

**ARTICLE**

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**ON**

**THE HISTORY OF ECONOMICS THOUGHT AND THE  
CONTEXUALIZATION OF THE FUNNY POSITION OF THE  
PSEUDO NEO-LIBERALS IN UGANDA AND AFRICA**

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## **THE HISTORY OF ECONOMICS THOUGHT AND THE CONTEXUALIZATION OF THE FUNNY POSITION OF THE PSEUDO NEO-LIBERALS IN UGANDA AND AFRICA**

Man has been here on Earth for the last 4½ million years, since he evolved as Homo-Sapien Sapien from the lower primates. Initially, they were groups of hunter-gatherers. As we said earlier, like during the National Delegates Conference, man has the distinct advantage over other animals of the ability to make tools and use the tools and the other laws of nature (science) to improve his condition. When Man invented fire 1.5million years ago, his capacity to adapt nature to his needs was enhanced. According to Karl Marx, the hunter-gatherers — were equal — nobody was exploiting the other. The NRM Economic Desk should do research to know for how long that system went on. We, of course, even today still have some hunter-gatherer groups, like the Batwa or the pygmies in the Congo forest.

According to Karl Marx, this phase of what he called primitive communalism, was replaced by the slave state typified by Rome that is well captured by literature around the time of Jesus — 2000 years ago.

The human beings had learnt the technique of extinguishing some people's freedom to enhance the pleasure and leisure of others. The slaves would work for free for others. These slaves would have been captured by force and either enslaved or sold into slavery. You remember Joseph was sold into slavery by his half-brothers. This was around 1567BC.

The slave state was, over time, replaced with the feudal system where some groups monopolized the ownership of land, especially, forcing the rest of society to live like serfs. The serfs would be allowed to use the land of the landlord and the landlord would take part of the produce as rent. This system could be very oppressive for the serfs. In Uganda, before 1928, where a similar system had been introduced by the British, the serfs (Bibanja owners), could be evicted anytime and they had to surrender a large portion of their cotton crop to the landlord.

Nevertheless, society was evolving. An artisan and a mercantile class had emerged, alongside the feudal class and the serfs (the peasants). With the invention of machines, to replace human muscle-power and beast power, mass production started.

By 1789, when the French Revolution took place, the European society had already evolved into four social classes:

1. The feudalists, depending on rent on land;
2. The bourgeoisie (the middle class), depending on profits – the difference between cost price and selling price;
3. The proletariat, the workers, depending on wages; and
4. The peasants, depending on their sweat minus what the landlord was taking from them.

The concepts of economics that are known to us now, cover this period that followed the Renaissance in Europe. The Roman Empire in the West had collapsed in the year 450AD. Europe had entered 1000 years of the Dark Ages where “civilization”, but based on slave labour, had been replaced by Barbarism, devoid of learning and innovation. With the Renaissance and the gradual evolution of the post-feudal classes, new concepts of economics started emerging. Right from the start, the study of Economics is the study of scarcity. You can live for 8days without food and still survive.

You can survive without water for 3 days. But you cannot survive without oxygen for more than 3 minutes. You will die.

Yet, for most of history, air has not been a subject of economics. Why? It is because Air is plentiful; it is not scarce. Economics as a study of scarcity, also touches on the question of human behaviour. Since man is the only consciously productive animal, what will motivate him to produce efficiently? Therefore, economics links up with philosophy, understanding the behaviour of man. Remember that in the slave state and feudalism, man was made to produce by force, by kiboko, as our coffee was designated.

As society evolved, in some parts of the World, it became clear that force may not always work. Hence, ideas of how to persuade or motivate people to produce, started coming up. Alongside the ideas of how to make people create wealth, was also the idea of what is wealth itself.

May be we start with the point of understanding wealth. What is wealth? We now understand wealth to mean: agricultural assets; factories; service units (hotels, banks, legal firms, medical units, etc.); ICT

units; and intellectual property. However, at one time, there was belief in bullionism. People in Europe believed that if you had a lot of gold and silver, you were rich. If a country had a lot of gold and silver, it was a rich country.

Spain and Portugal, went to South America, killed all the Red-Indians, stole all the gold and silver but ended up being the most backward countries in Europe. Therefore, the bullionist theory of economics, was wrong. Yes, gold has got both ornamental and intrinsic value. It is used for jewellery and in some industries. However, it is not food, it is not shelter, it is not medicine.

There was another school of thought in France, known as the physiocrats. These believed that wealth was only from agriculture. Of course, this could not be correct because even in the traditional societies of Africa, you had black smiths (*Abaheesi*), carpenters (*Ababaizi*), bark-cloth makers (*Abakomagyì*), water people (*Abariimbi*), etc. These would do nothing else but these *emyooga* and be paid either with money (*ensimbi*-cowrie shells or in kind – *kuchurika* – barter trade). Therefore, to say that agriculture was the only form of wealth, even in the pre-capitalist system, was not correct.

