Economy: Where we went wrong

By Vincent Orute

Here we stand again after two decades of development, trying to pick up the pieces, and we simply do not know whether problems associated with dire poverty have increased or decreased or what real impact the growth of Gross National Product (GNP) has made on them. We do know that the rate of growth, as measured by the increase in GNP, has been fairly respectable in the 1960s, especially by historical standards.

We also know that some countries in Africa have achieved a fairly high rate of growth over a sustained period. But has it made a dent on the problems of mass poverty? Has it resulted in a reduction in the worst forms of poverty- malnutrition, disease, illiteracy, shelter less population, squalid housing? Has it meant more employment and greater equality of opportunities? Has the character of development conformed to what the masses really wanted immediately after independence? We do know so little in this field. There are only a few selected indices, and they are rather disquieting.

A recent study shows that 30 to 45 per cent of the population in most African countries has a per capita income below the official poverty line of $I per day, where malnutrition begins.

And what is more pertinent, the average per capita income in this group of countries declined, while the average growth rate in GNP went up.

The essential point, however, is that a high growth rate has been, and is, no guarantee against worsening poverty and economic explosions.

What has gone wrong? Our economists confidently tell us that if you take care of your GNP, then poverty will take care of itself. We are also told quite oftenly reminded by our economists to keep our eyes focused on a high GNP growth target, as it is the best guarantee for eliminating unemployment and of redistributing incomes later through fiscal means. Then what happened? Where did the development process go astray?

Where we went wrong

My feeling is that we went astray at least in two directions.

First, we conceived our task not as the eradication of the worst forms of poverty but as the pursuit of certain high levels of per capita income. We conceived ourselves that the latter is a necessary condition for the former, but we did not in fact give much thought to the interconnection between the two variables.

Our development economists persuaded our leaders that life begins at $1 per day and thereby they did no service to them. Our governments chased elusive per capita income levels, fused about high growth rates in GNP, they worried very much about " how much was produced and how fast" and cared too little about "what was produced and how it was distributed".

In my view, this hot pursuit of high growth rate in GNP was not necessarily wrong; the only problem is that it blurred our vision. It is no use pretending that it did not blur our vision, for how else can we explain the worsening levels of poverty in many countries in Africa today? How else can we explain our preoccupation as an economy with endless refinements of statistical series concerning GNP, investment, saving, exports, and imports, continuing fascination with growth models, and formulation of evaluation criteria primarily in terms of out put increases?

If eradication of poverty was the real objective, why did so little professional work go into determining the extent of unemployment, misdistribution of incomes, malnutrition, shelter less population, or other forms of poverty? Why is it that even after two decades of development, we know so little about the extent of real poverty, even in such well-planned economies as South Africa, Nigeria, and Botswana?

Besides the constant preoccupation with GNP growth rate, another direction I strongly feel we went wrong was in assuming that income distribution policies could be divorced from growth policies and could be added later to obtain whatever distribution we desired. Here we displayed a misguided faith in the fiscal systems of the developed world and a fairly naïve understanding of the interplay of economic and political institutions.

We now know that the coverage of these fiscal systems is generally narrow and difficult to extend.

We also now know that once production has been so organized as to leave a fairly large number of people unemployed, it becomes almost impossible to redistribute incomes to those who are not even participating in the production stream.
Once you have increased your GNP, by producing more luxury goods such as cars, and luxury houses goods, it is not very easy to convert them into low- cost housing or bus transport.
But where does all this lead us? In my view, it leads to a basic reexamination of the existing theories and practice of development. It is now time that we stand economic theory on its head and see if we can get any better results.
In a way, the current situation facing most African countries, reminds me of what my Ugandan economics tutor used to tell us when we were in college. It also reminds of the state of affairs in the developed world before John Maynard Keynes shook us all with his general theory. Keynes provided us with a fresh way of looking at economic and political realities. Although his theoretical framework was not very elegant, but his ideas had a very powerful impact.
African countries today are very busy seeking a fresh way of looking at their problems. They are disillusioned, and somewhat chastened, by the experience of the last two decades. They are not too sure what the new perspective on development should be, but at least some of the elements are becoming increasingly clear now.

Vincent Obiro Orute is a seasoned banker and microfinace expert

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