INDIGENOUS AFRICAN FREE-MARKET LIBERALISM

By

GEORGE B. N. AYITTEY

FEE FOUNDATION *for* ECONOMIC EDUCATION

September, 2018

This research article was published on Wednesday, August 24, 2011 by Foundation for Economic Education. This article traces with evidence fundamental free market institution that existed within an indigenous African society.

Africa remains an enigmatic paradox: a continent rich in mineral resources yet so desperately poor. But the paradox is only superficial: Africa is poor because she is not free.

Only 10 of the 54 African countries can be labeled economic success stories: Angola, Benin, Botswana, Ghana, Madagascar, Malawi, Mali, Mauritius, Uganda, and South Africa. This hardly comes as a surprise as Africa is the most economically unfree continent. No African country is classified by the Heritage Foundation/Wall Street Journal's 2011 Index of Economic Freedom as "free." Mauritius is classified as "mostly free," and listed as "moderately free" are Botswana, Cape Verde Islands, South Africa, Rwanda, Madagascar, Uganda, and Burkina Faso. (Some of the countries labeled economic success stories have undemocratic political systems: Angola, Burkina Faso, Madagascar, Rwanda, and Uganda.)

Ironically, traditional Africa, in contrast to modern Africa, was characterized by much economic freedom for centuries before the arrival of the European colonists. There the basic economic and social unit was the extended family, the lineage, or the clan. The means of production were owned by the lineage—a private entity separate from the tribal government—and thus privately owned, although individual ownership was common. Land, for example, was lineage-controlled, giving rise to the myth of communal ownership, while hunting gear, spears, and fishing canoes were individually owned. Nevertheless, the extended family acted as a corporate unit, marshaled family labor, and decided what crops to cultivate on the family land. There was sexual division of labor, and the cultivation of food crops was always a female occupation in traditional Africa, which explains why over 70 percent of Africa's peasant farmers today are women. Produce harvested from the farms was used to feed the family; any surplus was sold in free village markets.

Ubiquitous Markets

Markets were ubiquitous in precolonial Africa. Two types were distinguishable: the periodic (weekly) rural markets and the large regional markets. Some of these regional markets grew into large towns such as Timbuktu, Kano, Salaga, Sofala, and Mombasa. They served as exchange points for long-distance trade. Timbuktu and Kano, for example, served the long-distance caravan trade over the Sahara and the long-distance trade from the coastal areas. Free-trade routes crisscrossed the continent. Goods and people moved freely along them. Men dominated the long-distance trade while women held sway over the rural markets, which largely involved trade in agricultural produce.

Prices on Africa’s markets were not controlled or fixed by chiefs or tribal governments. They have always been determined by bargaining in accordance with the laws of demand and supply. For example, when corn is scarce, its price rises, and the price of fish generally tends to be higher in the morning than in the evening, when fishmongers are anxious to return home.

Besides primary activities such as agriculture, hunting, and fishing, Africans engaged in a variety of industrial activities in the precolonial era—such as cloth-weaving, pottery, brass works, and the mining and smelting of iron, gold, silver, copper, and tin. In Benin, “the glass industry made extraordinary strides,” Cheikh Anta Diop writes in Pre-colonial Black Africa. In Nigeria, “the cloth industry was an ancient craft,” adds Richard Olaniyan in Nigerian History and Culture. Kano attained historical prominence in the fourteenth century with its fine indigo-dyed cloth, which was traded for goods from North Africa. Even before the discovery of cotton, other materials had been used for cloth. The Igbo, for example, made cloth from the fibrous bark of trees. The Asante also were famous for their cotton and bark cloth (kente and adwumfo).

Startup Capital

To secure initial startup capital for commercial operations, African natives turned to two traditional sources of finance. One was the “family pot.” Each extended family had a fund into which members made contributions according to their means. Among the Ewe seine fishermen of Ghana, the family pot was called agbadoho. Members borrowed from this pot to purchase their fishing nets and paid back the loans.

The second source of finance was a revolving credit scheme that was widespread across Africa. It was called susu in Ghana, esusu in Yoruba, tontines or chilembe in Cameroon, and stokfel in South Africa. Typically, a group of, say, ten people would contribute perhaps $100 each to a fund. When the fund reached a certain amount—say, $1,000—it was handed over to the members in turn, who invested the cash in an endeavor. The Grameen Bank in Bangladesh was built on this concept of a revolving rural credit scheme.

