controversy is in fact over which standard to hold the soft-drink industry to. To that we'd add that this is an industry whose market is the middle class; the poor, on the other hand, should be so lucky as to have access to drinking water as clean as the most "contaminated" soft-drink sample claimed.

And that's just it. The debate shouldn't be about possible contaminants in sweet, teeth-rotting drinks with hardly any nutritional value, but how to provide cleaner water in cities and towns and potable water in rural areas. Sadly, that's an old story without enough fizz to hold interest in much of Asia.

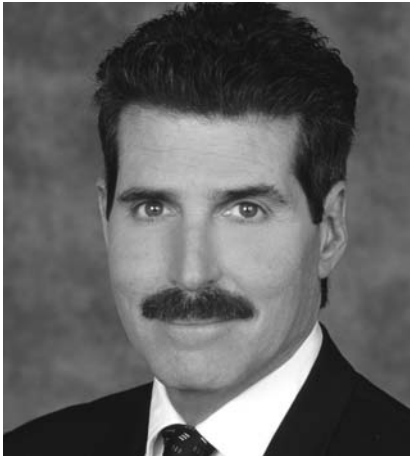
John Stossel

Confessions of a Welfare Queen: 3.04

Reason

Don't Sweat It: 10.10.03

ABCNEWS.com



JOHN STOSSEL is an award-winning news correspondent and was named co-anchor of ABC News “20/20” in May 2003. In addition to longer in-depth reports for “20/20”, Stossel is featured in a weekly segment entitled “Give Me a Break”, which takes a sceptical look at issues from pop culture to censorship and government regulations. Stossel has received 19 Emmy Awards and has been honoured five times for excellence in consumer reporting by the National Press Club. Among his other awards are the George Polk Award for Outstanding Local Reporting and the George Foster Peabody Award.

CONFESSIONS OF A WELFARE QUEEN

How rich bastards like me rip off taxpayers for millions of dollars

“Law grinds the poor, and rich men rule the law.” – Oliver Goldsmith

Ronald Reagan memorably complained about “welfare queens,” but he never told us that the biggest welfare queens are the already wealthy. Their lobbyists fawn over politicians, giving them little bits of money—campaign contributions, plane trips, dinners, golf outings—in exchange for huge chunks of taxpayers’ money. Millionaires who own your favorite sports teams get subsidies, as do millionaire farmers, corporations, and well-connected plutocrats of every variety. Even successful, wealthy TV journalists.

That’s right, I got some of your money too.

My Life as a Welfare Queen

In 1980 I built a wonderful beach house. Four bedrooms — every room with a view of the Atlantic Ocean.

It was an absurd place to build, right on

the edge of the ocean. All that stood between my house and ruin was a hundred feet of sand. My father told me: “Don’t do it; it’s too risky. No one should build so close to an ocean.”

But I built anyway.

Why? As my eager-for-the-business architect said, “Why not? If the ocean destroys your house, the government will pay for a new one.”

What? Why would the government do that? Why would it encourage people to build in such risky places? That would be insane.

But the architect was right. If the ocean took my house, Uncle Sam would pay to replace it under the National Flood Insurance Program. Since private insurers weren’t dumb enough to sell cheap insurance to people who built on the edges of oceans or rivers, Congress decided the government should step in and do it. So if the ocean ate what I built, I could rebuild and rebuild again and again—there was no limit to the number of claims on the same property in the same location—up to a maximum of \$250,000 per house per flood. And you taxpayers would pay for it. Thanks.

I did have to pay insurance premiums,

but they were dirt cheap—mine never exceeded a few hundred dollars a year.

Why does Uncle Sam offer me cheap insurance? “It saves federal dollars,” replied James Lee Witt, head of the Federal Emergency Management Agency (FEMA), when I did a 20/20 report on this boondoggle. “If this insurance wasn’t here,” he said, “then people would be building in those areas anyway. Then it would cost the American taxpayers more [in relief funds] if a disaster hit.”

That’s government logic: Since we always mindlessly use taxpayer money to bail out every idiot who takes an expensive risk, let’s get some money up front by selling them insurance first.

