

## Political Economic Digest Series 7

Dear Political Economic Digest Series participant,

Welcome to the seventh series of the Political Economic Digest. In the last series we discussed about free trade and globalization, two of the trends that are taking over the world currently. We discussed how free trade helps promote competition and efficiency and is helping millions of poor around the world to come out of poverty. We also learned about comparative advantage, an economic principle which explains why all countries benefit from free trade even if some countries are better than the others at producing every good or service.

In this series, we'll be discussing about the principles of sound public policies and their role in economic progress. Public policy can be generally defined as the course of action or inaction taken by governmental entities (the decisions of government) with regard to a particular issue or set of issues. Public policies determine to a large extent how a country or an economy functions. In context of Nepal, we keep hearing either how bad policies are ruining our country or that even though our policies are good, it is the lack of proper implementation that's hampering our progress. Included in the readings is an article entitled "7 principles of sound public policy" and as well as a satirical article on how to achieve poverty. We hope after this series, you will be able to analyze the policies of our government and their implication of our economic growth.

The first reading is a very famous article by Lawrence W. Reed entitled "Seven Principles of Sound Public Policy". The author has listed and explained the basic principles which can be used to judge, whether a policy is good or not. Full of real life examples, the article is an interesting and informative read.

Second reading is the Nepali translation of a satirical article entitled "Strategies for achieving poverty" written by Leon Louw, a public policy analyst from South Africa. Citing examples of countries who have been able to descend into poverty from prosperity, the author has outline the common strategies countries can follow to spread poverty.

Finally, we have a chapter from the well-known economics book, "Economics in one Lesson" by Henry Hazlitt. In this chapter entitled "The Broken Window", the author explains with the help of an example how most of time while policies are being made; only one aspect of a policy is considered and other aspects are ignored and how that hampers the society.

Happy reading! If you are interested to further explore this issue, we have lots of texts and visuals on the subject at Political Economic Resource Center of Samriddhi. Feel free to drop by!

**Note: Scroll below to find the readings!**

## Seven Principles of Sound Public Policy

Lawrence W. Reed

At the Mackinac Center for Public Policy, our specialty is researching and recommending detailed prescriptions for today's policy questions, and I thought about doing that very thing here today. But upon reflection, I decided instead to step back from the minutiae of any particular issue and offer you something a little different: a broad brush approach that is applicable to every issue. I'd like us all to think about some very critical fundamentals, some bedrock concepts that derive from centuries of experience and economic knowledge. They are, in my view, eternal principles that should form the intellectual backdrop to what we do as policymakers inside and outside of government. It's fashionable for a person in my profession to tell audiences that he approaches all questions with an open mind. Whatever that may mean to you, to me it does not equate with an empty mind. We have learned a few things over the centuries. It's not uninformed bias that prompts us without debate to accept the notion that the sun comes up in the east. It isn't blind ideology that tells us that a representative republic is superior to dictatorship or monarchy. When we study an issue at the Mackinac Center, we begin with the core assumption that private property and free market economies are superior to state ownership and central planning. That's not just one man's superficial opinion; rather, it is now one of the settled truths among people who have their eyes and ears open and for whom reason, logic, facts, evidence, economics and experience mean something. The "Seven Principles of Sound Public Policy" that I want to share with you today are pillars of a free economy. We can differ on exactly how any one of them may apply to a given issue of the day, but the principles themselves, I believe, are settled truths. They are not original with me; I've simply collected them in one place. They are not the only pillars of a free economy or the only settled truths, but they do comprise a pretty powerful package. In my belief, if every cornerstone of every state and federal building were emblazoned with these principles-and more importantly, if every legislator understood and attempted to be faithful to them-we'd be a much stronger, much freer, more prosperous, and far better governed people.

### **PRINCIPLE #1: FREE PEOPLE ARE NOT EQUAL, AND EQUAL PEOPLE ARE NOT FREE.**

First, I should clarify the kind of "equality" to which I refer in this statement. I am not referring to equality before the law-the notion that you should be judged innocent or guilty of an offense based upon whether or not you did it, and your race, sex, wealth, creed, gender or religion should have nothing to do with it. That's an important foundation of Western Civilization and though we often fall somewhat short of it, I doubt that anyone here would quarrel with the concept. No, the "equality" to which I refer is all about income and material wealth-what we earn and acquire in the marketplace of commerce, work, and exchange. I'm speaking of economic equality. Let's take this first principle and break it into its two halves. Free people are not equal. When people are free to be themselves, to be masters of their own destinies, to apply themselves in an effort to improve their well-being and that of their families, the result in the marketplace will not be an equality of outcomes. People will earn vastly

different levels of income; they will accumulate vastly different levels of wealth. While some lament that fact and speak dolefully of "the gap between rich and poor," I think people being themselves in a free society is a wonderful thing. Each of us is a unique being, different in endless ways from any other single being living or dead. Why on earth should we expect our interactions in the marketplace to produce the same results? We are different in terms of our talents. Some have more than others, or more valuable talents. Some don't discover their highest talents until late in life, or not at all. Magic Johnson is a talented basketball player. Should it surprise anyone that he makes infinitely more money at basketball than I ever could? We are different in terms of our industriousness, our willingness to work. Some work harder, longer, and smarter than others. That makes for vast differences in how others value what we do and in how much they're willing to pay for it. We are different also in terms of our savings. I would argue that if the President could somehow snap his fingers and equalize us all in terms of income and wealth tonight, we would be unequal again by this time tomorrow because some of us would save it and some of us would spend it. These are three, but by no means the only three, reasons why free people are simply not going to be equal economically.