Profit made from these economic activities was private property; it was for the traders to keep, not for the chiefs or rulers to expropriate. The traditional practice was to share the profit. Under the abusa scheme devised by the cocoa farmers of Ghana at the beginning of the twentieth century, net proceeds were divided into three parts: A third went to the owner of the farm, another third went to hired laborers, and the remaining third was set aside for farm maintenance and expansion. Under the less common abunu system, profits were shared equally between the owner and the workers. Variants of this profit-sharing scheme were extended beyond agriculture to commerce and fishing.

Chiefs and kings played little or no role in economic production. Their traditional role was to create a peaceful environment for trade and economic activity to flourish. No tribal government enterprises existed. In most cases across Africa, Peter Wickins writes in An Economic History of Africa, "there was no direct interference with production." In fact State intervention in the economy was the exception rather than the rule in precolonial Africa. As Robert H. Bates observed in Essays on the Political Economy of Rural Africa, "In precolonial Africa, the states underpinned specialization and trade; they terminated feuds; they provided peace and stability and the conditions for private investment; they formed public works. . . . In these ways, the states secured prosperity for their citizens."

Peasant Capitalism

The system described above may be called "peasant capitalism." It differs from Western capitalism in two respects. First, as noted, the operating unit was the clan, not the individual. Second, profit was shared. Regardless, the clan was free to engage in whatever economic activity it chose. It did not line up before the chief's palace for permission to engage in trade, fishing, or cloth-weaving. If an occupation or a line of trade was unprofitable, African natives switched to more profitable ones and always enjoyed the economic freedom to do so. In modern parlance, those who go about their economic activities on their own free will are called "free-enterprisers." By this definition, the kente weavers of Ghana; the Yoruba sculptors; the gold-, silver-, and blacksmiths; as well as the various indigenous craftsmen, traders, and farmers were free-enterprisers. The natives have been so for centuries. The Masai, Somali, Fulani, and other pastoralists who herded cattle over long distances in search of water and pasture also were free-enterprisers. So were the African traders who traveled great distances to buy and sell commodities—a risk-taking economic venture. The extended family system offered them the security and the springboard they needed to launch and take the risks associated with entrepreneurial activity. If they failed, the extended family system was available to support them. By the same token, if they were successful, they had some obligation to the same system.

Indigenous Africa under Colonial Rule

When Africa was colonized, the Western powers sought to control indigenous economic activities. For the most part, however, the natives were free to go about their business. In West Africa, European settlement was confined to the urban enclaves and the rural areas were left almost intact. In central and southern Africa the story was a little different. The plunder and barbarous atrocities against the natives in King Leopold's Congo need no belaboring. In southern Africa, where the climate was more congenial to European settlement, there were widespread land seizures, massive dislocation of the natives, and restrictions on their movements and places of residence. Nonetheless, despite the formidable odds, the natives could open shops and compete with European firms. Many did and were successful. There were rich African shopkeepers as well as timber merchants, transport owners, and farmers during the colonial period. Given the opportunities and access to capital, African natives showed themselves capable of competing with the foreigners.

The Golden Age of Peasant Prosperity

The period 1880–1950 may be described as the golden age of peasant prosperity in Africa. Though colonialism was invidious, one of its little-acknowledged benefits was the peace it brought Africa. The slave trade and competition over resources had fueled many of the tribal wars in precolonial Africa. The abolition of the slave trade in the 1840s eliminated a major cause of war, and the introduction of cash crops to service Europe's Industrial Revolution provided new economic opportunities. In addition, skeletal forms of infrastructure (roads, railways, bridges, schools, post offices, and so on) were laid down during this period. This greatly facilitated the movement of goods and people and gave economic expansion a tremendous boost. For example, A. A. Boahen writes in Topics in West African History,

The volume of cotton exports from French West Africa rose from an average of 189 tons in 1910–14 to 495,000 tons in 1935–39, while that of coffee soared from 5,300 tons in 1905 to 495,000 tons in 1936. The volume of groundnuts (peanuts) exported from Senegal alone increased from 500,000 in the 1890s to 723,000 tons in 1937. However, the greatest success story was that of cocoa production in Ghana, whose volume of exports rose from only 80 lbs in 1881 to 2 million lbs in 1901 and 88.9 million lbs in 1911. This made Ghana the leading producer of cocoa in the world, and the quantity continued to rise until it reached a record figure of 305,000 tons in 1936.

The economic system used by African natives to engineer that prosperity was their own indigenous system. Except for a few places in Africa, notably in the Portuguese colonies, plantation agriculture was unknown. Cash crops—cocoa, coffee, tea, cotton—were grown by peasant farmers on their own individual plots using traditional farming methods and practices.

