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RESTORING AFRICA'S FREE MARKET TRADITION

INTRODUCTION

Africa is a resource-rich continent that by all rights should be economically prosperous. Yet Africa in fact is the poorest continent on earth, with millions of its inhabitants facing malnutrition and starvation. Why is Africa so poor today? Is it the fault of colonialism? Of the post-colonial world economic system? Of "adverse" terms of trade?

One theory, widely held, is that colonialism is the root of Africa's current poverty. According to this theory, before the coming of the white man, Africans enjoyed a benevolent tribal communism that allowed the natives to survive without exploiting each other. Then the Europeans introduced such supposedly alien institutions as property rights, free exchange, and the profit drive. When Africa finally gained independence from its colonial masters, according to this theory, modern socialism was the only system suited to Africa's traditional communist institutions. Poverty is said to persist because of the tremendous difficulties that the continent's new leaders have had in overcoming the damage caused by colonialism.

African Entrepreneurs. This view is a myth. The fact is, before European colonial rule most of Africa had local free markets where goods were bought and sold for mutually agreed upon prices. Trans-regional trade linked distant parts of the continent. And the colonial leaders did not do away with these institutions. Since independence, in the very late 1950s and early 1960s, Africans individually have shown that they can be as effective entrepreneurs as any people in the world. The problem is that their governments have imposed rigid systems of centralized economic control that drain most of their economic energy. It is this centralism, based on socialist models, that has contributed enormously to Africa's impoverishment.

Economic progress, in a sense, requires Africans to be allowed to be Africans, to return to their free market traditions. If the United States and other industrial nations genuinely want to help lift Africa out of poverty, they will devise policies that resuscitate indigenous African market economies.

THE MYTH OF PRIMITIVE AFRICAN COMMUNISM

Europeans began trading with Africa in the 15th century. By the late 19th century, most of the continent was ruled directly or indirectly by European powers. The underdeveloped conditions in Africa, when contrasted with the industrializing economies of Europe, led to much misunderstanding concerning the nature of African society. Contributing to the misunderstanding was the popularity in academic circles of Marxist economic theory, which maintained that pre-civilized societies were characterized by primitive communism.

As such, it has been widely presumed that before and during much of the colonial period Africa was dominated by tribal communism. It is said that private property did not exist. Food and the necessities of life supposedly were produced through non-competitive cooperation and allocated to members of the tribal "family" on the basis of need. It is further believed that most tribes produced just enough for their own consumption and that the commodities produced by the various tribes were similar. And the continent's vastness, combined with environmental obstacles, meant that little trade took place among the Africans themselves.

False Antidote. This idyllic state supposedly was destroyed by Europeans who introduced trade and a market economy. Natives, it is said, were forced to abandon self-sufficient communal production and sharing of goods and instead to sell their labor for money and engage in production for exchange.

These notions had become conventional academic wisdom in the West by the 1920s and 1930s, when many future African leaders were studying in Western universities. They accepted as fact that there never had been a free market tradition in Africa and that colonial powers had imposed an alien system on the continent. The obvious antidote to this, they concluded, was that only a socialist system would suit African social and economic traditions.

AFRICA'S FREE MARKET TRADITION

To be sure, the economy of primitive Africa differed in many ways from that of Europe. Tribes that survived through hunting did not have a conception of individual property titles in land. Since the animals that provided food for such tribes roamed over vast tracks of land, there was little point in dividing the land into small, individual parcels. Yet even in these tribes important private property existed: the weapons used to hunt animals were owned by individuals.

In areas where Africans survived through agriculture, land was ultimately the possession of the tribe in the sense that exclusive title often could not be sold to individuals outside the tribe. (There were even exceptions to this rule.) But by custom, families occupying land had the right to farm the land, sell or trade the resulting produce, and pass the land down to later generations of the family.

Village Markets

Domestic free markets and inter-regional free trade were part of economic tradition in nearly every part of the continent, especially in West Africa.

Village markets were weekly or biweekly fairs, varying in length from two to eight days. Where there was a cluster of villages, market days were rotated among them. Individuals and tribes did not all produce identical goods. Thus markets offered opportunities for individuals, families, and tribes to acquire goods that they did not produce themselves. Since different regions and groups tended to specialize in different products, markets were usually situated on the border between such different geographic zones as deserts, savannahs, and rain forests, or between different ethnic groups, such as Kenya's pastoral Masai and the Kikuyus, a tribe that cultivated the land.

