

Free market without freedom

By Abebe Gellaw | August 25, 2009

It was about two years ago that Dr. Eleni Gabra-Madhin, an economist with a declared mission of eradicating famine in Ethiopia, forcefully entered the debate on Ethiopia's fragile and dismal economy that has been stunted by the misguided policies and interventions of succeeding regimes. In June 2007, she appeared at TED Global¹ in Arusha, Tanzania, and on a recent PBS documentary, *The Market Maker*.² At a personal level, she is intelligent, articulate and clearly ambitious.



Despite Dr. Eleni's best efforts to explain some of the pressing and unanswered questions in two recent articles, *Let us be like the market* and *An Idea whose time has come*, many remain sceptical about her flagship project, the Ethiopian Commodity Exchange (ECX)³.

To begin with, Mr. Aaron Brown's PBS documentary has raised more serious questions than answering any, by offering only half the story featuring Dr. Eleni and her team in action frantically running up and down the country to convince suspicious grain traders to sell their commodities



through ECX, which was presented as a panacea for all the socio-economic ills facing Ethiopia. Mr. Brown narrated the story without involving the victims of ECX, those traders whose hands were "cut off" as the Prime Minister had threatened.⁴

At TED Conferences, Dr. Eleni tried to sell ECX with a well-pitched presentation. "You know, there is a

¹ Dr Eleni's presentation is available online

http://www.ted.com/talks/elene_gabre_madhin_on_ethiopian_economics.html

² The full episode [53:29] Wide Angle video, *The Market Maker*, is available online at:

<http://www.pbs.org/wnet/wideangle/episodes/the-market-maker/full-episode/5293/>

³ ECX is regulated by the Ethiopian Commodity Exchange Authority, headed by one of Zenawi's loyalists and central committee member of the TPLF, Dr. Addis Alem Balema.

⁴ See *Meles blasts coffee exporters*, Capital Ethiopia, January 30, 2009.

http://www.capitalethiopia.com/archive/2009/January/week4/local_news.htm#1

Video clip also available on Youtube:

http://www.youtube.com/watch?v=yXCAiG0_Zvw

small country nestled in the Himalayan Mountains where the people of the Kingdom of Bhutan have decided to do something different which is to measure their gross national happiness instead of their Gross National Product,” Dr. Eleni said.

“Why not? After all, happiness is not just a privilege for the lucky few, but fundamental human rights for all.” Beaming on the gigantic screen a picture of a poor Ethiopian woman happily showing off a live chicken she seems eager to slaughter for dinner, Eleni continued: “Happiness is the freedom of choice,” she declared.

“The freedom to choose where to live, what to do, what to buy, what to sell, from whom, to whom, when, and how....One way to express choice is through the market. Well-functioning markets provide choices and ultimately ones pursuit for happiness.” But Dr. Eleni fails to mention the fact that in a wretched land called Ethiopia, where the major economic activities are monopolized and the resources of the country are being transferred to those who are running the country like a private company, real choice is a luxury to the majority suffering in abject poverty.

Eleni told her audience that the Indian economist Amartya Sen won the Nobel Prize in economics in 1998 “for demonstrating that famine is not just about the availability of food supply but rather the ability to acquire or entitle oneself to food through the market.”

According to Dr. Eleni, during the 1984 famine that she rightly described as one of the greatest crimes committed against humanity as nearly one million fellow Ethiopians perished “not because there was not enough food, because there was actually a “surplus” in the fertile regions of the South of the country which people in the North could not access or entitle themselves to,” she said oversimplifying a much more complex issue with Amartya Sen’s famine and poverty theories.

The story might have played out well with Western audience who may not have the details at hand. But to be fair to the facts, the 1984 famine was not caused by food surplus in the South and deficit in the North. The tragedy was a result of a complex set of circumstances including the brutal politics of hunger as northern rebel groups, mainly the TPLF and the EPLF, and the military junta did not care about the dying millions. In fact, the then rebel groups were part of the blame as they had made emergency relief operations impossible.⁵

Spending millions of dollars on all kinds of lethal weapons, both sides were much more concerned about destroying each other than even allowing relief aid to reach the hungry, let alone allowing the dying millions of poor peasant farmers and their families to “purchase” the “surplus” food from the Southern part of the country through an imaginary market. As the tragedy unfolds in the eyes of the international community, the military junta and the then rebels-now turned-rulers, refused to agree to a ceasefire and allow food to reach the dying multitude. It was indeed one of the worst crimes against humanity the world has ever witnessed.

