

Economic Policy and the African Reality

- ❑ Any economic policy must take into account the realities on the ground
- ❑ Since the main aim of any economic policy is to develop a given country, an economic policy which is not in a position to analyze a given situation will inevitably fail.
- ❑ Therefore any economic policy must have a philosophical and theoretical foundation.
- ❑ As a matter of fact any economic policy is not being formulated for the sake of policy formulation, but to solve existing economic and social problems.
- ❑ For various reasons, African countries could not develop their own theories and policies.
- ❑ When they copy policies from other countries, the intellectuals and the political elite have never questioned whether those policies could reflect the African realities or not.
- ❑ Nor they are allowed to debate on policy issues.

What is an Economic Policy ?

- ❑ Let us start with the concept of economics.
- ❑ What is economics? It is not easy to answer this question, since the definition what we have learned at the universities does not give us a satisfactory answer.
- ❑ We are taught that economics is the allocation of scarce resources.
- ❑ Usually Land, Capital and Labour are being seen as scarce resources.
- ❑ Accordingly, we must combine and vary the different factors according to their availability.
- ❑ That means, when we do not have one of the three factors, we must find it somewhere, or must import it.
- ❑ Such kind of thinking and analyzing the concept of economics, which cannot solve existing economic and social problems, leads us to confusion, and we will be compelled to engage ourselves with other things, which produce other problems.
- ❑ From this point of view, I define economics, to use the early Greek concept, household management.
- ❑ Further economics deals with the production of goods and services in order to satisfy human needs.

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- The production of goods and services presupposes, the existence of machines or instruments.
- Only through the aid of machines or instruments, human beings produce goods and services.
- This in turn presupposes the production of machines and instruments.
- The production of machines and instruments presupposes again the existence of energy.
- Only through energy human beings transform materials from their raw forms to products(durable and non-durable goods)
- In its widest concept economics is the transformation of raw materials to tangible or useful goods through the application of human knowledge with the aid of machines or instruments and energy.
- Until now we dealt with the production of goods and services.
- Since any society is complex and likewise the needs are vary from person to person, any society must be organized on the basis of division of labor.
- Only on the basis of division of labor, and on the above conditions any country can create true wealth

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- ❑ This last definition is not complete. Because the problem of space and time are not included.
- ❑ If we take the definition of school economics, it does not know space
- ❑ By space I mean an orderly organized structure(cities, towns, villages, interconnected with infrastructure) and with many other features like aesthetic and others.
- ❑ The school economics narrows and reduces economics to simple production and mainly to consumption, by excluding the fundamental aspect of human needs, that is civilization in the widest sense.
- ❑ Accordingly human beings are existing for the sake of production and consumption, without spiritual needs, and real civilization.
- ❑ To complete this aspect, economics must not only deal with production and consumption, but also with true human civilization, which could bring harmony and peace in any society.
- ❑ Any kind of economic policy which is not consciously organized, and which cannot address the above needs culminates into chaotic conditions, and most probably to war.

The question of policy

- With policy we understand the application of a given doctrine.
- With a certain kind of policy any government tries to solve existing economic and social problems
- As such any policy must have any kind of theoretical and philosophical foundation
- That means the aim of any policy must clearly be defined with the basis of a theory.
- As a matter of fact we can construct theories by abstracting existing conditions.
- Existing conditions must be seen, and as such to a certain extent they are tangible.
- Only from what we see, we live and experience, we could imagine, formulate and develop a theory.
- Therefore any kind of economic policy must be developed from existing conditions.