Equal people are not free, the second half of my first principle, really gets down to brass tacks. Show me a people anywhere on the planet who are indeed equal economically, and I'll show you a very unfree people. Why? The only way in which you could have even the remotest chance of equalizing income and wealth across society is to put a gun to everyone's head. You would literally have to employ force to make people equal. You would have to give orders, backed up by the guillotine, the hangman's noose, the bullet, or the electric chair, that would go like this: Don't excel. Don't work harder or smarter than the next guy. Don't save more wisely than anyone else. Don't be there first with a new product. Don't provide a good or service that people might want more than anything your competitor is offering. Believe me, you wouldn't want a society where these were the orders. Khmer Rouge Cambodia in the late 1970s came close to it, and the result was that upwards of 2 million out of 8 million people died in less than four years. Except for the elite at the top who wielded power, the people of that sad land who survived that period lived at something not much above the Stone Age. What's the message of this first principle? Don't get hung up on differences in income when they result from people being themselves. If they result from artificial political barriers, then get rid of those barriers. But don't try to take unequal people and compress them into some homogenous heap. You'll never get there, and you'll wreak a lot of havoc trying. Confiscatory tax rates, for example, don't make people any more equal; they just drive the industrious and the entrepreneurial to other places or into other endeavors while impoverishing the many who would otherwise benefit from their resourcefulness. Abraham Lincoln is reputed to have said, "You cannot pull a man up by dragging another man down."

## **PRINCIPLE #2: WHAT BELONGS TO YOU, YOU TEND TO TAKE CARE OF; WHAT BELONGS TO NO ONE OR EVERYONE TENDS TO FALL INTO DISREPAIR.**

This essentially illuminates the magic of private property. It explains so much about the failure of socialized economies the world over. In the old Soviet Empire, governments proclaimed the superiority of central planning and state ownership. They wanted to abolish or at least minimize private property because they thought that private ownership was selfish and counterproductive. With the government in charge, they argued, resources would be utilized for the benefit of everybody.

What was once the farmer's food became "the people's food" and the people went hungry. What was once the entrepreneur's factory became "the people's factory" and the people made do with goods so shoddy there was no market for them beyond the borders. We now know that the old Soviet Empire produced one economic basketcase after another, and one ecological nightmare after another. That's the lesson of every experiment with socialism: while socialists are fond of explaining that you have to break some eggs to make an omelet, they never make any omelettes. They only break eggs. (See <http://www.mackinac.org/2668>). If you think you're so good at taking care of property, go live in someone else's house, or drive their car, for a month. I guarantee you neither their house nor their car will look the same as yours after the same period of time. If you want to take the scarce resources of society and trash them, all you have to do is take them away from the people who created or earned them, and hand them over to some central authority to manage. In one fell swoop, you can ruin everything.

### **PRINCIPLE #3: SOUND POLICY REQUIRES THAT WE CONSIDER LONG-RUN EFFECTS AND ALL PEOPLE, NOT SIMPLY SHORT-RUN EFFECTS AND A FEW PEOPLE.**

It may be true, as Keynes once declared, that "in the long run, we're all dead." But that shouldn't be a license to enact policies that make a few people feel good now at the cost of hurting many people tomorrow. I can think of many such policies. When Lyndon Johnson cranked up the Great Society, the thought was that some people would benefit today from a welfare check. We now know that over the long haul, the federal entitlement to welfare encouraged idleness, broke up families, produced intergenerational dependency and hopelessness, cost taxpayers a fortune, and yielded harmful cultural pathologies that may take generations to undo. Likewise, policies of deficit spending and government growth-while enriching a few at the start-have eaten at the vitals of the nation's economy and moral fiber for decades. This principle is actually a call to be thorough in our thinking. It says that we shouldn't be superficial in our judgments. If a thief goes from bank to bank, stealing all the cash he can get his hands on, and then spends it all at the local shopping mall, you wouldn't be thorough in your thinking if all you did was survey the store owners to conclude that this guy stimulated the economy.

We should remember that today is the tomorrow that yesterday's poor policy makers told us we could ignore. If we want to be responsible adults, we can't behave like infants whose concern is overwhelmingly focused on self and on the here-and-now.

### **PRINCIPLE #4: IF YOU ENCOURAGE SOMETHING, YOU GET MORE OF IT; IF YOU DISCOURAGE SOMETHING, YOU GET LESS OF IT.**

You and I as human beings are creatures of incentives and disincentives. We respond to incentives and disincentives. Our behavior is affected by them, sometimes very powerfully. Policy makers who forget this will do dumb things like jack up taxes on some activity and expect that people will do just as much of it as before, as if they are sheep lining up to be sheared. Remember when George Bush (the first one) reneged under pressure on his 1988 "No New Taxes!" pledge? We got big tax hikes in the summer of 1990. Among other things, Congress dramatically boosted taxes on boats, aircraft and jewelry in that package. They thought that since rich people buy such things, we should let `em have it with higher

taxes. They expected \$31 million in new revenue in the first year from the new taxes on those three things. We now know that the higher levies brought in just \$16 million and we laid out \$24 million in additional unemployment benefits because of the people thrown out of work in those industries by the higher taxes. Only in Washington, where too often lawmakers forget the importance of incentives, can you aim for 31, get only 16, spend 24 to get it and think that somehow you've done some good. Want to break up families? Offer a bigger welfare check if the father splits. Want to reduce savings and investment? Double-tax 'em, and pile on a nice, high capital gains tax on top of it. Want to get less work? Impose such high tax penalties on it that people decide it's not worth the effort. Right now in Lansing, much attention is being given to the question of how to deal with a deficit due to declining revenues. At the Mackinac Center, we believe that government ought to deal with such circumstances the way you and I and families all across the state deal with similar circumstances: curtail spending. That's especially true if we want to stimulate a weak economy so it will produce more jobs and more revenue. When the patient is ill, the doctor doesn't bleed him.