Neither the purported “food surplus” from the South side of Ethiopia, nor relief aid collected through global emergency appeals could save the lives of nearly one million fellow citizens who died of hunger. In fact, the TPLF, which is now in power, had even displaced thousands of hungry Tigrians to perish in the desert when it forced them to migrate to the Sudan during that same time. It was

⁵ See for example Clay and Holcomb, *Politics and the Ethiopian Famine* (Cultural Survival, 1986)

alleged that it did this in order to gain access to relief aid from abroad part of which was sold in Sudanese markets. This shameful episode in our tragic history has been repeating itself as millions of Ethiopians are still starving year after year while the regime's mastery of beggary has turned into a profitable industry and a source of hard currency. As a result, relief has become a lasting solution while fertile irrigable lands that can fully ensure food security are being sold or leased to foreign businessmen, mainly Saudi Arabians, who have already started growing food in famine-stricken Ethiopia to their own people.⁶

There is no doubt that traditional markets should be modernized. However, the poor peasant farmers in remote villages, constituting the majority of 70 million plus people, who go out to the market with some beans and peas to buy a bar of soap and a few candles do not really need flashing screens to learn about the price of beans at ECX floors in the metropolis to fulfil the pursuit of their happiness. The flashing screen gimmickry, a handful of these gadgets being installed in some towns and far away from the peasant farmers, will not serve the nearly 84% of the people who live in the countryside. Dr. Eleni and her collaborators have yet to convince us how this scheme is to help the hunger-stricken poor peasants in the "pursuit of happiness".

According to Dr. Eleni, happiness is the freedom to choose where to live, what to do, what to buy, what to sell, from whom, to whom, when, and how. This includes the freedom not to sell, buy or trade through or to ECX, which is a new comer in the market. The leading coffee traders decided to wait and see rather than rush to sell their coffee beans for cheap at a price set on the floors of ECX. Adding to the woes of coffee merchants, 10,000 tons of coffee, worth \$21 million,⁷ bound for export vanished in a strange way. The lost coffee is still unaccounted for and it was quite obvious that an ordinary thief without a mandate from the top would not have the capacity to steal such a huge volume of coffee beans.

Surprisingly enough, the free market advocate Dr. Eleni never mentioned this crime at all and Mr. Brown's PBS documentary neither highlighted why traders have been reluctant to get involved with ECX nor featured the market fixers, TPLF companies and affiliated businessmen trying to undermine the remaining privately owned enterprises. Therefore, the problems are not with Dr. Eleni's initiative but with the desire of the TPLF to be the real market maker rewarding partners and cronies while punishing its perceived enemies and competitors.

The reason why Dr. Eleni's scheme is overwhelmed by doubts and scepticism does not seem to be due her ethnic origin, as she suggested in one of her latest articles, but the unruly behaviour of the ruling Tigrian People's Liberation Front, an ethnic party whose grand design has turned out to be to control, manipulate, dominate, stifle and monopolize the fragile economy through its monopolistic companies and fake NGOs like the Endowment Fund for the Rehabilitation of Tigray [EFFORT].

⁶ In January 2009, it was reported by the Saudi Ministry of Foreign Affairs that Saudi businessmen, including Ethiopian-born tycoon Sheik Mohammad Hussein Al Amoudi, presented top quality rice grown in Ethiopia to the Saudi King.

<http://www.mofa.gov.sa/Detail.asp?InSectionID=3981&InNewsItemID=88796>

⁷ Meles has admitted that 10,000 tons of coffee vanished. But no one has been held to account for the heist. See also Meles blasts coffee exporters, Capital Ethiopia, January 30, 2009.

http://www.capitalethiopia.com/archive/2009/January/week4/local_news.htm#1

It is to be remembered that Meles gathered coffee traders in January and made a shocking threat, without even trying to unravel the mystery surrounding the stolen coffee beans. He warned them the government was going to cut off the hands of those who refuse to sell their stock through ECX. That was typical of an unpredictable tyrant, who tries to be viewed by donors as being a champion of free market economy but in reality he is its worst enemy. Dr. Eleni was not only part of the official team lecturing and threatening the traders but she also appeared on the state controlled media justifying the scary threats made by the despot and accusing the coffee traders of “hoarding” their coffee beans instead of selling it on the floors of ECX. As the media outlet Walta reported: “Dr. Eleni indicated that coffee traders are currently hoarding a huge volume of coffee in the ECX warehouses anticipating that the price of coffee will rise in the time to come. However, she said, as global coffee price is currently falling down traders should participate in the current global market rather than wasting time by hoarding the coffee.”⁸

In fact, the tyrant was not bluffing. In March, he sent out a fleet of trucks and an army of snatchers and declared that 17,000 tons of coffee was confiscated from over 80 traders.⁹ Six of the leading coffee exporters were not only barred from trading but also faced trumped up charges of committing economic crimes. As a result of the measure, the main coffee exporters were closed down.