The insurance, of course, has encouraged more people to build on the edges of rivers and oceans. The National Flood Insurance Program is currently the biggest property insurance writer in the United States, putting taxpayers on the hook for more than \$640 billion in property. Subsidized insurance goes to movie stars in Malibu, to rich people in Kennebunkport (where the Bush family has its vacation compound), to rich people in Hyannis (where the Kennedy family has its), and to all sorts of people like me who ought to be paying our own way. When my crew was working on the 20/20

story on this indefensible insurance subsidy, producer David Sloan was shooting on the elegant Outer Banks of North Carolina. A man who saw our camera invited Sloan to videotape inside a luxurious beach mansion he was renting. Sloan accepted and was surprised to see, taped to the refrigerator, a picture of presidential hopeful (then House majority whip) Richard Gephardt.

"Why is his picture here?" Sloan asked.

"He's an owner of the house," answered the renter.

Aha, a surprise twist to our story: A Missouri congressman owns expensive beachfront property insured by taxpayers. We called Rep. Gephardt's office and asked to interview him about flood insurance. I was excited. He and I had something in common: We were both welfare queens. I thought he might say something like: "Yes, it's disgraceful -- we shouldn't get special protection because we are rich enough to build on beaches. I'm trying to end this boondoggle." But when I interviewed him, he just smiled blandly and kept saying Congress would "look into the program."

Why subsidize affluent people like Gephardt and me? Why not let us sink or swim on our own? If my house erodes away, it should be my tough luck. FEMA chief Witt at least attempted an answer: "The American people are pretty compassionate toward their neighbors."

Government flood insurance is so "compassionate" that the program didn't even raise my premiums when, just four years after I built my house, a two-day northeaster swept away my first floor. I could still use the place, since the kitchen and bedrooms were on upper floors, though some guests were unnerved when a wave sloshed through the bottom of the house. After the water receded, the government bought me a new first floor.

Federal flood insurance payments are like buying drunken drivers new cars after they wreck theirs. I never invited you taxpayers to my home. You shouldn't have to pay for my ocean view.

Actually, I don't have such a great view anymore. On New Year's Day, 1995, I got a call from a friend. "Happy New Year," he said. "Your house is gone." He'd seen it on

the local news. (Or rather, he saw the houses that had been next to mine, and nothing but sand next to them.) The ocean had knocked down my government-approved flood-resistant pilings and eaten my house.

It was an upsetting loss for me, but financially I made out just fine. You paid for the house -- and its contents. I'm not proud that I took your money, but if the government is foolish enough to offer me a special deal, I'd be foolish not to take it.

I could have rebuilt the beach house and possibly ripped you taxpayers off again, but I'd had enough. I sold the land. Now someone's built an even bigger house on my old property. Bet we'll soon have to pay for that one, too.

I interviewed beachfront homeowners in New Jersey, asking why they should be entitled to this brand of welfare. They got angry:

First Homeowner: We create a lot of employment here — look at the dishwashers and the chefs and the waitresses and the waiters.

Stossel: This is welfare for you rich people.

First Homeowner: I am not rich.

Stossel: People who are making \$25,000 have to pay taxes... to protect you.

Second Homeowner: They've bailed out the S&Ls, and they help the farming people.

Stossel: So since there's welfare for all these other rich people, you should get some too?

Third Homeowner: Sound management is what it is. It's got nothing to do with welfare.

Sound management? It's never welfare if it goes to you.

Feeding at the Federal Trough

Today's biggest welfare queens are probably farmers -- once, in their glory days, the most self-sufficient of Americans.

When I make speeches about free markets at Farm Bureau conferences,

farmers applaud enthusiastically. But despite their surface support for free markets, most of them operate in a market that's very expensive for all of us, receiving \$200 billion in direct handouts this decade, plus another \$200 billion in artificial price supports (which force us all to pay more for food).

Farm supports are as destructive as the old welfare payments to poor people were. Just as addictive, too. Subsidies are supposed to help farmers recover from low prices caused by overproduction, but the subsidies lead farmers to plant more crops, creating more overproduction, which lowers prices, making farmers even more dependent on handouts.

The programs wreck the lives of farmers in poor countries because they can't compete with subsidized American farmers (or with even more-subsidized European farmers). Hypocritical politicians blather constantly about helping the poor and demand more of your tax money for foreign aid. But they simultaneously give out farm subsidies, which rig the system so that all over the world poor farmers stay poor.

Why shovel all this money to American farmers?

