

EAN Presentation Notes

Introduction

- Thank you
 - Economic Association of Namibia
 - Hans Seidel Foundation
 - Especially Rowland Brown and his colleagues

Namibia is in Trouble

- You are heading toward an economic crisis
- It is plainly obvious that underlying socialist ideology is winning
- Namibia will stagnate based on current trends
- South Africa's vulnerability is your vulnerability

Introduction

- Critical time for both South Africa and Namibia
- Becoming ensnared in the ideology of state-led development and a redistribution mindset over a growth mindset
- Vital time for advocacy – Southern Africa is sick

6 Points on Economic Development

1. Economic Development is not a Mystery

No country in history has gone from poor to truly wealthy under any other regime than free markets and free trade.

Challenge

- Name a country that went from impoverished to wealthy (\$200/capita to \$20,000/capita) without a free market system?
- Name a monopoly company that retained its dominance for a long period of time without state support and privileges?

Investment, Growth & Development Successes

- Former communist bloc countries
- Botswana (post-independence, especially 1965-95)
- South Africa 1994-1999
- Hong Kong, Singapore

Investment, Growth & Development Failures

- Soviet Union
- India (post-independence)
- South Africa (2000-2018)

What defines the failures?

- Central planning/State-led development
- Capital misallocation (GDP Quality)
- Property rights regime weak
- Oligopoly and Monopoly

What defines the successes?

- State as an enabler not driver
- Fiscal caution & monetary discipline
 - Botswana: Rate of return mindset
- Free exchange
- Toleration of foreigners

- Development failures have occurred when policy was flexible where it needed to be rigid and rigid where it needed to be flexible

Conservatism vs Liberalism

Rigid vs Flexible

- Conservative
 - Fiscal
 - Government expansion
 - Legal framework
 - Property rights
 - Security
- Liberal
 - Movement of capital, goods, and people
 - Industrial births and deaths
 - New technology

- Economic development is a process of ever-expanding economic freedom...
- ...within a just and secure environment.

2. The Essence of Growth is Saving

3. Development is Inseparable from Entrepreneurship

- Entrepreneurism the key capital allocation function:
 - education, freedom, free prices, low taxes, property rights, regulatory clarity and tolerability, importing entrepreneurial skills.
- What kills entrepreneurship?
 - Bloated public sector, industrial rigidity

3. Development is Inseparable from Entrepreneurship

- In 1980s China, after economic reforms were implemented, entrepreneurs emerged at a pace which Deng Xiaoping likened to “a strange army appearing out of nowhere.”

4. Small is Beautiful

- Dynamic markets index
- Small countries improved post-GFC
- High marginal returns on openness

5. Inequality is an asset not a liability

- Inequality is the basis for
 - Trade
 - Division of labour
 - Comparative advantage
 - Diversification
- Inequality drives social ambition and work ethic
- It's better to be poor in a rich country than poor in a poor country...

6. Vital to deal with ideological baggage

- Ghanaian economist George Ayittey laments that African countries “rejected capitalism as a Western colonial institution in one monumental syllogistic error. Colonialism was evil, and because the colonialists were capitalists, it too, was evil. Socialism, the antithesis of capitalism was adopted”
- Hernando de Soto, “markets are an ancient and universal tradition.”

Warnings for Namibia

- South Africa is a bad example
- Ethnic divisiveness never works
- The Namibian government is 2-3x too large
 - The public sector as a welfare system
- Economic nationalism is for losers
 - Beneficiation, protectionism

Opportunities for Namibia

- Break away from the South Africa model, adopt the early independence Botswana model
- Reignite the African tradition of free exchange and entrepreneurship
- Small countries respond well to openness
- Harness inequality through economic freedom