### **PRINCIPLE #5: NOBODY SPENDS SOMEBODY ELSE'S MONEY AS CAREFULLY AS HE SPENDS HIS OWN.**

Ever wonder about those stories of \$600 hammers and \$800 toilet seats that government sometimes buys? You could walk the length and breadth of this land and not find a soul who would say he'd gladly spend his own money that way. And yet, it often happens in government and sometimes in other walks of life too. Why? Because invariably, the spender is spending somebody else's money. Economist Milton Friedman elaborated on this sometime ago when he pointed out that there are only four ways to spend money. When you spend your own money on yourself, you make occasional mistakes but they're few and far between. The connection between the one who earned it, the one who is spending it, and the one who is reaping the final benefit is pretty strong. When you use your money to buy someone else a gift, you have some incentive to get your money's worth but you might not end up getting something the intended recipient really needs or values. When you use somebody else's money to buy something for yourself, such as lunch on an expense account, you have some incentive to get the right thing but little reason to economize. Finally, when you spend other people's money to buy something for someone else, the connection between the earner, the spender and the recipient is the most remote-and the potential for mischief and waste is the greatest. Think about it-somebody spending somebody else's money on yet somebody else-that's what government does all the time. But this principle is not just a commentary about government. I recall a time, back in 1993-94, when the Mackinac Center took a close look at the Michigan Education Association's self-serving statement that it would oppose any competitive contracting of any school support service (like busing, food or custodial) by any school district any time anywhere. We discovered that at the MEA's own posh, sprawling East Lansing headquarters, the union did not have its own full-time, unionized workforce of janitors and food service workers. It was contracting out all of its cafeteria, custodial, security and mailing work to private companies, and three out of four of them were non-union! So the MEA-the state's largest union of cooks, janitors, bus drivers and teachers-was doing one thing with its own money and calling for something very different with regard to the public's tax money. Nobody-repeat, nobody-spends someone else's money as carefully as he spends his own.

**PRINCIPLE #6: GOVERNMENT HAS NOTHING TO GIVE ANYBODY EXCEPT WHAT IT FIRST TAKES FROM SOMEBODY, AND A GOVERNMENT THAT'S BIG ENOUGH TO GIVE YOU EVERYTHING YOU WANT IS BIG ENOUGH TO TAKE AWAY EVERYTHING YOU'VE GOT.**

This is not some radical, ideological, anti-government statement. It's simply the way things are. It speaks volumes about the very nature of government. And it's perfectly in keeping with the philosophy and advice of America's Founders. George Washington once said, "Government is not reason. It is not eloquence. It is force. Like fire, it can be a dangerous servant or a fearful master." Think about that for a moment. Washington was saying that even if government is no bigger than he wanted it to be and even if it does its work so well that it indeed is a servant to the people, it's still a dangerous one! As Groucho once said of Harpo, "He's honest, but you've got to watch him." You've got to keep your eye on even the best and smallest of governments because, as Jefferson warned, the natural tendency is for government to grow and liberty to retreat. At the risk of adding yet another quote to this paragraph, it was Alexander Hamilton who wisely told us that "Control of a man's subsistence is control of his will." The so-called "welfare state" is really not much more than robbing Peter to pay Paul, after laundering and squandering much of Peter's wealth through an indifferent, costly bureaucracy. The welfare state is like feeding the sparrows through the horses, if you know what I mean. Put another way, it's like all of us standing in a big circle, with each of us having one hand in the next guy's pocket. Somebody once said that the welfare state is so named because in it, the politicians get well and the rest of us pay the fare. A free and independent people do not look to government for their sustenance. They see government not as a fountain of "free" goodies but rather as a protector of their liberties, confined to certain minimal functions that revolve around keeping the peace, maximizing everyone's opportunities, and otherwise leaving us alone. There is a deadly trade-off to reliance upon government, as civilizations at least as far back as ancient Rome have painfully learned. When your congressman comes home and says, "Look what I brought for you!" you should demand that he tell you who's paying for it. If he's honest, he'll tell you that the only reason he was able to get you something was that he had to vote for the goodies that other congressmen wanted to take home-and you're paying for all that too.

**PRINCIPLE #7: LIBERTY MAKES ALL THE DIFFERENCE IN THE WORLD.**

Just in case the first six principles didn't make the point clearly enough, I've added this as my seventh and final one. Liberty isn't just a luxury or a nice idea. It's much more than a happy circumstance or a defensible concept. It's what makes just about everything else happen. Without it, life is a bore at best. At worst, there is no life at all. Public policy that dismisses liberty or doesn't preserve or strengthen it should be immediately suspect in the minds of a vigilant people. They should be asking, "What are we getting in return if we're being asked to give up some of our freedom?" Hopefully, it's not just some short-term handout or other "mess of pottage." Ben Franklin went so far as to advise us that "He who gives up essential liberty for a little temporary security deserves neither liberty nor security." Too often today, policy makers give no thought whatsoever to the general state of liberty when they craft new policies. If it feels good or sounds good or gets them elected, they just do it. Anyone along the way who might raise liberty-based objections is ridiculed or ignored. Today, government at all levels consumes

more than 42 percent of all that we produce-compared to perhaps 6 or 7 percent in 1900. Yet, few people seem interested in asking the advocates of still more government such cogent questions as "Why isn't 42 percent enough?," "How much more do you want?," or "To what degree do you think a person is entitled to the fruits of his labor?" I yearn for the day when Michiganians and all Americans practice these seven principles. I think they are profoundly important. Our past devotion to them, in one form or another, explains how and why Americans fed, clothed, and housed more people at higher levels than any other people in the history of the planet. And they are key to preserving that crucial element of life we call liberty. Thanks for the opportunity to share them with you today and thanks for whatever you may do from this day forward to put them into common practice.