Because we like farms. Farms are romantic. No one wants to lose the family farm. Of course, most handouts don't go to family farms. They end up going to big farm corporations, because the big, established companies are most skilled at using the system. Fortune 500 firms like Westvaco, Chevron, John Hancock Life Insurance, Du Pont, and Caterpillar each get hundreds of thousands of dollars in subsidies.

Another reason farmers get these ridiculous handouts is that they've become remarkably proficient at panhandling. Every state has a politically aggressive farm lobby, and every politician wants to stay on its good side. Watching the 2000 election's Iowa caucuses was nauseating. At Vice President Al Gore's rallies, they played country music while Gore regaled crowds with farm stories. "Every summer," said Gore, who grew up in a fancy Washington hotel, "we went back down to the farm. I was in the 4-H club."

Even so-called shrink-the-government

Republicans will make government bigger for farmers. The candidate the press called the most "conservative," Alan Keyes, said farm supports are absolutely necessary: "It's a question of America's moral decency."

Oh, please. Most American farmers do just fine -- better than most other Americans. Subsidies go to corn growers who earn more than \$200,000 a year, even to "farmers" like my ABC colleague Sam Donaldson, who got thousands of dollars in wool and mohair payments because he and his wife raised sheep and goats on their New Mexico ranch. Donaldson calls the payments "a horrible mess" (he's sold the livestock and no longer collects subsidies), but he compares them to the home mortgage deduction, saying, "As long as the law is on the books, it's appropriate to take advantage of it." Rich people take extra advantage: From 1996 to 2000, David Rockefeller got \$352,187; Ted Turner, \$176,077; basketball star Scottie Pippen, \$131,575.

Farmers argue, "We need subsidies -- because the food supply is too important to be left to the uncertainties of free market competition." But farmers who grow beans, pears, and apples receive no government subsidies, and they thrive. Free markets are best at producing ample supplies of everything. Notice any shortages of unsubsidized green beans, pears, and apples? Me neither.

Yes, some farmers have a tough time. Some will go broke and lose their farms. That's sad. But it's also sad when people at Woolworth's or TWA lose their jobs. Letting businesses fail is vital for the creative destruction that allows the market to work. Those who fail move on to jobs where their skills are put to better use. In the long run, it makes life better for the majority.

The Biggest Piggie?

When public interest groups compile lists of corporate welfare recipients, a company called Archer Daniels Midland (ADM) is usually at the top of the list. You may never have heard of ADM, because its name rarely appears on consumer products, but it's huge. Its products are in most processed foods.

ADM collects welfare because of two cleverly designed special deals. The first is

the government's mandated minimum price for sugar. Because of the price supports, if a soft drink maker wants to buy sugar for its soda, it has to pay 22 cents a pound — more than twice the world price. So Coca-Cola (and almost everyone else) buys corn sweetener instead. Guess who makes corn sweetener? ADM, of course. Now guess who finances the groups that lobby to keep sugar prices high?

ADM's second federal feeding trough is the tax break on ethanol. Ethanol is a fuel additive made from corn, kind of like Hamburger Helper for gasoline, except that it's more expensive, so no one would buy it if government didn't give companies that use ethanol a special 52-cent-a-gallon tax break. That costs the treasury half a billion dollars a year. ADM produces half the ethanol made in America.

Why does ADM get these special deals? Bribery. OK, it's not technically bribery -- that would be illegal. ADM just makes "contributions." Through his business and his family, former ADM Chairman Dwayne Andreas gave millions in campaign funds to both Mondale and Reagan, Dukakis and Bush, Dole and Clinton. President Nixon's secretary, Rosemary Woods, says Andreas himself brought \$100,000 in cash to the White House. He even paid tuition for Vice President Hubert Humphrey's son. Republicans, Democrats — it doesn't matter. ADM just gives.

It also flies people around on its corporate jets. When we contacted Andreas to ask for an interview, he arranged to fly us to ADM's Decatur, Illinois, headquarters in one of ADM's jets. I've seen private jets before, but ADM's was a step above. A flight attendant served us excellent food on gold-plated china. The camera crew and I loved it. Bet the politicians like it too.

A limo took us to Dwayne Andreas' office. Once the cameras were rolling, I brought out the questions about "corporate welfare." I foolishly thought I could get him to admit he was a rich guy milking the system. I thought he'd at least act embarrassed about it. Fuggeddaboutit. He was unfazed.

Stossel: Mother Jones [magazine] pictured you as a pig. You're a pig feeding at the

welfare trough.