The fundamental point is that African natives had the economic freedom to decide for themselves what crops they could cultivate and what to do with the proceeds. As Francis Kendall and Leon Louw—two white South Africans—noted in After Apartheid: The Solution: "The freedom that characterized tribal society in part explains why black South Africans responded so positively to the challenges of a free market that, by the 1870s, they were out-competing whites, especially as farmers." But black success had tragic consequences. White colonists feared black competition:

Not only were blacks better farmers but they were also competing with white farmers for land. Moreover, they were self-sufficient and hence not available to work on white farms or in industry, particularly in the Transvaal gold mines where their labor was badly needed. As a result a series of laws was passed that robbed blacks of almost all economic freedom. The purpose of these laws was to prevent blacks from competing with whites and to drive them into the work force.

In 1869, 1876, and 1884 the Cape Assembly passed a series of Location Acts (the first set of apartheid laws) that sought to protect white farmers from black competition and to force blacks to become wage laborers by working for white farmers. Then came the Native Land Act of 1913. The rest is history.

Postcolonial Predation

Elsewhere in Africa the natives were stripped of their economic freedom by functionally and culturally illiterate leaders after independence in the 1960s. Claiming that free-market capitalism was a Western ideology, most of the first generation of postcolonial African leaders adopted State socialism—the antithesis of free markets—as their economic ideology. A proliferation of socialist ideologies swept the continent, including some quite bizarre examples: Julius Nyerere's Ujaama ("familyhood," or socialism, in Swahili) in Tanzania; Leopold Senghor's vague amalgam of Marxism, Christian socialism, humanitarianism, and "Negritude" in Senegal; Kenneth Kaunda's humanism in Zambia; Marien N'Gouabi's scientific socialism in the Congo (Brazzaville); Muammar Gaddafi's Arab-Islamic socialism in Libya; Kwame Nkrumah's Nkrumaism ("consciencism") in Ghana; Mobutu Sese Seko's Mobutuism in Zaire; and Habib Bourguiba's Bourguibisme in Tunisia.

Unoccupied land, along with the commanding heights of the economy, was seized by the State in Angola, Ethiopia, Nigeria, Mozambique, Tanzania, and other countries. Foreign companies were nationalized, and a plethora of government controls were instituted to assure State participation in the economy. A dizzying array of State enterprises was established haphazardly.

Fundamentally Alien

This socialist ideology is fundamentally alien and failed miserably everywhere it was implemented in Africa. State ownership, controls, and intervention were never part of Africa's economic heritage.

More outrageous were the frontal attacks on trade and commerce the natives had engaged in for centuries. In many African countries they were squeezed. Indeed, there was a time when the director of the Club du Sahel, Anne de Lattre, would begin her meetings with the remark, "Well, there is one thing we all agree on: that private traders should be shot" (West Africa, Jan. 26, 1987, 154). Under Sekou Toure's nonsensical program "Marxism in African Clothes" in Guinea, "unauthorized trading became a crime" (New York Times, Dec. 28, 1987, 28).

In Ghana the Marxist Rawlings regime denounced indigenous markets as dens of economic profiteers and saboteurs. It slapped stringent price controls on hundreds of goods during the 1981–83 period. Markets were burned down and destroyed at Accra, Kumasi, Koforidua, and other cities when traders refused to sell at government-dictated prices.

On May 18, 2005, another episode of economic lunacy was repeated in Zimbabwe. Paramilitary units armed with batons and riot shields smashed up stalls of street traders in a police operation in the capital, Harare. “The official statement claimed that the raids were aimed at black-market profiteers who were hoarding commodities,” the New York Times reported. In what President Robert Mugabe dubbed “Operation Murambatsvina,” which the State-owned press translates as “Operation Restore Order” but in Shona translates as “Operation Drive Out the Rubbish,” the police destroyed 34 flea markets and netted some Z$900 million ($100,000) in fines and seized some Z$2.2 billion of goods. “President Mugabe blamed the West for the nation’s economic crisis,” BBC News Africa reported. At least 22,000 street traders were arrested and over 700,000 people left homeless.

No African chief or king could commit such acts of economic lunacy and cultural perfidy and remain chief. There is nothing wrong with the traditional economic system of free markets, free enterprise, and free trade. All the leadership had to do after independence was to build on it. Only Botswana did this. But the vast majority of African leaders—an assortment of black neocolonialists, Swiss-bank socialists, quack revolutionaries, and crocodile liberators—instead went abroad and copied all sorts of alien practices to impose on their people.

Have they learned? No. Black neocolonialists have been busy importing another alien ideology, from China: On August 14, 2010, Xinhua reported: “A total of 25 Confucius institutes have been opened in 18 African countries.”