Impact of leadership on a country's economic growth.

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Abstract

Since a long period of human history, little attention has been paid to how the quality of leadership could affect the economic growth of a nation. In countries with strong administrations, this effect was very small because leadership has been thought of as the ability to make people follow the rules that already exist. In addition, most researchers focused on political leadership, which narrows the definition of leadership. Furthermore, most growth theories do not appoint leadership or the quality of the people at the head of the nation as an asset to economic growth. Among the main factors mentioned for making growth happen are infrastructure, education, health, access to water and electricity, and technological development. It was not until Jones and Olken published their article on the possible link between leadership and economic growth. In fact, leadership matters as far as economic growth is concerned, resulting from the impact of decisions and policies and their sustainability over time. All in all, this paper is a comparative analysis of the economic growth experiences of countries and the leadership aspects that sustain them. We conclude that countries with strong and quality leaders have successfully achieved their objectives in terms of growth, which is not the case with those being led by weak leadership.

Introduction

The quality of leadership is a key factor in a country's economic growth (Jones & Olkens, 2005). Leaders' decisions affect both short-term and structural policies of a country which in turn have an important influence on the level of growth and sustainability. Perception of the influence of leadership on economic growth has evolved from before, during, and after World War II. Studies show that there is a positive link between a leader's education level and the level of economic growth known by the country which he leads. The leader's Education level of is a fundamental element in defining the difference between developed and underdeveloped countries (Owoye & Onafowora, 2020).

The example of Nigeria can tell us well about how the exercise of leadership can influence the economic growth of a nation. In fact, after Nigeria's independence in 1960, the newly independent republic was ruled by poorly trained military groups who imposed a regime of terror. It is noted that from 1960 to 2000, the economic growth of Nigeria was negative or otherwise qualified as very weak, with an average of 0.4% of growth. This predicament placed the nation among the poorest in the World. It was until 2003, when civilians and educated leaders entered power, an act personified by Olesegun Obasanjo, that Nigeria underwent regular, organized, and sustained reforms that enabled the country to become the largest African economic power to date. (Iyoha 2010).

Currently, Nigeria is the cited as first African economy with a GDP of USD 514.05 million in 2014 before Egypt which realized a GDP of USD 394.28 million. This comfortable position making Nigeria the fastest growing economy in Africa is mainly due the expansion of its financial industry which jumped from 1% in

2001 to 10% in 2018. Secondly, this situation is explained by the position of the country as a world leading oil exporter. (Leadership news 2022)

Defining Leadership

Leadership is defined as a person's ability to motivate people around a vision. (Carleton, 1998). Leadership is a form of power where a person can influence the values, beliefs, behavior, and attitude of people around them. (Ganta, & Manukonda, 2014) cited by (Hao α Yazdanifard 2015). This makes it easy to see that the quality of leadership determines the level of output of an entity whether it is a company or a nation. To this, John Maxwell, a leadership expert, said, "To change an organization, change its leader."

Matthew R. Fairholm says the leadership concept has long been less perceived in public administration. The public administration would therefore do well with the policies and procedures already in place. He recognizes that in the public sector, leaders already have a legitimate leadership position or power. The emphasis on this should be placed on the practice of leadership as a skill or set of values needed to improve the work of business leaders. In addition, the biggest difference between management and leadership is that if you can name it, program it, and count it, then you can manage it, but if you can't control it, you need leadership to influence it. (Fairholm, 2004).

What is economic growth?

Economic growth is defined as the increase of good and services that improve humans' lives and promote happiness over a period. Economic grow can be felt simply by looking around us now and considering how information sharing is became so cost-effective compared to a decade ago. Today, millions of dollars allocated to travels are saved as a result communication technologies in place just to mention a few. The access to opportunities and the freedom to live the life we chose is tightly linked to economic growth. (Max Roser 2021).

The economic growth is at the heart of the development and well-being of a country or community. This is to say, a sustainable economic growth for a certain period has a huge impact on poverty reduction. For instance, from 1985 to 2001, the number of poor people in China decreased from 470 million to 213 million. Researchers affirm that a 10% of increase in per capita income can reduce the poverty by between 20 to 30%. This is case with India where in huge poverty reduction was achieved thanks to the sustained and rapid economic growth. (DIFID 2003)