Andreas: Why should I care?

Stossel: It doesn't bother you?

Andreas: Not a bit.

I still wonder why he granted the interview. I asked him about his bribes — I mean, contributions. For example, Andreas gave the Democrats a check for \$100,000. A few days later, President Clinton ordered 10 percent of the country to use ethanol.

Stossel: And the purpose of this money wasn't to influence the president?

Andreas: Certainly not.

Stossel: So why give him the money?

Andreas: Because somebody asked for it.

Because they asked for it? Give me a break.

In an ABC special I made called *Freeloaders*, economist Walter Williams aptly noted: "A panhandler is far more moral than corporate welfare queens...The panhandler doesn't enlist anyone to force you to give him money. He's coming up to you and saying, 'Will you help me out?' The farmers, when they want subsidies, they're not asking for a voluntary transaction. They go to a congressman and say, 'Could you take his money and give it to us?' That's immoral."

Andreas' attitude is rampant in many different areas of corporate America, and it's an ugly one. But there's always some legitimate-sounding justification. The politicians need your money for national security, research, job protection, or to "protect the food supply." After spending time on the golf course with lobbyists, politicians will find a way to justify almost anything. They justify giving subsidies to prosperous companies that sell goods overseas by saying that the resulting exports will be "good for America." They will be. But does Sunkist need taxpayer help to sell oranges? McDonald's to sell McNuggets to the Third World? Let them do their own marketing. My employer — Disney, which owns ABC — got tax money to create better fireworks at Disney World. Really.

Politicians will hand over millions of

dollars to sports teams under the pretense that it will help create jobs and economic activity -- ignoring the jobs and economic activity that would have resulted had the taxpayers been able to keep their millions to spend on what they chose. (See "If You Build It, They Will Leave," January.)

Some handouts allegedly keep certain industries alive in America -- even though we'd all be better off just buying their products from overseas if foreign producers can make them cheaper. The shipping industry, for example, gets billions in handouts. Without them, American shipbuilders say, they can't compete with low-cost shipbuilders overseas. American politicians should say: "They're more efficient overseas? Fine! We'll buy their cheaper ships." And American taxpayers would be richer. But we don't do that — because the shipping industry has friends like former Senate Majority Leader Trent Lott (R-Miss.). He makes sure Congress keeps your money close to home — his home.

I interviewed Lott. Without moving the tripod, our camera could pan from his Mississippi home to the shipyard that got half a billion dollars of your money to build a ship the Defense Department never even requested. Lott didn't even seem ashamed of that. "Pork is in the eye of the beholder," he joked. "Where I'm from...[pork] is federal programs that go north of Memphis."

Isn't Your Home Your Castle?

Occasionally, politicians are so eager to help their rich friends that they'll take your home to do it. The legal doctrine of "eminent domain" (which means "superior ownership") allows government officials to take possession of your property if they decide they need it for the greater good. Traditionally this meant building highways, bridges, and parks, and eminent domain was used only in unusual situations.

But today government officials use eminent domain to help private companies — Kmart, Home Depot, baseball teams, shopping malls. Hurst, Texas, condemned 127 homes that stood in the way of a developer's plan to expand a mall. Toledo, Ohio, got a \$28.8 million HUD loan to forcibly relocate the owners of 83 perfectly nice homes that were

condemned to make way for a Jeep factory. A county in Kansas condemned property belonging to 150 families to make way for NASCAR's Kansas International Speedway.

Sometimes citizens fight back, and when they do they can win — even against a foe as big as Donald Trump and the Atlantic City politicians in his pocket. In the early 1990s, the billionaire already owned Trump Plaza, Trump Tower, Trump Parc, Trump International Hotel, Trump Palace, Trump World's Fair, and Trump Taj Mahal. But he wanted more. He wanted to expand one of his casinos in Atlantic City.

Vera Coking was in the way. The elderly widow had lived in a house in Atlantic City for more than 30 years, and she didn't want to move. Trump offered Coking \$1 million if she'd sell. She said no.

This annoyed Trump. He told reporters her house was ugly, and it would be better if it were torn down to make room for a parking lot for limousines waiting outside his casino.

I wouldn't think that was "public use," but before you could say "corporate welfare," New Jersey's Casino Reinvestment Development Authority filed a lawsuit in 1994 to "acquire" Coking's property. It told Coking she must vacate her home within 90 days or the sheriff would forcibly remove her.