Traditions in Economic policy

- ❑ In the history of European economic policy, there are at least five types of economic policies
- ❑ The physiocratic tradition, which sees that social wealth can be created through agriculture. Only agriculture produces surplus products
- ❑ The Mercantilist traditions sees, that national wealth can be created by accumulating Gold and Silver through active balance payments policy
- ❑ Later on the Mercantilists included manufacture, and the development of the home market by following an active state interventionist policy.
- ❑ The Mercantilist economic policy helped many Western European countries to organize and develop their countries as Nation-States
- ❑ The liberal traditions of Adam Smith and Ricardo sees that only free trade can create national wealth. Here Adam Smith stresses the necessary of the division of labor
- ❑ The Keynesian tradition sees that only through state intervention, economic crisis could be overcome
- ❑ The Neo-liberal tradition rejects state intervention, and insists that everything must be left to market forces.
- ❑ Both the Keynesian and Neo-liberal economic policies are not wealth creating instruments but they have more or less distributive characters.

The African Experience

- ❑ Due to four factors, many African countries could not develop their own theories and economic policies
- ❑ Slavery, Colonialism, the new international division of labor, and the absence of a Renaissance type of intellectual debate are factors that block any meaningful theoretical and policy development.
- ❑ The European experience proves that, Renaissance and Enlightenment are responsible for the emergence of intellectual debates, and critical ideas
- ❑ Since many African countries lack these preconditions, they are condemned to accept the free trade doctrine what has been already developed in Western Europe and later on in America.
- ❑ Due to lack of social forces and intellectual strength, African governments must accept economic policies which could not reflect existing social relationships.
- ❑ As a matter of fact economic policies which are based on the free trade ideology, and the international division of labor , could not create favorable situations for the development of a home market which is based on manufacture activities.

Questions which must be raised !

- ❑ First of all, before one formulates any kind of economic policy, one should ask why a particular economic policy is chosen ? Whether the chosen economic policy creates true wealth ? whether the new wealth lays the foundation for a sustainable development ? and whether the living standards of the people of that particular country be raised ?
- ❑ These and other vital issues were not raised when policy makers were rushing to African countries to advice African governments.
- ❑ Especially the new political and economic order after the Second World War, was favorable to expand the new mission of modernization
- ❑ Those experts who developed the so-called modernization policy, did not formulate their policy from a holistic point of view, but from a simple free market ideology which could not address the African reality
- ❑ without considering the historical and cultural experiences of each country, It was simply believed that the free market ideology can universally be applied.

Other Points which were not raised by the policy makers

- The question of social relationship- that means who controls the means of production, especially land
- The role of state in allocating resources, and the existence of private property
- The issue of resource controlling, and its proper management
- The issue of the division of labor, that means whether diversified economic activities do exist or not.
- The organization of the economy, private(small, medium and large economic activities) and the role of the state
- Types of industrial activities, light and heavy industries
- The technological basis of the industries, manufacturing and electrical engineering
- The role of science, research and development
- The role of the banking system, in generating funds, and financing industries
- These and other essential issues were not raised, when policy makers formulate a free market economic policy

The Characteristic Features of the Economy of African Countries

- ❑ Undeveloped division of labor- that means all the three sectors are not well structured, and are not interconnected with each other
- ❑ Hence the agricultural sector could not be developed as a raw material producing sector for the existing industries
- ❑ Valuable raw materials, such as Copper, Diamond, Iron Ore, Oil, Cobalt, Lead, Nickel Ores, Platinum, Zinc, Titanium, Coal, Uranium, Bauxite, Cobalt Ores and others are being exported without being processed and produced as finished products
- ❑ That means the entire value-added effect will be cut, and African countries could not create true wealth which could benefit the society and hold it together.
- ❑ Such a system based on raw material extraction and exportation will have negative impacts on the cultural, social, political and economic developments of the continent, and the citizens could not exercise their God given natural freedom
- ❑ Low manufacture base, which is not based on science and technology, and hence cannot create true wealth is the dominating feature of many African economies
- ❑ Most industries are dependent on input factors which must be imported, and hence they are vulnerable to any kinds of shocks
- ❑ Very low capacity of job creation, and hence the income base of the society is very narrow
- ❑ This means that the tax base of many African governments is very narrow, and mainly based on indirect taxes
- ❑ Very narrow home market, and many cities, towns, and villages are not connected with rail way systems, and good roads