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The Systems Theory Of Economic Development; As Formulated By Kwabena Meneabe Ackon on 12th November 2020; Discussed In The Context Of Human Capital and, Economic, Social And Political Institutions In Africa.

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The Systems Theory Of Economic Development; As Formulated By Kwabena Meneabe Ackon on 12th November 2020; Discussed In The Context Of Human Capital and, Economic, Social And Political Institutions In Africa.

Abstract

Africa is not poor, yet Africa has piqued the interests of economists for the last half century and there is a good number of academic literature on why Africa is poor. This is because for the resources available to Africa, both natural and human capital potential, the continent has underperformed abysmally. The Systems Theory Of Economic Development explains the current state of Africa. It explains why despite the resources available and the human capital potential, the African continent lags the rest of the world in every measure of economic and social development. The Systems Theory Of Economic Development also provides a framework of what Africa can do to write a new story where economic development is inclusive and provides economic opportunities for the young and able-bodied, reversing the ever-rising tide of public debt while providing a self-sustaining economic, social, and political system that works for all and sundry.

Introduction

Africa is not poor, yet Africa has piqued the interests of economists for the last half century and there is a good number of academic literature on why Africa is poor. This is because for the resources available to Africa, both natural and human capital potential, the continent has underperformed abysmally. To appreciate the weight of this, there is nowhere else on earth where the young and able-bodied are willing and ready to die crossing the Mediterranean into Europe on dinghy boats every summer.

This shows that despite the somewhat rosy statistics on economic and social progress being made in Africa, the economic situation is still dire and precarious for many of the inhabitants of the African continent. This is not an attempt to belittle any economic and social progress made by Africa since 1960. That said, for lesser resources and endowments, countries such as Singapore have been able to transform their countries and economies within a generation and to a point where Singapore is now one of the countries with the highest per capita income in the world and a manufacturer of intermediate and final goods for the world.

Moreover, Africa and China were at the same place in terms of economic and social development in 1960 but China is now a leader in technology and a prime source of foreign direct investment for Africa. It is noteworthy that countries such as Gabon and Rwanda are outliers on the African continent when it comes to the aforesaid observation. In fact, it is unlikely that any youth from Gabon or Rwanda will attempt to reach Europe via a dinghy boat on the Mediterranean.

What caused this divergence? And what can Africa do about it.

These observations is reflected in the Agenda 2063 Africa We Want mantra by the African Union.

One of the main themes that appears in many of the economics literature is the role played by institutions, that is, economic and political institutions. Such is its level of use that when it comes to economics and Africa, the term institutions passes for a cliché'. But there is more to it than meets the eye.

In Africa, institutions are more than "the humanly devised constraints that structure political, economic and social interaction. In fact, it is the very system¹ on which these constraints that structure political,

¹ For this article, a system is defined as a set of things working together as parts of a mechanism or an interconnecting network, a complex whole. In in this instance, the real economy, society, politics, firms, government, households, and individuals are all interlinked and not disparate units or systems.

economic, and social interaction operate. It is the political system. The economic system. And the social system.

It is a system where there is a lack of accountability by politicians and anyone in a leadership position (this includes private businesses and state-owned enterprises). A system so fraught with corruption that the best and brightest of Africa hardly ever make it into leadership positions where they can help Africa write a new story. A system so dysfunctional that informality of the economy grows to a point where so much of what is supposed to be economic activity yields no revenue for the state. And where revenue comes in from the sale of natural resources, a lack of a social contract - partly due to extremely low tax receipts - means that politicians are free to use resources in a manner that is of little or no benefit for the state. This leads to a system where there are no incentives for economic and technological innovation – an economic stasis of some sort wherein economic agents are unable to transform resources available into products or services of significant value to the local economy or intermediate or final goods and services that is part of a global value chain.

To appreciate this, a walk through a typical Sub-Saharan African city reveals large numbers of hawkers and traders - a good number of them children of school-going age - all selling the same products that are mostly imported. These hawkers and traders often sell very close to each other that it is impossible for one of them to earn a decent and taxable day's wage.

Little or no government revenue means that every developmental project must be debt financed from the issuance of government bonds. And a further lack of revenue means that more debt - often using natural resources as a guarantee - is issued to service existing debt creating a circular cycle of debt and even more debt and even more economic stasis. This is a summary of the African story thus far.

In economics, we are taught that economic development does not happen overnight. In fact, the economic success stories of the last half-century has taken place over a 30-year period and these success stories have always included substantial improvements to human capital. Indeed, some economists have even gone a step further to argue that human capital improvements which lead to the adoption and improvements in technology and economic innovation are not only the sources of economic development; they are economic development itself.

It cannot be gainsaid that Africa lags the rest of world in human capital capabilities and development. The evidence is very clear. We are talking about a continent where items such as toothpick are imported when there are so many trees on the continent and its imaginable that the technology required to make a toothpick is not complex. This is what economic and social stasis is.

The aim of my research is to find out whether improvements to human capital in Africa improves institutional capabilities be it economic, social, or political institutions. Will human capital improvements enable Africa to develop an economic system where economic activity is recorded and taxed fairly (not suffocating taxes), reducing informality in the process, raising revenue for economic development projects, creating a reliable system which incentivizes and where the best and brightest of Africa can adopt technology and innovate and add value to natural resources extracted. A system where corruption is checked and possibly uprooted because the citizenry are educated and take an active interest in state affairs, understanding that economics is the management of finite resources, and realise that Africa is the only place they can call home and therefore work hard to make it a place where all Africans can call home and are happy to return to.

Discussion

The Systems Theory Of Economic Development is sound and explains the state of Africa more than any theory ever formulated or postulated in the annals of economic theory or history. It is intended to elicit debate and discussion both in academia and policy circles. The Systems Theory Of Economic Development is not ideological. It is neither capitalist nor socialist. It is practical. The Systems Theory Of Economic Development explains why African scholars, scientists and technologists are contributing (and innovating) to the advancement of science and technology in foreign universities and laboratories but making little or no impact on the African continent. It also provides a framework which African

leaders and policy makers can work from to realise the aims and objectives of Africa's Agenda 2063. The Systems Theory Of Economic Development is such a powerful theory that the more one considers it, the deeper the insights. It leads to so many aha! moments.

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