Suddenly the \$1 million offer was off the table. The authority said Coking's house was worth only \$251,000 — one-fifth what Trump paid for a smaller lot nearby.

It looked to me like the government was robbing Vera Coking to pay off Donald Trump. The government officials wouldn't talk to me about it, but Trump did.

Stossel: In the old days, big developers came in with thugs with clubs. Now you use lawyers. You go to court and you force people out.

Trump: Excuse me. Other people maybe use thugs today. I don't. I've done this very nicely. If I wanted to use thugs, we wouldn't have any problems. It would have been all taken care of many years ago. I don't do business that way. We have been so nice to this woman. Trump said Coking turned down his offer

because "her lawyer wants to get rich, and everybody wants to get rich off me."

Stossel: So don't pay it. Let them stay. Basic to freedom is that if you own something, it's yours. The government doesn't just come and take it away.

Trump: Do you want to live in a city where you can't build roads or highways or have access to hospitals? Condemnation is a necessary evil.

Stossel: But we're not talking about a hospital. This is a building a rich guy finds ugly.

Trump: You're talking about at the tip of this city, lies a little group of terrible, terrible tenements — just terrible stuff, tenement housing.

Stossel: So what?

Trump: So what?...Atlantic City does a lot less business, and senior citizens get a lot less money and a lot less taxes and a lot less this and that.

Sadly, claims that people will be deprived of "this and that" can now be used by politicians to condemn your house. It didn't seem right to Vera Coking. "This is America," she said. "My husband fought in the war and worked to make sure I would have a roof over my head, and they want to take it from me?"

Usually the Donald Trumps of the world and their partners in government get what they want. But Vera Coking was lucky enough to get media attention — and to have a public-interest law firm, the Institute for Justice, take her case to court. In 1998 a judge finally ruled against Trump and the government, finding that taking the property would benefit Trump, not the public. Vera Coking got to keep her home. She still lives there, surrounded by Trump's hotel.

Such victories against the awful advantages that government loves to grant to the wealthy and well-connected are possible. But to see more of them will require a great deal of diligence on the part of citizens — and the news media. If we want to live up to the old saw that the press should "comfort the afflicted and afflict the comfortable," the TV cameras need to spend more time focused on the ugly realities of welfare for the rich.

DON'T SWEAT IT *Sweatshop Protests May Hurt, Not Help, Poor Workers*

Oct. 10— Last month there were big protests when the World Trade Organization met in Cancun, Mexico. There are always protests when this meeting is held. OFTEN the protests are supported by American students who say workers are being mistreated

The students object to what they call sweatshops. They say companies are exploiting poor people, by setting up factories in developing countries and paying workers a fraction of American workers' wages.

The anti-sweatshop protesters appear to be winning the battle of public opinion. In 1996, they made Kathy Lee Gifford cry by saying she was exploiting young workers in Honduras who made her Wal-Mart clothing line. Within weeks, Gifford was admitting the error of her ways. She joined President Clinton at the White House, and renounced the mistakes of her past.

The student groups who protest get some of their funding from labor unions. The steelworkers' union lets "United Students Against Sweatshops" use part of their offices in Washington, D.C. Maybe that's why the protesting students are also upset about wages in America.

More recently, in 2001 student protesters took over the office of Harvard's president, and held it for three weeks, demanding a higher wage for workers at the school. This, too, is a popular cause. Their supporters camped outside, and actors Matt Damon and Ben Affleck spoke at a rally to show their support. Sen. Ted Kennedy, D-Mass., came out and shook the students' hands.

The national organizer of United Students Against Sweatshops, Ben McKean, assembled a group of student leaders to tell us why sweatshops must be changed.

"Workers have no choices about what their lives are, they have to go to work in these factories. The workers themselves have come to us and said, 'You benefit from our exploitation, give us back something,'" he said.

Good Intentions, Bad Results?

All that sounds very nice. But when we talked to some people who live in places where the workers are supposedly being exploited in sweatshops, we heard a different story.

We caught up with an economist and several policy analysts on their way to the World Trade Organization Meeting in Cancun. Bibek DeBroy, an economist who lives in India, said he wishes the protesters would "think with their brains rather than with their hearts." DeBroy said, "I don't understand the expression sweatshops. There's nothing wrong with sweat. Sweat is good. Sweat is what people in the developing world, including India, do all the time."

