

Ethiopia: Meles Zenawi's Version of 'Self-interest' and Capitalist Development

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1. Introductions

Despite at its visible incipient stage of growth, capitalism in its Ethiopia's contexts has already begun to send its shockwaves across the long established traditions of the people. Capitalist growth in Chinese realities earns for the country the adage 'factory-house of the world'. The Economist in its 2010 edition also calls India's capitalist growth as a 'supermarket revolution'. Both phenomena of capitalist growth have been in the making the previous 25 years in both countries. In Ethiopia, the fast expansion in all sectors is evident with an adequate sign of a revolutionary proliferation of the 'service industry' ahead of others. Construction also blossoms itself as a flourishing industry with an expanding absorption capacity of more than the 35% of the total work force now active throughout the country.

These developments however were not without nationwide value meandering. One may remember the experience and outlook shocks, which the blanket lifting of command economy in the early 1990s caused mostly in urban Ethiopia. Both the public establishment and the staggering private sector of the time felt the vibrancy of the shocks equally but differently.

Many public servants and their officials strongly grappled with the new and strange capitalist oriented- regulatory practices. There were many who strongly doubted the healthy functioning of the economy in the virtual absence of government control. These experts and officials were in difficulty to understand clearly the logic of business with a privilege of owner-centered pricing. Some hesitated to accept orders for the removal of restrictions on a dozen of licensing requirements, abolitions of quota-based provisions of goods and economic necessities, their public rationing and so on. Many more business people, on their part, had to struggle with the real meanings of business under minimal government control. Many interpreted free market practice to mean 'business' without the duty of having license, a self-censured ethics, and earning profit by all means available.

After a couple of decades, it is true now that capitalism also unfolds with its gloomy side through the incidences of growth bumps, specifically, inflation, corruption, rent-seeking behaviors and so on. Until recently, when the Ethiopian government has engaged in policy interventions in inflationary controls, the widespread belief was that the private sector aggravated the problem due to the need for unlimited appetite for profit and wealth.

This came at the very time when other directly or indirectly related economic upheavals in the developed world have precipitated many stakeholders to raise fundamental

questions. Some of the most important questions are these: what are the cardinal rules of capitalist growth that pervasively affect human dispositions to wealth? Is capitalist growth inherently an outcome of human selfishness? If so, how do newly developing societies manage and adjust to this growing value against their egalitarian roots?

It is, at this juncture, that economists and development scholars reassert what they call 'self-interest' as either the primary, or one of the locomotives of capitalist growth as well as its bad sides. This argument, in its turn, has provoked divergent views on its relevance particularly to the initial growth and subsequent challenges of capitalism in developing states. Some hold the previous view that the growth and expansion of capitalism is impossible without the force of 'self-interest' at the center-stage across any phenomenon of capitalistic initiation and perpetuation. Others advance a diverging belief that self-interest per se, in its own right, does not serve the genesis of capitalist growth in developing states.

As a starter society of capitalistic growth, these debates squarely apply to Ethiopia and Ethiopians today than ever before. Thus, what were and are the positions of the late PM, Meles Zenawi, the chief architect of Ethiopia's capitalistic growth, as both an economist and a political leader on this question? How did he respond to the above concerns?

2. Ethos of the scholarly battle

Even though Meles does not cite the following authors and their works in his dissertation, most of the ideas he sets for critique evidently come from them, one way or another. As Meles himself used to do, let us start by briefly assessing Adam Smith and his conception of 'self-interest' and capitalistic growth.

To begin with, 'self-interest' as one of the basic dynamos and drivers capitalist growth has been a strict point of scholarly undercurrent since the early 19th century. Though preceded by others in the assertion of liberal economic practices, Adam Smith was probably the first economist to underscore 'self-interest' as the propellant impulse of capitalist growth. Smith in his famous book of 1765, 'Wealth of Nations', underlines what he calls 'enlightened self-interest' interchangeably with what he terms the 'invisible hand.' Smith arguably qualifies self-self interest as 'enlightened' to refer succinctly to the entrepreneurial spirit and skill to discern the signals of free market operations. For Smith, the inner human impulse to satisfy its 'self-interest' out of the free market ignites expansionary growth than the regular government intervention.