As it was evident from Eleni’s mesmerizing presentations, the freedom to choose is a key prerequisite of a market economy. In their popular book, “Free to Choose: A Personal statement” Milton and Rose Friedman wrote:

“A society that puts equality, in the sense of equality of outcome, ahead of freedom will end up with neither equality nor freedom. The use of force to achieve equality will destroy freedom and the force introduced for good purposes will end up in the hands of people to promote their own interests.”¹⁰

In a country like Ethiopia, the market does not operate freely as the ruling elite makes utmost effort to snatch and grab anything worth selling. After knocking down the leading coffee exporters, TPLF businesses including Guna Trading have openly declared that their coffee export business is thriving. In effect, TPLF is now the star trader at Eleni’s supermarket. A few weeks ago, Muluaem Berhane, General Manager of Guna Trading House, an affiliate of the TPLF-owned NGO called EFFORT, widely accused of practising monopolistic crony capitalism, told the Ethiopian News Agency that the company was reaping hard currency exporting sesame and coffee.¹¹ It follows that the knocking down and cutting the hands off privately owned exporters has made it possible for the TPLF companies to dominate ECX and the export business. Just to borrow the words of Dr Eleni again: “The freedom to choose where to live, what to do, what to buy, what to sell, from whom, to whom, when, and how....One way to express choice is through the market. Well-functioning markets provide choices and ultimately ones pursuit for happiness.” All the answers why ECX is left with little

⁸ The TPLF-owned Walta quoted Eleni in a story it ran on January 31, 2009.

http://www.waltainfo.com/index2.php?option=com_content&do_pdf=1&id=6681

⁹ See BBC news story, Ethiopia revokes coffee licences, March 25, 2009

<http://news.bbc.co.uk/2/hi/africa/7964146.stm>

¹⁰ See pp. 148-149

¹¹ See Guna envisages to export \$63 million worth of farm produce, July 18, 2009

<http://www.ena.gov.et/EnglishNews/2009/Jul/18Jul09/92520.htm>

credibility can be found in what she uttered above. In Ethiopia, people have no freedom to choose and the starving millions have no choice but to take or leave a few kilos of wheat or maize donated from afar.

Dr. Eleni's effort to eradicate famine from the face of Ethiopia by unleashing the power of the market is quite admirable. But Dr. Eleni seems to have forgotten an important point that Amartya Sen, one of the thinkers who seems to have influenced and shaped her worldviews, has emphasized in much of his writings about famine and poverty. Famines do not occur in functioning democracies with competitive elections and a vibrant free press¹².

In an article René Lefort wrote in February, titled as: "Ethiopia's famine: Deny and delay," the writer argued that: "The Ethiopian regime is diabolically good at cultivating appearances, while draining away any substance they may have had. The single party, which controls the State, is in the hands of the Tigrian minority, who make up 6% of the population. This 'ethnicism' undermines the regime's legitimacy and obstructs any opening towards democracy, which might end this monopoly, as shown by the repression of the opposition after its breakthrough in the 2005 elections. This is one of the factors that rendered it incapable of playing its role as an opposing force, by sounding the alarm on a crisis that it saw coming, but was never able to quantify exactly."¹³ It is very hard to put a counter argument to refute such hard facts.

Adam Smith's "invisible hand", was supposed to be providing the self-regulating mechanism of the marketplace. Unfortunately, in Ethiopia there seem to be no invisible hands regulating the market. The reality is that the visible hands of the ruling ethnic group are seen in every sector of the economy and in every corner of the market. Not only are they busy controlling, manipulating, selling, buying, confiscating and looting, but they are also cutting the hands off those who believed in their instincts more than the gangster capitalists and their commodity exchange.

The late Milton Friedman, a Nobel laureate in economics, referred to Adam Smith's invisible hand, as "the possibility of cooperation without coercion."¹⁴ Unfortunately, the modus operandi of ECX will remain coercion, monopoly and manipulation in TPLF's empire, which appears to be far worse than its predecessors.

Her recent articles are indicative of the fact that Dr. Eleni has been overwhelmed by wider criticism and scepticism on her project. There seems to be little doubt that modernizing the market is a commendable mission. But the major market player, which happens to be the ruling minority group, the Tigray People's Liberation Front, has been undermining the already struggling market through its naked crony capitalism.

The visible hands of the TPLF which is observed in every sector of the economy seem to have made Adam Smith's invisible hands theory unworkable and impractical. Capitalism works best where there

¹² The argument was made in Amartya Sen's book, *Development of freedom* (Anchor Books, 1999)

¹³ Ethiopia's famine: Deny and delay

<http://www.opendemocracy.net/article/email/ethiopias-famine-deny-and-delay>

¹⁴ Invisible hand, <http://www.reference.com/browse/Invisible+hand?jss=1>

is freedom. Eleni's free market without freedom, under the embrace of a corrupt tyrannical regime, can only make matters worse by further facilitating TPLF's monopolistic gangster capitalism.

It is up to Dr. Eleni to persuade her critics that there are indeed free and "functioning markets" involving free choices in Ethiopia. Then, and only then, will her critics and suspicious traders enthusiastically join her march with wholehearted commitment to free the country from poverty and famine by unleashing the power of market forces.

Ethiopia, being a land of plenty with under-exploited water resources, has a great potential to eradicate famine. But tyranny has hindered and stunted development in all aspects of life for so long. As Eleni's hero, Amartya Sen, asserted: "*No substantial famine has ever occurred in any independent and democratic country with a relatively free press.*"¹⁵ This is in fact one of the issues that cannot be glossed over quite easily. After all, freedom makes life and every human endeavour more meaningful and purposeful.

¹⁵ See also Amrtyan Sen, "Democracy as a universal value", *Journal of Democracy* (Vol. 10.3, 1999)