Promoting Competition. The markets were well structured and organized. Some specialized in certain product lines, such as agricultural produce or handicrafts, while others carried a more general variety of wares. But each market had its own customs and rules regarding the settlement of disputes and the quality of products offered for sale. Each also grouped vendors according to product. Example: all tomato sellers were seated together in one section of the market. The object of this was to promote competition.

Trading activity was dominated by women affectionately called in English "market mammies." Rules were generally enforced by the "market queen," who was usually elected by the market women, not appointed by chiefs, Africa's traditional rulers.[1] Any African, regardless of tribal origins, was free to engage in trade if he or she obeyed the rules governing the particular market. Nigerian traders, for example, were and still are found in virtually every local West African market outside Nigeria today.

Price Gyrations. Prices in this market fluctuated in accordance with the forces of supply and demand. When tomatoes were "in season," for example, the price fell and vice versa. These price gyrations were understood by the peasants. Most of the chiefs of Africa did little to interfere with the day-to-day operations of the market, nor did they impose controls or other stifling regulations. The African village market, to all intents and purposes, was an open free market, however "primitive."

In addition to the exchange of goods, the market provided an indispensable avenue for social interaction: to meet people, to gossip, or to discuss and keep abreast of local affairs.

1 The terms "market mammies" and "market queens" are indicative of the active and predominant role played by women in the rural trade in Africa today. Some 80 percent of Africa's peasant farmers are women.

Foreign observers often wondered why some vendors were content with the sale of a few bananas per day. The reason is that they went to the market mainly for social interaction.

In Africa there was also an important historical and cultural link between the place where free exchange of goods took place and where exchanges of opinion and, ultimately, governmental decisions occurred. The market area often served as the site for village assemblies convened by the traditional rulers. Among the Ibo of Nigeria, for example, the *Ama-ala*, the traditional Council of Elders, ruled by decree and proclamation. However, when disputes arose, the Council would convene a Village Assembly to place the issues before the people for debate and resolution.[2]

Inter-regional Markets

The inter-regional market operated continuously. Most tended to be situated on regional trade routes. On the Trans-Saharan trade route were Timbuktu in Mali, Salaga in Ghana, and Kano in Nigeria. On the trade routes along the Zambezi River and Sabi Valley were Mombasa in Kenya and Ivuna in Tanzania.

Many of these free trade routes existed many centuries before the arrival of the Europeans. In the 10th century, trade across the Sahara by caravan, conducted by the Sanhaja, a nomadic desert people, and the Berbers of North Africa, linked black Africa with the Arab world. Their main route ran from Sijilmasa in the oasis of Tafidelt in southern Morocco to Awdaghost in Mauritania. Because of the prevalence of tsetse flies in the rain forest, caravans went no farther south than the fringes of the Sahara where such famous entrepots as Timbuktu grew up. Goods traded from the North included horses, beads, figs, dates, tobacco, iron bars, and salt. From the South came gold, ivory, yams, goats, dried fish, kola nuts, shea butter, gum, ostrich feathers, cloth — and slaves.

"Primitive Money." Initially, barter was the primary form of exchange. But as trade developed, certain commodities began to circulate as "money." Commodity monies included sea shells, salt, iron bars, firearms, mats, gin, beads, gold, and gold dust.

"Primitive money," as commodity currencies are often called, was a decisive improvement over the cumbersome, time-consuming, and economically inefficient barter system. The use of primitive money facilitated trade and prompted economic growth long before European money was introduced. The fortunes of many ancient African empires; such as the Mali, Songhai, Ghana, and Great Zimbabwe were built upon trade.

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2 In such gatherings, every Ibo had the right to speak without fear for his life. Popular proposals were applauded and egregious ones hooted down. While such assemblies may have been "primitive and backward," they allowed freedom of expression — a fact often ignored by contemporary analysts of Africa and most current African leaders. The Council of Elders, in most tribal systems, was a representative body composed of the heads of the various clans in the village. This Council could veto any arbitrary or capricious decisions by the chief and could remove the chief should he prove unpopular to the people. In contrast to this "primitive" system, the 41 dictatorships governing most of black Africa today deny their own people the right to vote their heads of state out of office. Botswana is the sole exception.