Doesn't the United States have the responsibility to stop companies from exploiting people in countries like India?

Kenya's June Arunga, who studies trade policy, doesn't think so. She said nobody in her country thinks about companies exploiting them. "When there's a new company opening a factory people are excited about it," she said.

Arunga and DeBroy point out that in poor countries, the Nike factories that rich American students call sweatshops routinely pay twice what local factories pay, and more than triple what people earn doing much harder and more dangerous work in the fields. Arunga says people in Kenya would volunteer to work in sweatshops for free, just to have access to clean running water and electricity without carrying firewood. "I wish we would have more sweatshops, quote unquote, in my country," Arunga told me. Most economists agree that "sweatshops" are what allowed people in now-thriving places like South Korea, Taiwan, Hong Kong, and Singapore to work their way out of poverty.

A Win-Win Situation?

Arunga said, "People get jobs in these places, their generation lives better than their parents lived. Most of them work for these companies for a while, go off and start their own businesses, it's a win-win situation for everyone," she said.

And that, she says, is why the students who protest are ignorant and clueless.

"They're comparing that to what they have in their rich homes," she said, "They're people who are very wealthy. They have no idea what they're talking about." I told McKean and the student protesters that Arunga and DeBroy called people like them rich, ignorant and clueless.

I said they have an unrealistic idea of how they're going to make things nice in the third world.

"The image that we have as being rich and clueless and just idealist college students is a false one," said Mandie Yanasak.

"Do I have a vision of how I want the world to be? Sure. Of course I do. I want the world to be one where people don't have to struggle to feed their children," she said.

Lindsay-Marisol Enyart, another student, said, "We're talking about workers who don't have a choice and are forced to leave their home farms."

But who's forcing them? They aren't being chained and dragged into the factory.

If you insist on higher wages, I told the students, some of these factories will close, and people are going to be put out of work. Yanasak said, "We're not trying to close down sweatshops, we're trying to change sweatshops."

But Bibek DeBroy said if these students get their way, it won't help people in the developing world. "It would mean fewer jobs, lower incomes, more people in poverty," he said. Arunga agreed, saying, "By passing laws trying to improve the jobs by force, they will get rid of the jobs."

After the protests against Kathie Lee's clothing line, Wal-Mart withdrew its contract from one of the "sweatshops." American complaints about child labor persuaded factories in Bangladesh to stop hiring adolescents. The result, according to UNICEF, is many of the young girls turned to prostitution.

This helps poor people?

Give Me a Break.

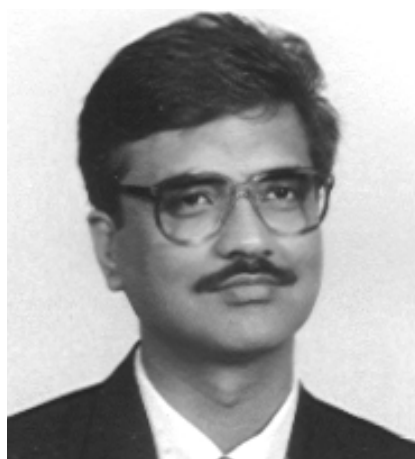
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The Root of Our Prosperity: 14.6.04

Dance with the Elephants: 31.5.04

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THE ROOT OF OUR PROSPERITY

Assume that you have invented a pill which when swallowed gives us the knowledge it would normally take 16 years of school and college education to acquire. Assume that it costs you Rs.2,500 to manufacture this pill. Assume that with the orders flooding in, you are easily able to sell each pill for Rs.10,000 giving you a profit of Rs.7,500 – a 75% margin on sales – for each pill you sell.

Should you be hailed as one of the greatest scientist of all times or be denounced as a profiteer? To answer this, let us look at the role profits play in our economy.

We are willing to pay you Rs.10,000 for the pill, because we expect to derive a benefit far greater than our Rs.10,000 expense. We think of the years of effort and the money we are going to save. We reckon that school and college are going to cost us at least Rs.1,00,000, even if we ignore the value of the time we would save.

The pill suddenly begins to look cheap, real cheap. We know that we are better-off by at least Rs.90,000 by buying the pill. To us it doesn't matter how much you

gain as long as we gain too. This clearly is a win-win situation.