## गरिबी कसरी हासिल गर्ने? केही उपायहरू

गरिबी हासिल गर्न ध्यानपूर्वक योजना गर्न जरुरी छ । केही चिरपरिचित अत्याधुनिक रणनीतिहरू जसले गरिबी बढाउँछन् ती हाम्रो पहुँचमा छन् ।

सबै देशका राजनीतिहरू समृद्धी रोकने नीतिहरू मनपराउँछन् र हामीले मान्नुपर्छ कि उनीहरू वा उनीहरूका सल्लाहकारहरू गरिबी चाहन्छन् । उनीहरूका लागि एउटा खुसीको खबर छ: धन गरिबी-मुक्त स्वतन्त्र बजारहरू र हस्तक्षेपवादका कारणहरू अहिले यति चिर परिचित भएका छन् कि गरिबी बढाउने अत्याधुनिक रणनीतिहरू अब उनीहरूको पहुँचमा छन् ।

हुनत हाल हामी नसोचिएको विश्वव्यापी आर्थिक स्वतन्त्रता र अन्तर् विश्वव्यापी समृद्धिको युगमा बाँचिरहेको छौं जसले गर्दा गरिबी-प्रेमीहरूलाई समस्या परिरहेको छ । प्रविधि सूचना र समृद्धीले गर्दा सम्पूर्ण जनसंख्यालाई गरिब बनाउन गाह्रो छ तर अझै यो सम्भव छ । संसारका सबैभन्दा महान् गरिबी हासिल गर्नेहरूसँग हामी के सिक्न सक्छौं त ? मेरो लेख "गरिबीको चमत्कार" मा मैले व्याख्या गरेको छु किन गरिबी आधुनिक सरकारहरूको सबैभन्दा ठूलो उपलब्धि हो भनेर । सरकारहरू सिपालु र दृढ हुनु जरुरी छ । संसारकै चिरपरिचित गरिबी निर्माताहरू जसले कुनै समयका चीन य तान्जानियालाई गरिब बनाएर छाडे उनीहरूसँग सिकेर सराकारहरूले आधुनिक आर्थिक चमत्कार गरिबी हासिल गर्ने सर्वोत्कृष्ट अभ्यासहरू प्रयोगमा ल्याउन सक्छन् ।

### अर्जेन्टिनाका लागि नरनु

अर्जेन्टिना सबैभन्दा अचम्मका पूरना आर्थिक चमत्कारहरूमध्येको एक थियो । तुलनात्मक रूपमा बजारहरू स्वतन्त्र राखेर र आफ्ना उब्जनशील जमीनमा उत्पादित गोडागुडी र मासु युरोपमा निर्यात गरेर यो देश सन् १९२०को दशकमा विश्वकै नवौं धनी राष्ट्र बनेको थियो । सर्वसाधारण जनताले बढी मात्रामा भौतिक वस्तुहरू प्रयोग गर्नपाएको, राम्रो स्वास्थ्य स्वच्छ वातावरण तथा आरामदायक काम गर्ने अवस्था तथा वातावरण पाएको अवस्था देखेर गरिबी समर्थकहरू स्तब्ध भएका थिए । भाग्यवश १९३० पछि सिपालु सैन्य तानाशाहरूले अर्जेन्टिनाको सत्ता आफ्नो हातमा लिए । उनीहरूले पहिले नै प्रयोग गरेर प्रमाणित गरिएका जुक्ति लगाए: देशलाई घुँडा टेक्न बाध्य बनाउनका लागि ।

युद्धपश्चातको पेरोनको सत्ता सबैभन्दा राम्रो थियो । यसले लगानीकर्ता र जागिर-प्रदायकहरूको खर्चमा युनियनहरूलाई मजबुत बनाउने काम गर्‍यो र अन्ततः तलब-भत्ता तथा अन्य सुबिधालाई बजारमा चलेको भन्दा माथिको दरमा बढाइदियो । यसले जमिन तथा अर्थतन्त्रमा राम्रो योगदान पुर्याइराखेका उद्योगहरूलाई राष्ट्रियकरण गर्‍यो , विदेशी लगानीकर्तालाई निषेध गर्‍यो , विनिमय दर नियन्त्रित गर्‍यो, कृषिजन्य उत्पादनमा कर लगायो, सेवा तथा मूल्यहरू नियमन गर्‍यो र अभिव्यक्ति स्वतन्त्रता हनन् गर्ने काम गर्‍यो ।