The importance of trade was long recognized by the traditional rulers of Africa. One of the chief's traditional responsibilities was not only to seek greater opportunities for trade but also to provide a peaceful atmosphere for his people to engage in it.

Trade as the engine of economic growth was also recognized. In fact, control over the lucrative transcontinental trade was a constant source of friction between African tribes. Frequent wars between the Fanti and Ashanti of the Gold Coast region, for example, were waged in the eighteenth century to prevent the control of coastal trade from falling exclusively into the hands of either tribe. Trade also was the means by which a tribe's members could acquire weapons to defend themselves against marauding neighboring tribes.

Taxing Every Palm Tree. On occasion, there were attempts to control all aspects of commerce. The results were disastrous. In the late 18th century in the Kingdom of Dahomey, for example, state regulations and controls were so pervasive that every palm tree, goat, and pig was counted and taxed. Each village chief had to report the number of pigs slaughtered, while the butcher's guild had to keep all the skulls of pigs sold in the market. Both reports went to the King, who sent out market inspectors to make periodic checks and to fix prices.

Food crops were similarly controlled. Products like honey, red and black pepper, and ginger were declared royal monopolies and produced in restricted areas under supervision. Dahomey was the most centrally planned economy in West Africa with taxation taking an estimated one-third of the annual production. After some forty years under this system, so many subjects had fled to neighboring territory administered by the French that the Kingdom collapsed under the weight of its own regulations and taxes.

Native African Businessmen

Even after the arrival of the Europeans, as Africans turned more to production for trade and commerce, there was a notable absence of state controls and ownership. For example, in the Gold Coast, which is present day Ghana, gold mining was open to all subjects of the states of Adanse, Assin, Denkyria, and Mampong. Some chiefs taxed mining operations at the rate of a fifth of the annual output. In some states, on certain days, all gold mining revenues were ceded to the throne. But the mines were not owned and operated by the chiefs.[3] Rather, the chiefs granted mining concessions to enterprising subjects.

Between 1877 and 1883, over 100 such concessions were granted by the chiefs in the Tarkwa area of the Gold Coast on which they drew rents and royalties. There is little historical evidence to suggest overt discrimination in granting these concessions. The natives and the Europeans were treated equally by the chiefs. By 1880, native Africans formed the Wassaw and Ahanta Gold Mines Syndicate in the Tarkwa area to compete with the European mining operations. The Fanti Syndicate, the Gold Coast Native Concession

3 The Asante state, with its royal mines, appears to have been the exception in the 19th century. Even there, however, the gold mining and refining were not reserved exclusively for the state; there were private diggers and goldsmiths.

Purchasing Company, was set up in 1882 by native Africans. There were many indigenous small-scale operators who panned alluvial gold. The profits were theirs to keep and were not expropriated by the chiefs.

Profit-Sharing. In such fields as agriculture and fishing, the practice was essentially the same. Africa's native fishermen and farmers were free entrepreneurs who went about their activities on their own initiative, not at the behest of their chiefs, and sold their produce on open, free markets. Nor did the chiefs operate tribal government farms and fishing boats, the equivalents of modern state enterprises.

African natives also had their own profit-sharing schemes. Under the *abusa* system among Ghana cocoa farmers, a third of any profit went to the owner of the farm, another third went to hired labor, and the remaining third was set aside for farm maintenance and expansion. [4] The profits did not go to the chief.

THE COLONIAL PERIOD

European countries began to trade with Africa in the 15th century. While some colonies were established early on, notably the Dutch colony at the Cape of Good Hope in southern Africa, it was not until the late 19th century that Belgium, Britain, France, Germany, Italy, Portugal, and Spain divided up the continent and established their sovereignty. Colonial political and economic institutions differed under the different sovereigns. Some ruled directly. Others ruled indirectly through the local chiefs.