In fact, the profits which you make, further benefit all of us in two ways. Firstly, your high margins give you the means to expand your production to meet the burgeoning demand. Knowing that your pill has a worldwide market, you begin to put factories in every part of the world. Looking at your margins, many are willing to fund you, and within a short time your pill is available at drugstores across the world.

Secondly, your 75% margin attracts the attention of every drug manufacturer in the world. The R&D divisions of Merck, Pfizer, Ranbaxy Laboratories, Dr. Reddy, Glaxo Smithkline, and many other drug companies work round-the-clock trying to find a better and cheaper pill to compete with yours. Before long they come out with their own products, and you see your margins decline. You again start to concentrate on your R&D to bring out an even better pill, with an aim to provide double the knowledge at half the cost.

This in essence is the role played by profits. The example I have given is science fiction but it bears close resemblance to what takes place everyday in the marketplace.

Take cell phones. An incredible revolution is underway. Almost every week a new model hits the market. This week it may be Samsung, bringing us a phone with a camera, next week it will be a Motorola with sleeker looks, and the week after that it will be a Nokia with a video in addition to the camera. All this happens as earlier models crash in prices and the size becomes even smaller. The same story, is being repeated with computers, TV's, VCR's, DVD's, refrigerators, and cars too.

Let us look at the real world profit margins and whether they bear any resemblance to the 75% margin, that you obtained by manufacturing the knowledge pill. The April 12, 2004 issue of Fortune carried the profit figures of the 500 largest US corporations.

These Fortune 500 companies, roared back to life in 2003, raking in a record-breaking \$75 trillion in sales and \$445.6 billion in profits. As against a hypothetical 75% of sales margin which you had in your pill business, these companies earned a record 5.9% of sales as profit. Fortune called this great because in 2001 and 2002, these companies had lost a total of \$275.8 billion. In other words, over 60% of the 2003 profits were just recovery of the last two years of losses.

Most of these mega corporations, which are supposed to rule the world, would easily settle for a guaranteed profit of 5% on sales if they could. When we attack profits, we attack, this tiny fraction of the sales price, this infinitesimally small amount, that we pay for constant innovation, newer products, and our ever improving standard of living. We need to celebrate profits not condemn them, for they are the root of our prosperity.

DANCE WITH THE ELEPHANTS

For the people of Nepal there are two options: they can view their landlocked status with despondency and consider it as an excuse for their lack of economic progress, or, they can regard that being linked to the two largest and now also the two fastest growing countries in the world provides them with an incredible opportunity.

To me, China and India, with their elephant size economies offer a gargantuan opportunity for this blessed nation. Whenever I think of Nepal's neighboring elephants, I ask myself: "When will Nepal learn to dance with them?"

When will Nepal realize that by providing the people in these two countries with what they seek, Nepal will get what it wants – wealth beyond imagination for its people? If you want people to give you what you want, you must first provide them with what they desire.

Let us look at what the Indians and Chinese want. Even though both India and China have incrementally reduced trade barriers, they are still far from acquiring a duty free status. China's average tariffs are in region of 14% while India's are still over 20%. What can Nepal do? Abolish all import licensing requirements, quotas, and duties on imports. What will be the result?

Nepal will be flooded with goods from all over the world. Who will buy these goods? Who else but the Indians and Chinese. They will come in hordes. Why should they go to duty-free Hong Kong, Singapore, or Dubai. Nepal will provide goods which are cheaper. Real estate in Nepal costs much less, labour costs are a fraction of what they are in the other duty free havens – these advantages will

translate into lower retail prices making Nepal the destination of choice for shoppers.

Can you imagine the tourist boom? A million Chinese and another million Indians shopping in Nepal! Imagine what it would mean for Nepal's economy.

Of course, if the government takes certain ancillary steps to facilitate this boom, it would help greatly. Allow foreign investment in shopping malls, and not only Kathmandu but all villages and towns bordering India and China would be covered with glittering shopping centers.

Privatize Tribhuvan International Airport, and create facilitating regulations for more private international airports. Let this happen and see Pokhara get more tourist arrivals than Kathmandu.

Abolish visa fees, open the skies, Sell Royal Nepal Airline Corporation, let any airline from anywhere in the world come to Nepal, and watch how quickly the people of this nation of traders become wealthier than Indians and Chinese.

What else do the people of China and India want? They want a place where they can park their money. Both the Chinese and Indians are accumulating riches at an accelerating pace since liberalization.