This classical view of self-interest has persisted since this period to appear and reappear across scholarly literatures to date. Ayn Rand, one of the most advocates of 'self-interest', for example, bitterly argues that the abundant riches capitalism brought to America has never been the outcome of any altruistically provided 'public good'. In her work *Capitalism: The Unknown Ideal*, Rand stresses that the push in individual trading business people to serve their self-interest exclusively produces the incredible size of material and spiritual wealth in the modern world. For Ayan Rand, 'self-interest' is the gravity host of free market, little government intervention, profit making and, liberty,

unstoppable capitalistic growth. What governmental altruistic intervention holds for modern societies is the potential danger of inhibiting 'self-interest', which is innovation and advancement.

Nobel-economist Milton Friedman never hesitates to embrace the Radian notion and argument in favor of 'self-interest' in his discussion on the roots of capitalist growth. Friedman identifies what he calls 'social responsibility' as irrelevant to business. In his famous work, *The Social Responsibility of Business is to Increase Profits*, Friedman highlights 'self-interest' as a maximizer of human ingenuity to create new wealth within an ethically guided free market competition. 'Social responsibility' should not go beyond encouraging restraint from deceptive and fraudulent business engagements and never affect the drive for satisfying self-interest by any means. Friedman adds that the pursuit of 'self-interest' benefits not only the individual actor but also in the end the entire community. This is because the businessperson devotes resources to providing amenities for the community, for example, jobs. Friedman finally concludes that the businesspersons does so not altruistically to help society but again to maximize ones profit through what he calls 'good will'.

Occasional challenges came by some prominent businesspeople with intellectual backgrounds like John Mackey to this 'self-interest' paradigm of capitalist growth. Mackey replaced the concept 'self-interest' with 'reason' in his work in 2005, *Rethinking the Social Responsibility of Business*. Mackey argues that he has been trading not for self-interest but out of love of serving people. He argues that he undertaking business with this belief loses nothing; he says he rather gains more and more profits. However, such sporadic arguments have had little or no weight to affect meaningfully the classical place of 'self-interest' in modern approaches to capitalist growth.

'Self-interest' as a worldview of policy makers and scholars continues as a mainstream western value particularly in the United States under differing brands. The concept 'rugged individualism' with broadened or changed meanings of 'self-dependent, reliant, and diligent personality' came into use in the Regan era. American political economists and other scholars since the late 1980s have begun searching for other approaches in order to remedy the negative moral ethos of self-interest in tune with new social demands of the age. This need led to the crop up of such theories of generalized 'self-interest' as 'rational choice', 'social choice', 'public choice' and others. While rational choice theory spells the reiterations of Adam Smith's 'enlightened self-interest', social choice theory underlines that society tends to be irrational in voting. Public choice approach on the other hand argues that the silent rule that guides governments and their leaders everywhere is the motive to serving self-interest than serving the voter people.

'Self-interest' comes into mounting intellectual pressure, however, more by the fastest rise and growth of China and India very recently. Experiences of these countries kindle renewed questions and interests particularly on redefining the epistemological and methodological inconsistency of the 'self-interest school' to explain capitalistic growth and its propelling forces in the context of developing countries. PM Meles Zenawi

intervenes, at the point of the debate, to have come up with his own arguments against the above liberal ethos of self-interest as follows.

3. Meles Zenawi's Version of 'Self-Interest'

Meles dwells on the question of 'self-interest' in the conclusive remarks of his first unfinished Chapter, *the Neo-Liberal Political Economy and Social Capital* of his PhD Dissertation. Meles sets out by dismissing the arguments of the neo-liberal paradigm that tries to exploit the concept of 'self-interest' as a justification for its thesis of the 'limited government.' Meles specifically mentions the 'rational choice theory', which is one of the most known neo-liberal pillars of 'limited government'. This theory argues that human beings are, in Meles's words, 'solely self-interest-maximizing individuals.'