While the Europeans often sought to control indigenous economic activities to their advantage, they failed as often as they succeeded. In any event, Africa's vast distances and underdeveloped communications and transportation networks would have made complete control of native economic activities by any colonial administrator impossible. The extraordinary cost in time and money for any sort of control was a main reason that the British adopted the colonial policy of indirect rule. This generally left intact the indigenous economic activities.

Traditional Activities. After the decline of the slave trade in the 19th century, the colonialists introduced plantations and cash-cropping, a departure from traditional African agriculture. But the traditional economic activities such as peasant agriculture and fishing went on as before. The village markets survived during the colonial era. While there were serious abuses of the natives by various colonial powers such as restrictions on movement and places of residence, for the most part the natives were free to carry on their economic activities.

Attempts by the colonial powers to exclude natives from newer forms of economic activity encountered problems. In the Gold Coast, for example, European mining companies sought, without success, legislation from the British government curtailing the

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4 Polly Hill, *Development Economics on Trial* (Cambridge: Cambridge University Press, 1986).

native mining operations. As a result, the two operated side by side throughout the colonial era.

Notably absent during that era were state or colonial government enterprises. A few large European firms and companies dominated the various sectors of the economy, but no indigenous economic activity was reserved exclusively for the colonial government or European companies.

Rich African Shopkeepers. Small village shopkeepers emerged. Native businesses competed with European firms.[5] Many were successful. There were rich African shopkeepers, timber merchants, transport owners, and farmers during the colonial period. Given the opportunities and access to capital, the natives proved that they could compete with the foreigners. In fact, the success of native Africans was one reason why South African whites favored apartheid. Write Frances Kendall and Leon Louw of the Free Market Foundation of South Africa: "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 1870's they were outcompeting whites, especially as farmers."[6]

One reason colonialism lasted so long in Africa was that it did little to upset violently the traditional way of life. Had it done so, its demise would have come sooner. Resistance to colonialism came largely from the educated class in the urban areas where economic disparities and discrimination were more glaring.

POST-COLONIAL SOCIALISM

After independence, free markets and free trade were viewed by African leaders, educated in the West and influenced by socialist and Marxist ideology, as alien institutions imported by the colonial powers as a means to exploit the natives. Post-colonial economics were formed by an emotional anti-imperialism, which saw Africa's salvation in complete state control of the economy.

Kwame Nkrumah of Ghana, widely regarded as the "father of African socialism," was convinced that "only a socialist form of society can assure Ghana of a rapid rate of economic progress without destroying that social justice, that freedom and equality, which are a central feature of our traditional life." [7] He added that "socialist transformation would eradicate completely the colonial structure of our economy."[8] Nkrumah believed "Capitalism is too complicated for a newly independent state; hence, the need for a socialist

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5 Lack of capital and managerial skills often hampered the natives in this regard, but few fields were overtly closed to them — an important distinction.

6 See Frances Kendall and Leon Louw, *After Apartheid: The Solution* (San Francisco: Institute for Contemporary Studies, 1987), p. 3. One reason for this performance, according to the authors, was the "congruity between their traditional ways and the market economy" (p. 18)

7 *Seven-Year Development Plan* (Accra: Government of Ghana, 1963) p. 1.

8 See Kwame Nkrumah, *Revolutionary Path* (New York: International Publishers, 1973), p. 189.

society."[9] He sought nothing less than "the complete ownership of the economy by the State."

Transforming Tanzania. Julius Nyerere of Tanzania misread the African tradition of helping family and friends as an indigenous socialism, a philosophy to which he was first exposed during his schooling in Scotland. He criticized capitalism or the money economy because it "encourages individual acquisitiveness and economic competition." He saw this money economy as foreign to Africa and "catastrophic as regards the African family social unit." As an alternative to "the relentless pursuit of individual advancement," Nyerere insisted that Tanzania be transformed into a nation of communal village farms.[10]

Typical of African leaders' hostility to economic freedom was Anne de Lattre, director of the Club du Sahel, a regional group of West African governments organized to promote agricultural development. She would start her meetings declaring: "Well, there is one thing we all agree on: that the private traders should be shot."[11]

