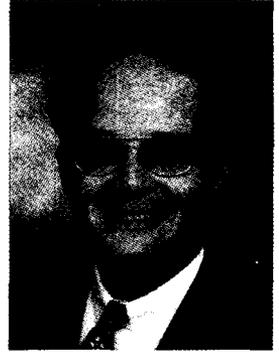


**IDEAS
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A Privatization Revolution in a Most Unlikely Place

When Mount Nyiragongo suddenly gushed red hot lava down its southern slope and destroyed the town of Goma in the Congo last January, hundreds of thousands of refugees poured into tiny neighboring Rwanda.

It was the first time since 1994 that Rwanda had been on the front pages in America, and most of the stories reminded readers of the awful circumstances of the previous occasion. In 1994, nearly a million of the country's eight million citizens were slaughtered in ethnic violence between the Tutsi and Hutu tribes. Perhaps in reading the news of this most recent tragedy, Americans wondered if anything good ever happens there.

I was in Rwanda last January to observe in the wild some of the only 670 mountain gorillas left in the world. They live on a string of lush, rain forested-volcanoes along the border with Uganda and the Congo. Mount Nyiragongo, adjacent to the volcano I climbed to see the gorillas, blew up just three days after I left. But the purpose of this column is not to bring more bad news from Rwanda; the purpose is to share some incredibly *good* news, which deserves far more attention than the few paragraphs it has so far garnered in the Western press.

Hints of this good news came my way weeks before even arriving in Rwanda. Making reservations for my gorilla safari via

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e-mail, I learned that all gorilla safaris are conducted by private, native-owned, and locally run companies. (Part of the fee goes to the government for distribution in salaries to national park employees and for programs that protect gorilla habitat. Such programs are substantially supplemented by the efforts of private, nonprofits that get support from around the world.) Three years ago two Rwandan entrepreneurs started the firm I signed up with, Primate Safaris. With six employees, they provide everything a gorilla safari enthusiast in a Third World country could hope for—a competent guide with a four-wheel drive, good meals, and comfortable though Spartan accommodations. The lodge where I stayed at the base of one of the volcanoes is owned by a Rwandan women's association now, but at the time they bought it two years ago it was government property.

One of the first road signs a visitor sees upon arriving at the airport outside the capital of Kigali reads, "Privatization: A Loss? No Way." Another one a couple miles away in the downtown area declares that privatization fights laziness, poverty, smuggling, and unemployment. This is the good news to which I've referred: Rwanda, in the heart of Africa, is engaged in the continent's most ambitious privatization campaign. It may be the *most* ambitious and systematic of any country anywhere. After experiencing the kind of stifling socialist rule that consigned virtually all of Africa to grinding deprivation for ages, this is a country that is embracing the private sector with deliberate policy and enormous enthusiasm.

A photojournalist with dual American and Canadian citizenship, David Pluth, has spent a great deal of time in Rwanda in recent years. As he sees it, the country had nowhere to go but in the direction of free enterprise. What Rwanda has now embarked on is, in his words, “a great experiment” and one that so far seems to be gathering momentum every day.

Robert Bayigamba runs the Privatization Secretariat, the national agency of the Rwanda government that is supervising a continuing selloff of state companies and assets. His 24 employees draw up requests for proposals, solicit bids, monitor contracts, and slice through red tape to facilitate foreign investment in the country. During a two-hour interview with Bayigamba in Kigali, I learned that the privatization campaign has the full support of Rwanda’s extremely bright, 44-year-old, tennis-playing president, Paul Kagame, who holds a degree in professional management and business studies from the Open University of London. Under Kagame’s direction, laws that define and protect private property and the sanctity of contracts have been crafted, replacing a ramshackle legal system that once put political connections ahead of justice and order.

Six times a year Bayigamba’s office produces a 16-page glossy magazine called *Rwanda Privatization*. In a May/June 2001 editorial about the impending sale of one of the few profitable government ventures, the Karuruma tin-smelting factory, *RP* asked, “Why should you sell a viable company that makes a profit?” Answer: “This privatization only confirms the strong determination of the Government to pull out of all its industrial and commercial activities. Moreover, in transferring these companies to the private sector, the Government wants to consolidate their future.”