'Rational choice' theory goes on arguing that human beings are also rational by their very nature with the exceptional capacity of calculating their costs and benefits in making any decisions of day-to-day life. This makes the presence of an interventionist government unwarranted. Meles also mentions the neoliberal argument for 'competitive market' as both pervasive and Pareto efficient where government intervention against this pillars means nothing but 'socially rent-seeking activities.'

Meles does not accept the logic and rationales of this paradigm. Firstly, he underscores that the neo-liberal argument that human beings are by nature self-maximizing individuals is faulty. Secondly, he dismisses the argument that understands government created rent as necessarily socially wasteful as equal to the self-interested nature of the human individual. Thirdly, Meles attacks the thesis that the capitalist market is inherently Pareto optimal in that it rationally distributes and allocates resources among market actors fairly by itself. Generally, this argument for Meles Zeanwi, is excessively misguided and understandably reductionist. He particularly rejects rational choice approach in its attempts to equate 'individual self-interest' with the growth of capitalism by moving the government out of game. Starting from the neo-liberal argument on the positive relations between 'self-interest and government inefficiency', Meles's stresses his own version as follows:

Government created rent does not necessarily have to be socially wasteful. It becomes wasteful only if solely self-interest maximizing individuals use it to create wealth at the expense of society and only if the state is incapable of improving on the market- i.e. there are no market failures. The theory of solely self-interest maximizing individuals does not hold water.

Here one question is critically decisive: does Meles mean that there is no self-interest at all both individually and at government circles? No! Meles admits that society consists of both interested and non-interested individuals. He poses history, common everyday observation and theoretical analysis for justifying the presence of non self-interested individuals as many as those who are self-interested. Thus, even the limited government of neo-liberal scholars, which Meles calls the 'night watchman state', could be a creation

of both of these divergently interested individuals. Otherwise, if the entire government is a creation of solely self-interested individuals, that state for Meles is a dangerously corrupt institution existing and functioning only for the advantages of the leaders and decision makers.

At the same time, Meles suggests that the blend of these individuals could create a government that intervenes in the market for the benefit of the larger society. Here, Meles appears to argue that whether the state is a self-serving agency or a responsible actor in the service of society depends upon the balance of other more important but opposite forces. What are these forces? How do these forces help this government (blending self-interested and non self-interested individuals) to work together toward the satisfaction of collective social goals? Meles reasons out as follows:

..... An economy based on complex economic interaction such as a market economy requires a blend of self-interested and non-self interested behavior: a blend of social and individual norms that maximize survival potential within an appropriate social context. In the absence of such norms, the state, if it can exist as a coherent corporate entity for any period of time, becomes predatory. A properly behaved night watchman state populated by solely interest maximizing individuals is thus a practical and theoretical impossibility.

By this argument, Meles extricates the concept of ‘self-interest’ of its neo-liberal understanding as a pervasive, universal and inherent human nature. He rather redefines ‘self-interestedness’ versus ‘non self-interestedness’ as growths out of the social context and moral choice and prescriptions of the larger society. In other words, Meles agrees with such philosophers like Thomas Hobbes in that human nature is nothing but an inner sense of day-to-day judgments over what is ‘good’ and ‘bad’. Concisely speaking, there are no human communities, which do not have social values, social rules and social norms. Human communities create and develop these values and norms even before the coming into existence of government as a political institution.