That is how a new group of thinkers, led by Adam Smith, came on the scene. Adam Smith wrote his analysis in 1776, entitled: "The Wealth of Nations". In that analysis, he both addressed the issue of what is wealth and how to create it. He emphasized the importance of specialization through the division of labour and exchange. Adam Smith quoted the phenomenon of the baker, the brewer and the butcher. These provided all the breakfast needs of Adam Smith, not because they loved him, but because they loved themselves. This analysis gave birth to 3 points: division of labour and specialization, exchange and the personal vested interest of producers (the brewer, the baker, the butcher), that would ensure efficiency of production as a stimulant for creating wealth. Born in economics, was the invisible hand of the market. This is the origin of the liberal theory of economics that supplanted the other thinking. Adam Smith wrote as follows to illustrate the importance of self-interest in the new capitalist system: *"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love..."*

On the issue of specialization, Adam Smith gave the example of a pin and wrote as follows:

*“To take an example, the trade of a pin-maker: One man draws out the wire; another straightens it; a third cuts it; a fourth points it; a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on is a peculiar business; to whiten the pins is another; it is even a trade in by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind, where ten men only were employed .... Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore... might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day...in consequence of a proper division and combination of their different operations”.* (Adam Smith, The Wealth of Nations, Chapter I, p. 8-9.)

These four points: specialization, exchange, self-interest (private initiative) and profit, brought big changes in the economies that pioneered this rationalization effort. Production was guided by the search for maximum profit by those who had the eyes to see the respective opportunities (entrepreneurial eyes). This rationalization (bringing reason in an issue), unleashed so much production



power and also innovations: the steam-engine, electricity, the telephone, the automobiles, the Aero-planes, that by 1929, a new crisis was born. The crisis of too much production and too little consumption. Hence, the crash of 1929 and the Great Depression that followed.

The liberal economists, emancipating the initiative of the entrepreneurial capacity of people, the talent of the people, individually and collectively, to create wealth in their own self-interest but, in the process, create wealth and prosperity for society, had correctly studied and distilled this new behaviour by the economic actors. However, they made the mistake of not discerning that increased production could only be sustained, if there was increased consumption. Without consumption, production would collapse.

That is how economists like Maynard Keynes came along and pointed out that even if you were to employ somebody to dig a hole and fill it again, without putting anything there, it will help because it will put money in the hands of the unemployed who will, then, be able to support production through buying. This was a warning to the liberal economists that concentrating on micro-economic efficiency and forgetting the macro-economic level, is a big mistake.

The Western countries have not fully understood this. It is, instead, China, a communist country, that has correctly understood the efficiency of micro-economic initiative and the value of macro-economic co-ordination. Following the 2<sup>nd</sup> World War and the Depression of the 1930s, some of the Western countries had introduced some macro-economic measures to empower consumption: public works (railways, irrigation systems, the Tennessee River Authority in the USA, etc). This was temporizing the effects of anarchic liberalism – the failure to understand the limitations of the Adam Smith diagnosis. There was like a synthesis between liberalism and some central co-ordination. However, in the 1980s, a new liberalist wave came and castigated central co-ordination and preached anarchic liberalism – where micro-economic actors follow micro-economic, private profitability regardless of the macro-economic distortions that may occur. That is how private companies shifted manufacturing from the West to China and India in search of private profits. This has caused quite serious problems for the West although it is, actually, good for the World to some extent. Global prosperity is good for all World economies. Governments, however, should never lose sight of central co-ordination.

This is where our own pseudo-neo-liberals come in. They talk of private sector-led economy when there is very little private sector and much of the economy is pre-capitalist – traditional *kukolera ekidda kyonka, tic pi ickeken* (subsistence activities). These persons talk of CBR, controlling inflation etc., when the majority of the people are outside the money economy. Working with and for foreign commercial Banks, the main activity of these actors is to facilitate the imports of foreign goods – mainly consumer goods: curtains, carpets, plates, tables, furniture, paper (including toilet paper); etc. Even when they talk of inputs into production, they talk of industrial sugar, pharmaceutical grade starch, etc. – imported tax-free. Why should Uganda import any kind of sugar when there is so much unsold sugar? Why should we import industrial grade starch for pharmaceuticals when we have unused cassava and unsold maize? Why should we import even medicine? Why not make it ourselves? Why should we import tax-free scholastic materials? Why do we not make them here?

This is why our neo-liberals are a disaster and a pseudo group because they are lifting a flawed formula from its home soil where it failed to a virgin ground where the required formula is a blending between liberalism, central planning and socio-economic transformation, from pre-capitalism to the money economy. They have refused to learn from our examples of how, through mobilization and sensitization, we were able to commercialize milk, maize, bananas, introduce palm oil, etc., or from the clear benefits from our firm stand on prioritizing roads and electricity in 2006.

I cannot end without pointing out the role of Karl Marx who challenged the other theories of wealth creation and pointed out that the creator of value is the worker – this is known as the labour theory of value. This one, while it, of course, had some validity, again, ended up in a mistake by forgetting the role of entrepreneurship as one of the factors of production. That is why it failed in the Soviet Union. The Chinese did well to reform it in time.

Similarly, we must reject the nonsense of the pseudo – neo-liberals in Uganda, lock-stock and barrel so as, to develop our country.

*15<sup>th</sup> April, 2020*

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*Cabinet Meeting - Entebbe*