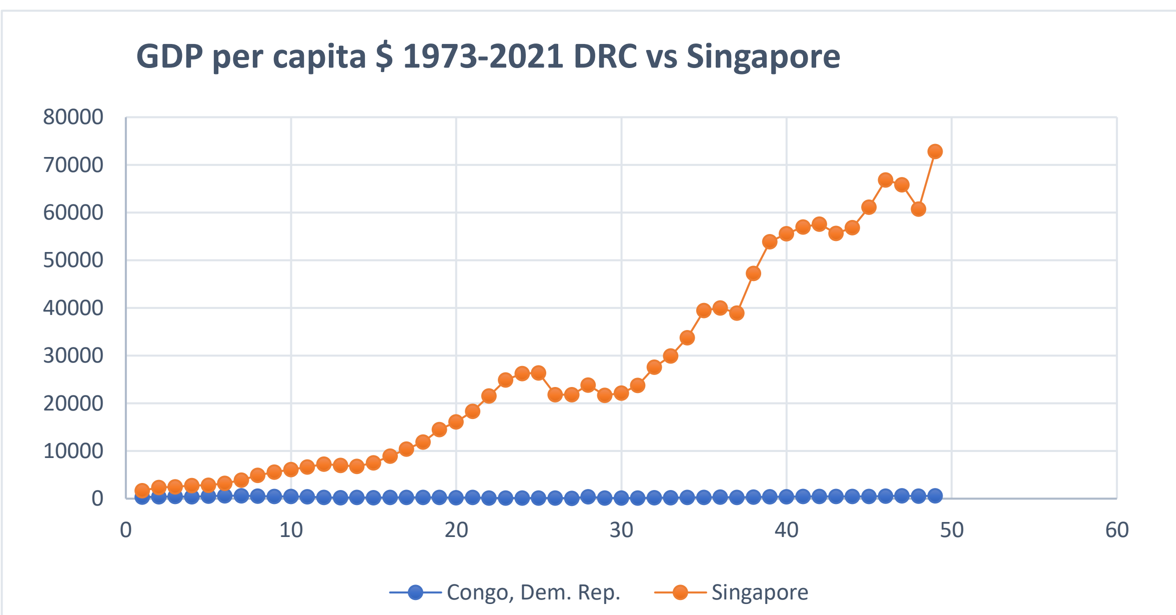
However, most scholars are denied monetary measurement of the economic growth as prone by growth practicians. As matter of fact, measuring grow only through the income is abstract in the sense that it doesn't consider the happiness and other important factors the cover the economic growth of an economy. Although, this view is relevant measuring economic growth by the GDP per capita proved to be recommended because it provides an overview of the economic activity of a country. Next, the economic growth increase income of the people which affect positively the access to education which increases demand in good governance.

Leadership made the difference.

Leadership is cited as the element of difference between Singapore and the Democratic Republic of Congo. Indeed, the former was subject to a very painful beginning after their access to independence in August of 1965. Among many weaking factor, we can note the departure of English troops at the end of the war, resulted in the loss of more than 35,000 jobs. Next, these facts combined with the mass destruction of infrastructure due to the war plunged the country in extremely high rates of unemployment. Fallowing that, Singapore was expected to be one of the poorest countries in the world because of lack of land, resources, week population, tribalism and those not mentioned here but it is opposite that happened. As opposed to that, the DRC inherited of a stable and prosperous economy after its independence in 1960. however, the Democratic Republic of Congo is currently considered as a least developed country in the world according to ODA list of recipient's countries while Singapore is one of world's benchmark economies with GDP per capitata of USD 82.808 vs 703$ for the DRC. Menon 2007).

In the same vein, Menon 2007, points out that Singapore has been a resounding success thanks to the leadership set by the PAP (People's Action Party) under the leadership of Lee Kwan Yew (LKY). To combat the perverse effects of corruption, Singapore has set up a very strong monitoring commission. Lee Kwan opted for a bureaucratic regime in which the state proceeds to the distribution of lands, votes on policies and promotes investments. To attract capital, technology, and know-how, Singapore has made the United States a privileged ally which was not well perceived by most eastern countries. As a solution the lack of land, Singapore has positioned itself as the financial center of the world by investing in high-tech education, making it the "brains of industry instead of the workforce". To date, more than 3,000 multinational companies have their headquarters in this country.

However, the Democratic Republic of the Congo has taken the opposite path by setting up a dictatorial regime, oriented towards tribalism, fanaticism, and the cult of personality. The leadership approach plugged the country decrease the quality of economy perspective with a human capital index of 0.37% one of the lowest in the world according to the World Bank. In addition to that, inconsistent policies, unregulated reforms, and the out-of-control public debt, have caused an endless wave of conflicts that has destabilized key economic growth factors such as infrastructure, education, health, and public administration. (Menon 2007).



Source: World Development Indicators, 2023.

The graph above shows the evolution of per capita income between the DRC and Singapore from 1973 to 2021, for a period of 50 years. Both countries were living the same standard of living from their accessions to independence in the 60s with a per capita income of less than USD 2,000. The major difference as noted above is the set of policies and reforms that have been in place for years. Singapore has opted for a hybrid system combining democracy and authoritarianism while the DRC has opted for an authoritarian regime based on corruption and tribal divisions.