To appreciate the argument in more practical tones, let us see the following social values as said in Amharic proverbs:

“Above one’s head is the wind. *Keras belay nefas.*’

“Even the Holiday of New Year, Saint John, could never inhibit the sanctity of dining together. *Abro yeblan kidus yohans enkua ayeshewum.*”

“He who did not eat (corrupt) at his appointment regrets at his demotion. *Sishom yelbela, sishar yekochewal.*)

“Threads in joint tie the lion. *Dir biabir anbesa yasir.*”

For Meles, as for Hobbes, whether a human individual within a broader community setting and governance is self-interested or non self-interested is an outcome of social training and societal influence through social values and norms. This is the function of language and communication bordering human nature from the animal world. Secondly, Meles holds that these values and norms are never always static and rigid inheritances.

They can be created, recreated, shaped and reshaped by human beings themselves in their struggle to live up to dynamic factors. Thus, thinking human nature out of the rules of social values and their dynamic nature is erroneous. Thirdly, Meles succinctly underlines that once communities create and set up these blends of social norms, values and rules they pass them to the wider community membership and future generations. Fourthly, Meles nails down that growth and development are therefore primarily social values and norms before they change into any form of material wealth and benefits.

What is the process of creating, disseminating and maintaining these growth-friendly social values and norms? Meles has an answer:

Creating the proper blend of norms, values and rules to reduce uncertainty and transaction costs is a critical factor in accelerated growth and development. The creation of such social values and norms is called social development or social capital accumulation. Social development is thus not only an essential element of development but also a critical instrument of accelerated economic growth. The accumulation of social capital, which plays such a critical role in accelerating economic growth, is a public good, which has increasing returns to scale.

Meles labels these development-motivating social values, rules and norms as ‘public good’ apparently for three definitional underpinnings. First, social values are generalized beliefs, principles and guidelines of an accelerated growth among the majority of the population. They include such positive values like strong love and habit of work, firm disposition toward self-confidence, self-reliance, continuous self-improvements, innovativeness, willingness to learn from others and to share ones experiences with other needy ones, saving, and so on. Second, social rules, on the other hand set standards and governing procedures in the struggle for accelerated growth like punctuality, planned engagements, commitments to the rules of do’s and undo’s agreed by the community, compliance with public laws and requirements, anti-corruption duties and restraints from ethically harmful activities and others. Third, by social norms, Meles must have meant the rules of restrictions and sanctions on members of the community and government who tend to break these rules and agreed standards of accelerated growth.

Meles Zenawi emphasizes again on the development of these positive social values for five practical reasons: firstly, the rules of these values are social infrastructures serving as a basic input for accelerated development as much decisive as roads, electricity telecommunications and so on. Secondly, once they grow, as the outlook of the majority, political systems and the relations between citizens and the government shall become adequately predictable, purposeful and trust building. Thirdly, positive social values and norms of development naturally have the lowest transaction cost as compared to other growth investments like technology and capital accumulation, which are structurally scarce for a starter economy. Fourthly, these values guarantee the sustainability of growth, as they are pervasive and permissive across the larger community. Fifthly, they serve both as necessary and sufficient conditions in a country to start growth from ground zero.

What one should ask here is how these social values develop in a society, which formerly severely lacked them? How could a community that was fighting bloody civil wars, suffering from ignorance, viewing poverty as a given condition and having little capital and resource adapt itself to these social values? Meles supplies the answers as follows:

It is, hence, undersupplied by the market and is subject to vicious and virtuous cycles. It is created by social activity by civic engagement in the context of horizontal and dense networks and inculcated and sustained through modeling, socialization and sanctions. The state plays a critical role in social capital accumulation through undermining patronage networks and promotion of fairness and equity, through the promotion of participation and democracy, and through appropriate sanctions and efforts at socialization.

According to Meles, the neo-liberal paradigm, which suggests a non-activist and non-interventionist state, a night watchman state, is structurally limited to undertake these grand projects in developing societies. The neoliberal paradigm fails to achieve these goals because its own outlook bends its attentions out of direction from the human side to the material side of growth. It practically leaves these communities to adapt themselves to serving self-interests in a non-existent free market.