पछिल्ला सत्ताहरूले पनि अघिल्लो सत्ताका सफलतामा साथ दिँदै घाटामा बजेट चलाए र मुद्रास्फ्रीती मुल्यबिद्धीलाई निरन्तरता दिइरहे । मजबुत बनाइएका युनियनहरूले पेरोनवादी बजारविरोधी नीतिहरूलाई साथ दिएर ठूलो योगदान दिए । सरकारी खर्च कटौती गर्न तलब-भत्ता ब्रिद्धी रोक्न र मुल्यब्रिद्धी रोक्न गरिएका प्रयासहरूलाई दबाउन पनि युनियनहरूले सहयोग गरे । अर्जेन्टिनाका समर्पित नेता तथा राज्य व्यवस्थापकहरू विश्वकै महान् आर्थिक अवनति हासिल गर्न सफल भए । उनीहरूका आर्थिक नीतिहरू र नागरिकको हक हननले घातक बन्द-विरोध िहंसा र आतंकलाई प्रेरणा दियो । सन् १९७० मा आइपुग्दासम्म अर्जेन्टिनाको आर्थिक स्वतन्त्रता वैदेशिक व्यापारमाथिको प्रतिबन्ध, विनिमय दरमाथिको नियन्त्रण, मुद्रा आपूर्ति मुल्यब्रिद्धी, उच्च कर र जागिर-प्रदायक विराधी श्रम कानूनका कारण मरणासन्न अवस्थामा पुगिसकेको थियो । वित्तिय सेवा, अनौपचारिक व्यापार, खनिज पदार्थ, विद्युतिय व्यापार जस्ता क्षेत्रहरूमा सानातिना नियमनहरूको सन्जाल नै शुरु गरियो जुन दक्षिण अफ्रिकाको भेदभाव युगको शासन भन्दा भिन्न थिएनन् ।

### पूर्वी जर्मनीको कायापलट

अर्को महत्वपूर्ण पूराना आर्थिक चमत्कार युद्ध पश्चातको पूर्वी जर्मनी थियो । जर्मनीको प्रविधि उद्योग प्राकृतिक धन तथा बौद्धिक वर्ग पाएको पूर्वी जर्मनीले सम्बद्ध होला कि भन्ने डर थियो । भाग्यवश यसको प्रजातान्त्रिक सरकारले प्रयोग र प्रमाणित गरिएका पूराना साम्यवादी जुक्तिहरू काममा लगायो जसले गर्दा धन-वृद्धि रोक्न सफल भयो । आर्थिक जीवनका सम्पूर्ण पक्ष राष्ट्रियकरण गरियो वा नियमन गरियो र पूर्वानुमानितफल पनि प्राप्त भयो ।

### चीनको महान् प्रतिगामी बुर्कु सी

अध्यक्ष माओले चीनमा अहिलेसम्मकै सबैभन्दा सफल गरिबी कार्यक्रम आयोजना गरे । उनको महान् अग्रगामी बुर्कुसी (The Great Leap Forward) अहिलेसम्मकै सबैभन्दा ठूलो प्रतिगामी बुर्कुसी हो । साँस्कृतिक क्रान्ति साँस्कृतिक घृणाको भव्य उत्सव थियो । उनले दुष्ट पुँजीवादी उपकरणहरू जस्तै शौचालय, डसनाको जमेर विरोध गरे। उनको वृहत कर्मचारीतन्त्रले हडकडमा भएका उनिहरूका दाजुभाइहरूलाई दुःख दिइराखेको भगुवा सम्मिद्धीको डटेर सामना गरे ।

जटिल रोजगारी कानूनले कसले के काम गर्छ भनेर छुट्याउथ्यो । जमिन सफल व्यवसायिक किसानहरूबाट खोसेर अव्यवसायिक किसानहरूलाई बाँडियो । फुलेका सरकारी निकाय भन्दा बाहिरका औपचारिक व्यापार तथा उद्योगलाई नियन्त्रण गर्न सहकारी तथा सामूहिक सन्जालहरू खडा गरिए । ठूला-ठूला सरकारी कारखानाहरूले उद्योगहरूका निमित्त सामग्री उत्पादन गर्थे सरकारले तोकिएको परिमाणमा ; उपभोक्ता वा अरुको मागलाई ध्यानमा राखेर होईन। ग्रामिण समुदायहरूलाई औद्योगिक सामग्रीहरू उत्पादन गर्न लगाइन्थ्यो, खाद्य सामग्री उत्पादन गर्न होइन् । यसकै परिमाण स्वरूप भोकमरीका कारण दुई करोडको मृत्यु भयो दशकौंसम्म ऋणात्मक त्रिद्धिदर अर्थात आर्थिक अवनति हासिल भयो । जीवनस्तर ५० प्रतिशत भन्दा बढीले झर्यो । कतिपय उद्योग तथा कामहरू नै हराएर गए । माओले बुद्धिमतापूर्वक चलिआएका कलामाथि प्रतिबन्ध लगाए । शेक्सपिएर, पिकासो तथा विथोभनका सृजनाहरू प्रतिबन्धित गरियो ताकि मानिसहरूले आफुले कमाएको गरिबीमा विना रोकटोक रमाउन पाँउन ।

### अन्य राम्रा अभ्यासहरू

नयाँ आर्थिक चमत्कारका लागि तान्जानियालाई लिई हेर्नुस न्क्रमाले अफ्रिकामा पहिलो पटक उपनिवेशबाट स्वतन्त्र भएको समृद्ध देश घानालाई अपाङ्गमा परिणत गरेका थिए तर न्यरेरीले त उनलाई पनि जिते। उनको एकल दिमागीय तान्जानियाली अफ्रिकी समाजवादको प्रयोगले देशमाथि विशाल समाजसेवाको बोझ र दिमाग शुन्य कर्मचारीतन्त्र लादयो । बैंक तथा उद्योगहरू राष्ट्रियकरण गरियो र ग्रामिण भेगका जनतालाई सामूहिक खेती गरिने "उजमा" गाउँहरूमा पुर्नस्थापना गरियो । सफलता तुरुन्त प्राप्त भयो । कृषिजन्य निर्यात आधी घट्यो र औद्योगिक उत्पादन तीन-चौथाइले । सडक व्यवस्थापनलाई यतिसम्म हेला गरियो कि हजारौं माइल राम्रो सडकहरू कच्ची बाटोमा परिणत भए ।

