



Poor Countries

Hans F. Sennholz

Foundation for Economic Education
Irvington-on-Hudson, NY 10533
(914) 591-7230; Fax (914) 591-8910

Copyright© 1993, Hans F. Sennholz

All rights reserved. No portion of this booklet may be reproduced without written permission from the author, except by a reviewer, who may quote brief passages in a review.

MANUFACTURED IN THE UNITED STATES OF AMERICA

Poor Countries

Individual poverty may be no disgrace, but it is always painful and annoying. It may strike when an individual or a family, for any reason, fails to earn an income sufficient to purchase the essentials of food, clothing, housing, and fuel. The penalties of poverty such as weakness and illness, lack of training and education, and few opportunities for economic improvements are grave and numerous.

Collective poverty indicates a widespread prevalence of economic misery in a country. It is strikingly evident not only in the dismal levels of living but also in the life expectancy of the population. In the most prosperous countries of the world, for instance, in Switzerland, Japan, and the United States, per capita production now exceeds \$20,000 per year and the life expectancy at birth is more than 76 years. In the poor countries of the world such as Ethiopia, Somalia, and Bangladesh, per capita production amounts to barely \$200 per year and the life expectancy may be less than fifty years. If the average output per person is less than \$200 the average income is even less, and if the average life expectancy

is barely fifty years the poorest of the poor can expect forty years or less. Indeed, much of the world's population lives in misery and dies in despair.

Increasing the productivity of an underdeveloped country is always difficult but never impossible. In Ethiopia, Somalia, Bangladesh, and other such countries, the conditions for development are extraordinarily difficult because they necessitate many fundamental changes. The thoughts, values, and mores of the people must change so that they may change the world around them. The dogmas of the past must be abandoned so that there can be new thought and action for income and wealth. In short, the old order must change and yield place to the new.

Surely, only the wise are receptive to new mental concepts. But even to them, new ideas are always painful and slow to advance, especially if they challenge habit and tradition, mores, and religion. If *Muhammad, the Prophet of Islam*, prohibits all forms of interest-taking, it is difficult for a devout Muslim to tolerate banking and all other manifestations of the capital market. It is even more difficult to imagine economic development in Muslim countries without capital

markets. *If Buddha, the founder of another great Asian religion*, beseeches his followers to aspire to perfect sainthood through liberation and purification from all desires, it is well-nigh impossible for all pious Buddhists to aspire to greater want satisfaction. If the Buddhist monk must not demean himself by receiving money, it is difficult for lay Buddhists throughout Asia to seek and reap monetary rewards. *If Confucius, the founder of the dominant ethical teachings of China*, looks upon the State as a family and upon the sovereign as the father of all to whom all territories and citizens belong, his followers are likely to long for paternalistic and absolute rulers. If, according to Confucian teaching, the emperors or their contemporary successors rule by the mandate of heaven, the faithful followers may await a great emperor leading them to heaven on earth. It is unlikely that they will aspire to a democratic individual-enterprise order.

In a confrontation with a religion or a system of ethics, economics loses the day every day. It is no match for the former. Religion gives man a code of behavior by which he may judge not only his actions and their consequences but also all matters which transcend the known and

expected. It establishes a sacred order of priorities and expects obedience to this order. A religion that looks with suspicion on private property surely distrusts the very system of private ownership in the means of production, commonly called capitalism. If the people are made to believe that property is theft, it is hard to produce and preserve property. And it is unlikely that people will strive to improve their economic condition if they are not permitted to keep the fruits of their labor.

In capitalistic countries, the institution of private property is highly developed, covering every economic good from consumer items to the means of production, from farms and factories to shops and ships, mills and mines. In societies organized along socialistic and fascistic lines, private ownership is limited to consumers goods such as food and furniture, shoes and clothing; it is not tolerated in the facilities of production that are used in the manufacture of such items. Producers goods generally are owned by the State and managed by politicians and government officials.

Modern Anglo-American property law sanctions individual ownership in nearly all things that have economic value. Yet, in recent decades, governments on all

levels have severely restricted individual ownership in many means of production, which has given the Anglo-American countries a distinct socialistic and fascistic color. The farms and factories, shops and ships, mills and mines are still in private hands, but these hands are guided and directed by an army of regulators, controllers, and tax collectors.