4. Meles's contributions

By this analysis, Meles contributes five thrusts into the political economy of capitalist development in formerly poor states and societies:

First, Meles challenges the neo-liberal conception of 'self-interest' as the driver of economic capitalistic growth as a key approach, by exposing its fallacies. He argues that such a government solely by self-interest maximizing individuals is a theoretical impossibility. For Meles, every government consists of both self-interested individuals and non self-interested ones as historical, empirical and social reality. From this, he concludes that if there exists such a government full of self-interested individuals, then, it must be essentially predatory. And, a predatory state will finally create the condition of its own violent collapse;

Secondly, Meles liberates the self-interest conception of neo-liberalism from the intricacies of its non-human material host--the free market. At the same time, he drags it to its appropriate sanctuary, human beings, by replacing market with social values, rules and norms. For Meles, the most important source of capitalistic growth exists not with the non-human store of market combining with self-interest, but within the minds and thoughts of human beings. By this, he reconciles the market-led individual self-interest with the collective community interest after he asserts that the community has also non-self-interested individuals;

Thirdly, Meles redefines 'individual self-interest' as a mental status in poor states and a coexisting human quality along with the other category of what he calls again 'collective interest'. For Meles, developing positive values, for example, for diligently working for

the cause of collective interest can also be an individual interest by itself. The most important issue here for him is which value (the value of individual self-interest or collective interest) has a dominant position across the government and the society. In the first case, government becomes an instrument of patronage and shameless corruption; in the second case, government becomes an engine of capitalist development;

Fourthly, Meles does not want to be a prisoner of fantasies and utopian ideals in the vacuums. He realizes that the continuous battle between individual self-interest and non-self-interest or community interest is the essence of his project of developing an appropriate social capital in favor of the latter. However, the domination of individual interest may infringe upon the collective interest both within the government and without. For Meles, the right balance must always be in favor of collective interest or those with non-self-interest must have an upper hand. The instrument for this is, according to him, consistently applying legal and social sanctions against those prioritizing their individual self-interest.

Fifthly, for Meles, this government is structurally a burgeoning coalition of non-self interested individuals within the government and the society. The primary mission of this coalition is to insure the rule of collective interest and harnessing individual interest to follow strictly legal, procedural and community standards and rules---sanctions. This coalition has no any goal of inhibiting individual self-interest; but to block its potential influence effectively so that it could never undermine collective interests.

By this, Meles, instead of wishfully denying the places individual self-interest, and promoting collective interest in the cloud, he skillfully draws a realistic boundary between them. While collective interest for him is a structural construction of social development and consistent growth, individual self-interest is a functional existence but controlled by the rule of non-self-interested government and community.

Conclusions

Meles's version of 'self-interest' is now a literary existence not simply for the satisfaction of intellectual appetites but a working treatise with an inner force of shaping the behaviors and practices of all concerned actors. It is never a fantasy but an exercisable mental guide, which Meles himself convincingly followed and lived. By this, Meles lowered neo-liberal hallucination from its watchtower sanctuary down to the earth by practically showing that capitalist growth in pre-capitalist societies is never the factor of simply combining individual self-interest with a free market. Capitalism is a creation of government policy and human action.

Meles uses differing phrases to represent the kind of government and society ruled solely by self-interested individuals. He, for example, uses 'rent-collecting state, predatory government, system of patronage, patrimonial state' and so on. All these, one way or another, refer to 'kleptocratic rule' or government by thieves. Meles's explanations agree with modern thoughts of ethical philosophy in many different ways. Government theft', for example, does manifest itself not only in abusing public authority for the

fulfillment of ‘individual self-interest’ but also in undermining the spirits of non-self-interested individuals, coalitions and officials in the name of law, free media, democracy and so on--cynicism. It is also consistent with Meles’s generalized idea that while non self-interestedness the *rule of self* by the individual from within—intrinsic control, self-interestedness is a *rule by extrinsic appetites* like material temptations. .

The remaining task, therefore, for the post-Meles generation of government officials across the entire public sector, the ranks of the ruling party, and even opposition parties is to answer the question boldly for oneself: ‘where am I standing?’