Give them the banks which will allow them to protect their wealth from the eyes of their government's tax collectors and nosy neighbours. Neither India nor China guarantee confidentiality of bank accounts. Nepal, through enabling laws, should provide for anonymity of account holders in its banks much in the same way as Switzerland does.

Further, to build credibility amongst its foreign account holders, Nepal needs international bankers including the Swiss to open operations here in Nepal. How can it get them? It doesn't have to, banks will come to Nepal if their customers come. They will not come for Nepal's benefit but for their own gain. In pursuing their self-interest they would automatically benefit Nepal.

Nepal merely has to allow them to come. All it has to do is to change its laws and instead of prohibiting and tying up

foreign banks in knots with its regulations, it has to support them with friendly laws. Right now Standard Chartered Bank, too afraid of local laws, does not even issue dollar denominated credit cards to its customers holding dollar balances with it. Such terrible laws can have no place in a market friendly country.

These are but a few steps Nepal can take to start dancing with the elephants, instead of blaming them for its woes. The time to start the dance is not next year, next month, or next week. The time is now. Let the music begin.

I WANT TO BE THE ONLY ONE

A businessman whom I have known and associated with for several years is fond of repeating what he had once heard from a former partner: "I don't want to be the biggest, I don't want to be the best, I just want to be the only one". There is nothing unique about this wish of owning a monopoly, all businessmen harbour it.

Just like a woman desires to be the fairest, a businessman wants above all to be the only one. If a genie appeared before a businessman and granted him a wish, it would have to be: "Let me have the exclusive right to manufacture, sell, or provide services in whatever business I am in".

Monopoly privileges for an importer of cars means that he can sell whatever brand he wants to, ask his customers to pay in advance, provide no after sales service and get away with it. He can tell his customers: "Take it or leave it".

Monopoly power for a hotel operator means, he can charge whatever room rates the market will bear. If he could, he would surely charge \$500 for a room which may be available under competitive conditions for \$50. He may provide no service. His linen may be old, carpets full of holes, toilets unclean, and still people will pay up if the only option is for them to spend the night under the stars.

Great opportunity for the monopolist, but what about the rest of us. Well we will just have to grin and bear it. This is the sad part.

The happy part is that no one can be a

monopolist if the government refuses to confer exclusivity onto him. Other than by granting monopoly powers to private companies or individuals, the way by which a government creates monopolies is by arrogating monopoly powers to itself to run businesses.

We have all seen the consequences of such monopolies. The incomparably atrocious telephone service, priced equally atrociously by *Nepal Telecommunication*, the power breakdowns and shortages thanks to *Nepal Electricity Authority*, the routinely delayed flights and high cost tickets of *Royal Nepal Airline Corporation* (RNAC) are but a few examples of what happens when monopoly powers are vested with government run organizations.

What is the option? Grant no monopoly privilege, let every business be subject to competition. If the market in Nepal is too small to be attractive for more than one player, eliminate the possibility of his monopoly by keeping Nepal's markets open to competition from around the world.

In countries which have done this, customers have gained a bonanza, businessmen have had to innovate constantly to get and retain their customers. An ever-increasing choice of goods and services awaits people living in countries which deny monopoly privileges and do not protect their businesses from competition - be it foreign or domestic - by licenses, tariffs, duties, and quotas.

No company however big has been able to establish a monopoly other than through rights granted by a government. For every Toyota, there is Honda or a Ford automobile which is available to us. For every Nokia, there is Motorola or a Samsung cell phone we can talk on.

What about airlines, airports, electricity authorities, and roads? There is no God which lays down that these activities have to be monopolies, leave alone government monopolies.

Nepal does not have to have a single international airport run by the government. What about a privately run international airport at Pokhara?

Nepal does not have to be served, exclusively, by the duopoly of RNAC and

Indian Airlines. Why not open its skies to all competitors? Let any airline which wants to come to Nepal feel welcome. Watch how services improve and more tourists come in if just two more airlines, *Jet Airways* and *Sahara Airlines*, start flying into Nepal.

It is not even necessary for the government to be the exclusive provider of roads. Why not let private companies build and operate toll roads - proposals for this are already pending with the authorities?

Why not also let free competition prevail amongst companies generating electricity? There are private companies doing a good job, why restrict more from joining the fray?

Nepal stands to gain. The people of Nepal stand to gain. Why not just let it happen?