Embarrassing Failure

By the late 1990s, the Rwandan socialist experiment had become a failure too embarrassing to hide or ignore. With a few exceptions like Karuruma, state enterprises were

slothful, backward, money-losing albatrosses. For the country to survive, the government recognized it had to revive private enterprise and get out of the way.

Bernadette Muhimakazi, executive secretary of the Association of Rwandan Businesswomen, says privatization is seen as “liberating the State from the execution of tasks that are not its job, reducing the waste of resources that constitutes a heavy burden. A private investor gives his all for his business, so he will do a better job and the quality of the work will improve.” Muhimakazi herself personifies the new appreciation of enterprise in Rwanda. Until recently, a woman’s involvement in business was a professional taboo; now, it’s widely encouraged.

In 1999 the bankrupt state oil company, Petrorrowanda, was liquidated. Shell Oil bought a portion of its assets and has completely renovated 14 of the defunct firm’s decrepit and environmentally hazardous gasoline stations.

Tea is a top Rwandan export, and it too is going private. Ten tea factories exist there—nine owned by the government and one, Sorwathé, in private hands. With only 10 percent of the national tea plantation acreage, Sorwathé produced 17 percent of the nation’s black tea in 1999 and boasted a yield that was more than double the national average per acre. So last year the government began selling its eight tea factories and most, if not eventually all, of its tea plantations.

Since the privatization drive started in 1996, other assets sold by the Rwandan government include its hotels, a fruit-juice factory, a printing firm, and companies that make insecticides, tobacco products, sugar, dairy products, processed fish, and coffee. Among many others slated for the auction block over the next couple of years are chicken hatcheries, paper mills, rice products, the national telecommunications company, and even all water distribution and electricity generation. Bayigamba says the country will remain on this path until it creates a genuine free-market economy complete with something else it has never had before—a stock market. □

The Living Wage Folly

by Charles W. Baird

As of July 2001, 62 municipalities (cities, counties, and government school districts) in 24 states had enacted “living wage” regulations affecting all private and nonprofit enterprises with which they do business. California, Michigan, and Wisconsin have more living-wage ordinances (LWOs) than other states, but LWOs are spread widely over the entire country.

Moreover, there are active campaigns to establish new LWOs in all states except Alaska, Idaho, Wyoming, North Dakota, South Dakota, Mississippi, and West Virginia. It is only a matter of time before municipalities in those states are targeted. According to the Employment Policy Foundation (EPF), which is the best single source of data on LWOs, a total of 75 living-wage campaigns are now active in 37 states. There even are or have been campaigns to adopt statewide LWOs in 16 states. (EPF data and commentary on the issue can be found at www.livingwageresearch.org.)

An LWO requires that all enterprises doing business with the municipal authority pay their employees no less than the specified living wage, which differs from jurisdiction to jurisdiction. There are stiff penalties, including back-pay awards, fines, and loss of contracts, imposed on firms that violate

LWOs. Typically an imposed living wage is 50–100 percent higher than the current federal minimum wage of \$5.15 per hour. An LWO is nothing other than a minimum-wage regulation imposed at the local level, rather than the state or federal levels, with the exception that it applies only to firms doing business with the municipal authority that imposes it. State and federal legal minimum-wage statutes pre-empt local wage ordinances as they apply to other private firms. However, 12 private universities, including Harvard and Stanford, as well as several private enterprises, have been implored to adopt their own living-wage policies without government mandates. LWO campaigns undertaken at private firms are modeled after the old union “corporate campaigns” of the 1970s and 1980s. They involve concerted efforts to ruin the reputations of those who do not surrender, as well as picketing, demonstrating, boycotting, and other forms of harassment. All, of course, in the name of “social justice.” In all settings other than labor such actions are called extortion.

The Association of Community Organizations for Reform Now (ACORN) initiated the living wage movement in the late 1980s. ACORN calls itself a “grassroots” organization, but it is mostly a collection of 1960s radicals who, since the worldwide collapse of socialism, need other ways to pursue their anti-market agenda. Its crusade was soon joined by John Sweeney’s AFL-CIO and sev-

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