State control of the economy usually was accompanied by one-man dictatorship or rule by a small elite that soon became corrupt. Often an "ideology" was invented, centered on the country's leader, to give rhetorical support to his denial of democracy, individual rights, and the rule of law. Julius Nyerere's *Ujamaa* (a Swahili word for familyhood or socialism) is a vague amalgam of Marxism, Christian socialism, and humanitarianism. Leopold Senghor of Senegal called his rule Negritude. Kenneth Kaunda expropriated the word humanism to justify his dictatorship of Zambia. Marien N'Gouabi of the Congo (Brazzaville) decreed "scientific socialist" policies. The Nkrumaism (conscience-ism) of Ghana's Nkrumah, whose followers called him the Redeemer, and the Mobutuism of Mobutu Sese Seko of Zaire attempted to buttress personality cults. Malawi's Hastings Banda preferred to be called Conqueror and Saviour. Only one black African country, Botswana, currently has a democratic, multiparty system.

Controlling 6,000 Prices. After independence, most African countries took strict control of all economic activities. Industries were nationalized; prices and wages were set; foreign investments were confiscated; and markets were closed to imported goods. After Ghana gained its independence in 1957, for instance, the European companies were taken over by the state. Native African mining operations were expropriated by the government, and indigenous gold mining declared illegal. By 1970, the government of Ghana controlled nearly 6,000 prices relating to more than 700 products.[12] By 1983, the government had no idea how many prices it controlled. Nevertheless, it jailed farmers and food traders who violated the controls. Local free markets were burned and blown up by government troops amid accusations of violating price controls and harboring "neo-colonial agents and saboteurs."

9 See Kwame Nkrumah, *Ghana: An Autobiography* (London: Nelson, 1957).
10 See Julius Nyerere, *Freedom and Unity*(London: Oxford University Press, 1966).
11 See *West Africa*, January 26, 1987, p. 154.
12 *World Development Report* (Washington, D.C.: The World Bank, 1987), p. 114.

Agriculture was collectivized in many African countries. Tanzania is an example. Millions of small farmers were uprooted and sent to collective farms. Government marketing boards for agricultural products were established in Tanzania and in many other African countries. Farmers were paid only a fraction of the world market price for their products, often less than the cost of production. Distribution and marketing by nongovernment agents were prohibited. The Nyerere regime conducted widespread arrests of "capitalists," especially Asians. Forced labor was the lot of those who did not fit in Nyerere's new order.

"Marixism in African Clothes." In Guinea, President Ahmed Sekou Toure, who served from 1958 when Guinea gained its independence until his death in 1984, proclaimed what he called "Marxism in African clothes."[13] The result, according to a *New York Times* dispatch:

> Unauthorized trading became a crime. Police roadblocks were set up around the country to control internal trade. The state set up a monopoly of foreign trade and smuggling became punishable by death. Many farms were collectivized. Food prices were fixed at low levels. Private farmers were forced to deliver annual harvest quotas to "Local Revolutionary Powers."[14]

The freedoms that characterized traditional Africa vanished in many countries. Bishop Desmond Tutu of South Africa told the December 1987 All-Africa Conference of Churches in Nairobi, Kenya, that

> It is sad that South Africa is noted for its vicious violations of human rights. But it is also very sad to note that there is less freedom in some independent African countries than there was in the much maligned colonial period."[15]

SELF-INFLICTED ECONOMIC WOUNDS

The results of socialism for Africa's economic development have been disastrous. African countries have progressed little since independence. Most are actually worse off. A 1985 World Bank study found that Africa's per capita Gross Domestic Product in 1983 was 4 percent below its 1970 level. Countries such as Tanzania and Guinea, which had been food exporters in colonial times, now rely on imports and still cannot feed their people. Agricultural production has dropped as governments deny farmers the right to sell their

13 This declaration illustrates the general absence of cognitive pragmatism in many black African leaders. After independence, many hauled down the portraits of European monarchs and erected and saluted those of Marx and Lenin (another set of white aliens) and called themselves "free and independent under black rule." Today, portraits of Marx and Lenin still grace the capitols of Angola, Ethiopia, and Mozambique.

14 *The New York Times*, December 28, 1987, p.28.

15 *The Wall Street Journal*, January 7, 1988, p. 18.

products at market prices, nationalize land, and divert resources into money-losing industrialization projects. On a human misery index developed by the Population Crisis Committee in Washington, 25 of the world's 30 worst off countries are African.