Private property no longer is very private if legislators, inspectors, and policemen stipulate and regulate its use. If a farmer is told what to grow and what to plow under, he no longer is a farmer in the capitalistic sense. If a builder is told where and what to build, the materials he may use and the workers he may employ, he no longer is a builder in the traditional sense. He may still call himself a businessman but is in reality a manager and functionary of the political authorities who issue the orders.

Throughout the ages, societies that were organized along such authoritative lines have been plagued by chronic poverty. The populations, although laboring from dawn to dusk, have lingered in poverty and despair. They still are lingering thus all over the world where the people cling to any kind of command system. The

peoples of Russia, China, and Vietnam are deplorably poor.

A country is destined to linger in poverty if the voices of *education* continuously glorify the command system and tirelessly denounce the private-property order. Capitalism cannot exist where it stands condemned as being heartless, merciless, cruel, inhuman, selfish, and exploitative, and where the textbooks of economics summarily reject it. Despite all the material benefits it bestows, capitalism cannot survive for long where youth is made to believe that, in a capitalist order, the strong prey on the weak, employers exploit their workers, and businessmen gouge their customers.

Actually, in a free economy it is rather difficult to cheat, shortchange, or short-weight another person. If customers and businessmen are free to choose, they are free to shun fraud and deception. Goods and services must be satisfactory and priced right or they cannot be sold. A businessman who deceives his customers will lose them. If he mistreats his suppliers, they will refuse to serve him. If he abuses his workers, they will leave him. It is in everyone's interest to be honest, truthful, and cooperative.

A command system of any brand, name, or color discourages honesty and truthfulness. Built on coercion and force, it breeds deception and corruption. The worst usually get to the top, eager to seize, tax, and confiscate private property. Under such conditions poverty is bound to be widespread.

A democratic society which is driven by *envy and covetousness* is bound to be poverty-stricken. The eyes of envious and covetous people are on their neighbors and their belongings rather than on economic tasks at hand. Envy, which is more irreconcilable than hate, is the most anti-social of all passions. It gives rise to anti-social policies, using the apparatus of government to redistribute income and wealth according to the dictates of the envious. It forces its victims to bear the expenses of radical transfer programs and makes them the favorite targets of vice and crime. Indeed, envy and covetousness are the fertile soil in which social evils grow.

The costs of the redistribution policies are magnified by the hidden costs of vice and crime. Bodily violence and property loss, or merely the fear thereof, do not invite investments or encourage economic activity. In fact, even in developed

countries, fear has turned many inner cities into economic wastelands and many productive communities into islands of depression and poverty.

The common remedy for collective poverty is government relief and foreign aid. They bring instant benefit to the recipients but unfortunately may also reinforce the very causes of the poverty. Foreign aid is intergovernmental aid. Officials of the grantor government merely transfer taxpayer funds to foreign officials. But this transfer does not alter the habits and traditions, the mores and religious beliefs that are the root causes of the poverty. It surely lines the pockets of officials and politicians who manage the aid programs, but does not impart the values and morals which are conducive to economic production and prosperity. He makes a chronic beggar of those whom he relieves and encourages in their ways.

Moral, social, and economic ideas that guide human actions are the key to human well-being. They make all the difference between wealth and poverty.



Additional copies of *Poor Countries*, and four other pamphlets by Dr. Sennholz, *The High Ground*, *In Pursuit of Excellence*, *Man Must Work*, and *A Good Education*, are available from:

Foundation for Economic Education
Irvington-on-Hudson, NY 10533
(914) 591-7230; Fax (914) 591-8910

Phone orders with VISA or MasterCard.

- Poor Countries*
- Man Must Work*
- The High Ground*
- In Pursuit of Excellence*
- A Good Education*

<u>Quantity Ordered</u>	<u>Price Each</u>	<u>Shipping & Handling</u>
1-9	\$1.00	0
10-49	.90	5%
50-99	.80	5%
100-299	.70	4%
300-499	.60	4%
500-999	.50	3%
1,000 or more	.40	2%

**Foundation for Economic Education
Irvington-on-Hudson
New York 10533**