न्यरेरी जसलाई प्रशंसकहरुले महानताको कदर गरेर "म्वालिमू" भनेर सम्बोधन गर्थे उनले प्रति व्यक्ति आयलाई वार्षिक १२० डलरसम्म गिराएर छोडे । यसरी उनी तान्जानियालाई सबैभन्दा धेरै प्रति व्यक्ति वैदेशिक सहयोग पाउने मूलुकहुनुकाबाबजुद विश्वकै सातौं गरिब मूलुकबनाउन सफल भए । उनले पहिले कहिल्यै नसोचिएको स्तरमा साम्रगी खाद्यान्न तथा पाटपूर्जाको अभाव हासिल गरे । र साथमा मुद्राको कालो बजारीलाई प्रसय दिए । अनुपादकत्व र भ्रष्टचार जस्ता मिहिन कलामा निपुणता हासिल गरियो । "अफ्रिकी समाजवादका पिता" ले धेरै तान्जानियाली जनतालाई गरिबी बनाइ छाडे । र आफ्नो उपलब्धिका बारेमा वर्षोसम्म घमन्ड गर्दै आफ्ना भाषणहरुमा आफू "सङ्घर्ष नायक" भएको बताउँथे जुन सुनेर जनताहरु हर्षले ताली बजाउँथे ।

घरनजिकै हामीसँग अर्को नयाँ आर्थिक चमत्कार "जिम्बावे" छ । यो अत्याधुनिक चमत्कार हो गरिबीको । जिम्बावेले गरिबी हासिल गर्नमा आफ्नो उत्तरी भेगको छिमेकीको अनुसरण गर्दै उछिन्ने काम पनि गरिसक्यो । स्वतन्त्रताका बखत जाम्बियासँग मलिलो कृषियोग्य जमिन र खनिज धन थियो जसलाई उसले माक्सवादीनीतिहरु जस्तै राष्ट्रियकरण प्रयोग गरेर तहसनहस गर्‍यो ।

ढिलो आइपुगेका मुगावे भने तुलनात्मक रूपमा असफल ठहरिए । उनले माक्सवादको कुरा त गरे तर आफ्नोअल्छीपनले गर्दा सबै नीति लागु गरेनन् जसले गर्दा जिम्बावेको अर्थतन्त्र शुरुका दिनमा फैलियो । आफ्ना पछिल्ला वर्षहरुमा आएर उनले आफ्नो गल्ती महशुस गरे । उनले कौन्दाको उदाहरणीय प्रस्तुती बल्ल ख्याल गरे । यसरी ढिलै भएपनि मुगावे गरिबीको चमत्कार हासिल गर्न लागि परेका छन् । उनले चालेका कदमहरु र नविन सृजनात्मक रणनीतिहरु प्रमाणित भइसकेका हुन् र यी कति सफल छन् भन्ने कुरा हामी जिम्बावेलाई हेर्दै थाहा पाउँछौं ।

## सफलताका सुत्रहरु

त्यसोभए गरिबी स्थापनाको चमत्कार हासिल गर्नका लागि सबैभन्दा विस्वस्त सुत्रहरु के-के हुन् ? स्पष्टै छ यदि तपाईं गरिबी चाहनुहुन्छ भने तपाईं धन उपार्जन के गरि हुन्छ भनेर त जान्न जरुरी छ । उदाहरणका लागि तपाईंले बजार पुँजी उद्यमशिलता तथा सीपविकास जस्ता कुरालाई बिर्सेर पनि बढावा नदिनुहोला । यदि दिनै पर्यो भने पनि सधै परिवर्तन भइराख्ने खेलका नियमहरुले बाँधेर राख्नुहोला । यसैगरी तपाईंले जातियता, राष्ट्रियता, धनी विदेशी बहु राष्ट्रिय कम्पनी, पुँजीवादी महाशक्ति जस्ता कुराहरुप्रतिको डाहयुक्त घृणाको भने मजाले प्रयोग गर्न सक्नुहुन्छ । तर ध्यान दिनुहोला सुनियोजित रणनीतिहरु प्रयोग गर्नुहोला जनताको ध्यान अन्तै मोड्न ताकि आन्तरिक परिणामको दोष आन्तरिक नीतिमाथि नपरोस् ।

## गरीबीको शिखर कसरी हासिल गर्ने

एउटा चाखलाग्दो प्रश्न के हुनसक्छ भने गरिबीको शिखर हासिल गर्ने निश्चित एउटा बाटो छ कि धेरै विकल्पहरू छन् । संसारको अनुभवले हामीलाई के सिकाउँछ भने धेरै विकल्पहरू मध्येमा केही साझा कुराहरू छन् जुन अपरिहार्य छन् । आखिरमा तपाईंले जुनै नीति लागु गर्न खोजे पनि उक्त नीति प्रयोग गरेर सफल भएको देशहरू हामीसँग थुप्रै छन् - जस्तै उदाहरणका लागि जर्मनीको श्रम बजारमाथिको तीव्र नियमन हेर्नुस जुन आफैमा अपुग भएको छ जर्मनीको विशाल अर्थतन्त्र ध्वस्त गर्न । गरिबी हासिल गर्नका निमित्त दर्जनौं नीतिका बाबजुद युरोपको अर्थतन्त्र विकास भइरहेको कुराबाट पनि सचेत हुनुहोला । यसबाट तपाईंले सजग र सचेत हुन जरुरी छ एकदमै दृढ रूपमा गरिबी हासिल गर्न खोज्ने नयाँ आर्थिक चमत्कारलाई पनि नचाहेको आर्थिक वृद्धीलेधक्का पुर्याउन सक्छ ।