Spurring Massive Corruption. Infrastructure has deteriorated. At independence in 1960, Zaire (then the Belgium Congo) had 58,000 miles of passable roads; today fewer than 6,000 passable miles remain. Air travel between various African countries on state-owned airlines is so unreliable that it is quicker to fly first to Europe on a Western carrier and back on a Western flight to the country one wishes to visit. And telephone service between African countries and even within countries is so poor that routing calls through Europe or the U.S. is the most efficient approach to communications.

The attempt to control entire economies predictably has given rise to massive graft and corruption. Africans have to bribe their way through the arcane maze of stifling state controls. In Ghana, the standard bribe for the procurement of an import license was fixed at 10 percent. Upon the payment of a bribe, some foreign suppliers are able to unload useless and obsolete equipment in Africa on credit. Under Mobutuism, the president of Zaire has amassed a personal fortune that some observers estimate to be over $8 billion; this exceeds his country's entire $5 billion foreign debt. In 1977, Jean Bedel Bokassa of the Central African Empire had himself crowned Emperor Bokassa I in a ceremony meant to imitate the coronation of Napoleon. The cost of the event: around $30 million, or one fifth of his country's gross national product. His crown, containing 2,000 diamonds, cost $2 million. A minister in the Cabinet of Zimbabwe's Prime Minister Robert Mugabe bluntly stated: "In Zimbabwe, socialism means what's mine is mine but what's yours we share."[16]

FOREIGN AID FIASCO

Africa has received more than $70 billion in foreign aid since 1960. But this has not spurred growth or arrested economic degeneration. Part of the aid money was misused. In Zaire, according to Africa scholar David Lamb, 20 cents of every dollar coming into the country is skimmed by officials for their personal cut, regardless of whether it is a foreign aid grant, business contract, or export earnings. In September 1981, Nguza Karl I Bond, Zaire's former Prime Minister and Foreign Minister, testified before the U.S. House of Representatives Foreign Affairs Committee about the reckless misuse of Western military aid to Zaire. C-130 transport planes supplied by the U.S. were routinely used for illegal private transactions and smuggling; communication equipment was often used by military officers to communicate with their private plantations.

Even International Monetary Fund and World Bank loans have not been exempt from misuse. On December 6, 1986, Bank of Tanzania officials were summoned to the State House and ordered by the government to release part of the foreign money coming into government coffers, including IMF funds, to support the Marxist FRELIMO Government of Mozambique in its war against RENAMO freedom fighters.[17]

16 Cited by Pierre Dostert, *Africa 1986* (Washington, DC: Stryker-Post Publications, 1987).

17 *African Events*, January/February 1987, p. 5.

CONCLUSION

Despite the myth to the contrary, Africa has a tradition of local free markets and trans-regional trade. Natives bought and sold goods with little interference from their chiefs long before the coming of the Europeans. Even under colonial rule, indigenous market institutions survived and many black Africans competed successfully with foreigners. With 20th century independence, however, Africa's socialist leaders proceeded to brutally destroy economic freedom. This was accompanied by political repression and a denial of basic human rights.

Treating Africans Like Children. Foreign aid money has been wasted on money-losing state enterprises or stolen outright by corrupt politicians. This must be stopped and reversed. Today, the most effective aid that the U.S. and the world can give Africa is help to rebuild, reinstitute, and modernize Africa's indigenous institutions of political and economic freedom. These now-tattered institutions have demonstrated in the past that Africans are as capable as any people of earning their own living and trading freely with others. Paternalistic controls that treat Africans like children only serve to continue the worst aspects of the colonial attitude towards that continent. If Western nations truly wish to eliminate the poverty and misery that is the lot of most Africans today, they must insist that Africa's leaders begin pursuing policies to restore Africa's traditional economic and political freedoms.

Prepared for The Heritage Foundation by
George B.N. Ayittey, Ph.D.

George B.N. Ayittey is Associate Professor of Economics at Bloomsburg University, Bloomsburg, Pennsylvania. A black African native of Ghana, he received his Ph.D. from the University of Manitoba, Winnipeg. Dr. Ayittey is grateful to the Earhart Foundation for research support that led to this study.