र हार नमान्नुहोला । यदि केहि गरि आर्थिक वृद्धी भइहाल्यो भने पनि सृजनात्मक रूपमा हस्तक्षेप गर्न तपाईंले प्रशस्त बाटो पाउनुहुनेछ । "गरिबी" की परी प्रायः जसो सानातिना कुरामा लुकेकी हुन्छिन् । उदाहरणका लागि यदि कुनै कारणवश तपाईंले आयात माथि कर बढाउन पाउनुभएन भनेपनि तपाईं जहाजहरूलाई ढिलो सामान खसाल्न दिने, खर्चालु न्यूनतम गुणस्तर लादने, भंसारको काममा ढिलाई गर्ने, आफ्नो भूमिमा वैदेशिक लगानीमाथि प्रतिबन्ध लगाउने, जागिर-प्रदायक विरोधी श्रम कानूनी लगाउने, वित्तिय सेवालाई खर्चालु र गाह्रो बनाउने, विद्युतीयव्यापारमाथि नियन्त्रण गर्ने, खनिज पदार्थहरूलाई राष्ट्रियकरण गर्ने, दक्ष र उत्पादक विदेशीहरूलाई बाहिरै राख्ने, उपभोक्ता सुरक्षाको नाममा उद्योगहरूलाई शिकार बनाउने र वर्षैपिच्छे नयाँ नयाँ नियमहरू लागु गर्ने जस्ता कामहरू गर्न सक्नुहुन्छ । संसारका ढलमलाइरहेका अर्थतन्त्रहरूले के देखाउन भने यी उपायहरूले काम गर्छन् । यिनीहरूलाई लागु गर्नुस गरिबी अवश्य प्राप्त हुन्छ ।

## The Broken Window

Let us begin with the simplest illustration possible: let us, emulating Bastiat, choose a broken pane of glass.

A young hoodlum, say, heaves a brick through the window of a baker's shop. The shopkeeper runs out furious, but the boy is gone. A crowd gathers, and begins to stare with quiet satisfaction at the gaping hole in the window and the shattered glass over the bread and pies. After a while the crowd feels the need for philosophic reflection. And several of its members are almost certain to remind each other or the baker that, after all, the misfortune has its bright side. It will make business for some glazier. As they begin to think of this they elaborate upon it. How much does a new plate glass window cost? Fifty dollars? That will be quite a sum. After all, if windows were never broken, what would happen to the glass business? Then, of course, the thing is endless. The glazier will have \$50 more to spend with other merchants, and these in turn will have \$50 more to spend with still other merchants, and so ad infinitum. The smashed window will go on providing money and employment in ever-widening circles. The logical conclusion from all this would be, if the crowd drew it, that the little hoodlum who threw the brick, far from being a public menace, was a public benefactor.

Now let us take another look. The crowd is at least right in its first conclusion. This little act of vandalism will in the first instance mean more business for some glazier. The glazier will be no unhappy to learn of the incident than an undertaker to learn of a death. But the shopkeeper will be out \$50 that he was planning to spend for a new suit. Because he has had to replace a window, he will have to go without the suit (or some equivalent need or luxury).

Instead of having a window and \$50 he now has merely a window. Or, as he was planning to buy the suit that very afternoon, instead of having both a window and a suit he must be content with the window and no suit. If we think of him as a part of the community, the community has lost a new suit that might otherwise have come into being, and is just that much poorer.

The glazier's gain of business, in short, is merely the tailor's loss of business. No new "employment" has been added. The people in the crowd were thinking only of two parties to the transaction, the baker and the glazier. They had forgotten the potential third party involved the tailor. They forgot him precisely because he will not now enter the scene. They will see the new window in the next day or two. They will never see the extra suit, precisely because it will never be made. They see only what is immediately visible to the eye.

## The Blessings of Destruction

So we have finished with the broken window. An elementary fallacy. Anybody, one would think, would be able to avoid it after a few moments' thought. Yet the broken-window fallacy, under a hundred disguises, is the most persistent in the history of economics. It is more rampant now than at any time in the past. It is solemnly reaffirmed every day by great captains of industry, by chambers of commerce, by labor union leaders, by editorial writers and newspaper columnists and radio commentators, by learned statisticians using the most refined techniques, by professors of economics in our best universities. In their various ways they all dilate upon the advantages of destruction.

Though some of them would disdain to say that there are net benefits in small acts of destruction, they see almost endless benefits in enormous acts of destruction. They tell us how much better off economically we all are in war than in peace. They see "miracles of production" which it requires a war

to achieve. And they see a post-war world made certainly prosperous by an enormous “accumulated” or “backed-up” demand. In Europe they joyously count the houses, the whole cities that have been leveled to the ground and that “will have to be replaced.” In America they count the houses that could not be built during the war, the nylon stockings that could not be supplied, the worn-out automobiles and tires, the obsolescent radios and refrigerators. They bring together formidable totals.

It is merely our old friend, the broken-window fallacy, in new clothing, and grown fat beyond recognition. This time it is supported by a whole bundle of related fallacies. It confuses need with demand. The more war destroys, the more it impoverishes, the greater is the post-war need. Indubitably. But need is not demand. Effective economic demand requires not merely need but corresponding purchasing power. The needs of China too are incomparably greater than the needs of America. But its power, and therefore the “new business” that it can stimulate, are incomparably smaller.

But if we get past this point, there is a chance for another fallacy, and the broken-windows usually grab it. They think of “purchasing power” merely in terms of money. Now money can be run off ‘by ‘the printing press. As this is being written, in fact, printing money is the world’s biggest industry—if the products measured in monetary terms. But the more money is turned out in this way, the more the value of any given unit of money falls. This falling value can be measured in rising prices of commodities. But as most people are so firmly in the habit of thinking of their wealth and income in terms of money, they consider themselves better off as these monetary totals rise, in spite of the fact that in terms of things they may have less and buy less. ‘Most of the “good” economic-results which people attribute to war are really owing to wartime inflation. They could be produced just as well by an equivalent peacetime inflation. We shall come back to this money illusion later.

Now there is a half-truth in the “backed-up” demand fallacy, just as there was in the brokenwindow fallacy. The broken window did make more business for the glazier. The destruction of war will make more business for the producers of certain things. The destruction of houses and cities will make more business for the building and construction industries. The inability to produce automobiles, radios, and refrigerators during the war will bring about a cumulative post-war demand for those particular products.

To most people this will seem like an increase in total demand, as it may well be in terms of dollars of lower purchasing power. But what really takes place is a diversion of demand to these particular products from others. The people of Europe will build more new houses than otherwise because they must. But when they build more, houses they will have just that much less manpower and productive capacity left over for everything else. When they buy houses they will have just that much less purchasing power for everything else. Wherever business is increased in one direction, it must (except insofar as productive energies may be generally stimulated by a sense of want and urgency) be correspondingly reduced in another.

The war, in short, will change the post-war direction of effort; it will change the balance of industries; it will change the structure of industry. And this in time will also have its consequences. There will be another distribution of demand when accumulated needs for houses and other durable goods have been made up. Then these temporarily favored industries will, relatively, have to shrink again, to allow other industries filling other needs to grow.

It is important to keep in mind, finally, that there will not merely be a difference in the pattern of post-war as compared with pre-war demand. Demand will not merely be diverted from one commodity to another. In most countries it will shrink in total amount.

This is inevitable when we consider that demand and supply are merely two sides of the same coin. They are the same thing looked at from different directions. Supply creates demand because at bottom it is demand. The supply of the thing they make is all that people have, in fact, to offer in exchange for the things they want. In this sense the farmers' supply of wheat constitutes their demand for automobiles and other goods. The supply of motor cars constitutes the demand of the people in the automobile industry for wheat and other goods. All this is inherent in the modern division of labor and in an exchange economy. This fundamental fact, it is true, is obscured for most people (including some reputedly brilliant economists) through such complications as wage payments and the indirect form in which virtually all modern exchanges are made through the medium of money. John Stuart Mill and other classical writers, though they sometimes failed to take sufficient account of the complex consequences resulting from the use of money, at least saw through the monetary veil to the underlying realities. To that extent they were in advance of many of their presentday critics, who are befuddled by money rather than instructed by it. Mere inflation—that is, the mere issuance of more money, with the consequence of higher wages and prices—may look like the creation of more demand. But in terms of the actual production and exchange of real things it is not. Yet a fall in post-war demand may be concealed from many people by the illusions caused by higher money wages that are more than offset by higher prices.

Post-war demand in most countries, to repeat, will shrink in absolute amount as compared with pre-war demand because post-war supply will have shrunk. This should be obvious enough in Germany and Japan, where scores of great cities were leveled to the ground. The point, in short, is plain enough when we make the case extreme enough. If England, instead of being hurt only to the extent she was by her participation in the war, had had all her great cities destroyed, all her factories destroyed and almost all her accumulated capital and consumer goods destroyed, so that her people had been reduced to the economic level of the Chinese, few people would be talking about the great accumulated and backed up demand caused by the war. It would be obvious that buying power had been wiped out to the same extent that productive power had been wiped out. A runaway monetary inflation, lifting prices a thousand fold, might none the less make the "national income" figures in monetary terms higher than before the war. But those who would be deceived by that into imagining themselves richer than before the war would be beyond the reach of rational argument. Yet the same principles apply to a small war destruction as to an overwhelming one.

There may be, it is true, offsetting factors. Technological discoveries and advances during the war, for example, may increase individual or national productivity at this point or that. The destruction of war will, it is true, divert post-war demand from some channels into others.

And a certain number of people may continue to be deceived indefinitely regarding their real economic welfare by rising wages and prices caused by an excess of printed money. But the belief that a genuine prosperity can be brought about by a "replacement demand" for things destroyed or not made during the war is none the less a palpable fallacy.

## Questions to think about:

Do you believe that equal people are not free and free people are not equal? What do you think is more important "being free" or "being equal" (materialistically)?

Based on the above mentioned principle #2, what do you think about nationalization of industries, natural resources and educational institution? Will it make things better or worse?

Principle #6 says "Government has nothing to give anybody except what it first takes from somebody, and a government that's big enough to give you everything you want is big enough to take away everything you've got. " What's your view on this? Is it prudent for the people to ask government to provide us with everything? Food, clothing, shelter, health, education, employment etc?

People tend to believe China developed due to Mao's policies and communism. However, a look at the statistics suggests that China developed only after economic reforms carried out by Deng Xiao Peng during 1980s. Should Nepal be following the same policies as China did during Mao?

Some people/economists (Keynesians) were happy about the recent disaster in Japan. As per them, Japan's economy is going to boost as now there will be lots of demands for construction of infrastructure and other goods and services. What do you think about this?