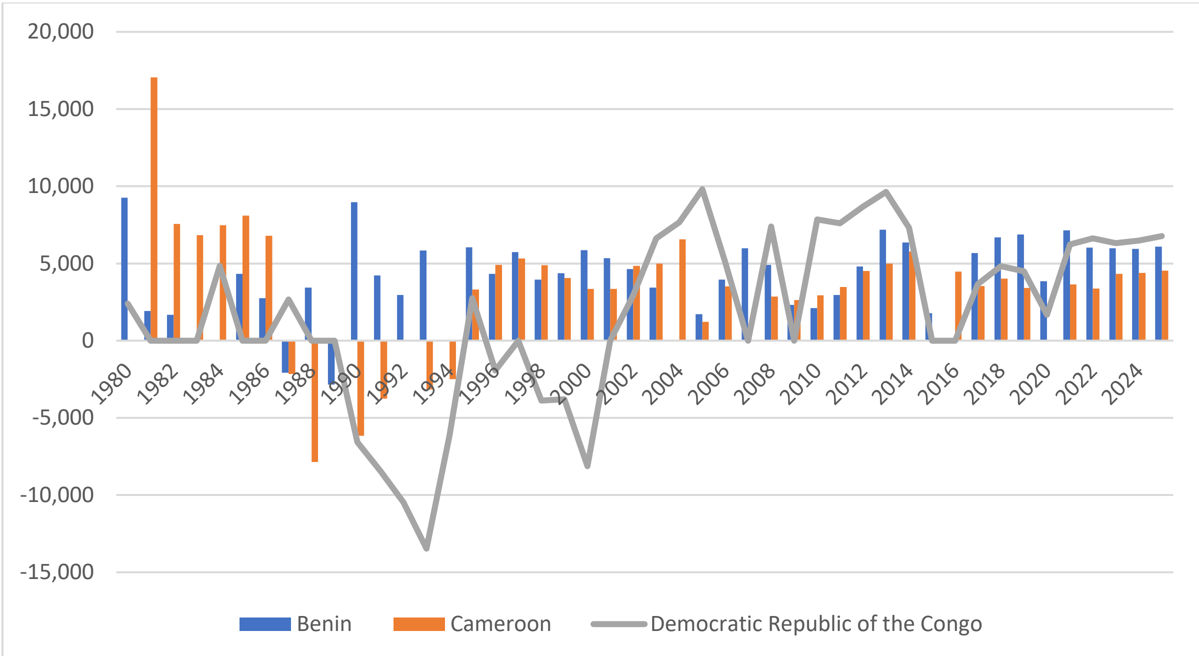
It should be noted that uncontrolled authoritarianism is generally considered harmful to the economic development of nations as demonstrated by the cases of the Democratic Republic of Congo as well as that of Nigeria. However, many researchers believe that a totalitarian diet can be beneficial for sustained and well-controlled growth. Continuing from the perspective of Southeast Asian countries, John Carleton describes authoritarianism as the factor that allowed Malaysia to experience economic development. The authoritarian regime led by Abdul Razak Hussein helped the Malaysian people develop a common vision, break the division between society and minorities, and consider the public's real general aspirations.

The government exerted total control on the press and the media, public finances, and the redistribution of wealth. Given that the country is essentially Islamic, the Malaysians have made justice a priority in all their affairs because it represents a form of worship to Allah. They have put in place a constitution that allows every Malay to enjoy his rights. The Chinese and Indian owners were happy to receive the funds from the state and sell more and more in a fluorescent economy. Minorities were happy to see their children find work and participate in the growth of the economy.

Impact of leadership in economic growth

In this article, we will try to present the importance of leadership and its quality in a country's economic growth. We will explore what a leader needs to have as assets to lead a country towards increased production leading to positive and sustained economic growth over time. We will proceed with a comparative analysis of some countries identified in the groups of developing economies.

Benchmarking Economic Growth and Leadership



Source: WEO_Data subs Africa

This is a comparison of the trend in the growth rate of 3 countries of Sub-Saharan Africa that have had similar experiences in terms of colonization, independences, dictatorship, and decline etc. including Benin, Cameroon, and the Democratic Republic of Congo. In the framework of this paper, we will focus on Cameroon and Benin, the situation of the DRC being already mentioned above, to illustrate the impact of political decisions on growth trends presented in the graph above.

According to Ajab Amin, the Cameroonian economy was characterized by a long period of prosperity especially from their independence in 1961 to 1980. Indeed, Cameroon presented itself as a diversified economy fundamentally driven by agriculture in the first phase of 1961-85 and then by oil in the second phase of 1978-83. The State's participation was strongly felt during this period as several public entities were set up to control the sector. The state was the largest employer with over 100,000 employees with a salary that increased every year.

From the table above, we can see that Cameroon achieved a growth of 17% in 1983. Then, the trend remained until 1986 with a growth rate of 6%. In addition, from 1988 to 1994 the Cameroonian economy collapsed mainly because of the fall in commodity prices, notably oil and agricultural products' prices. In addition, the Cameroonian administration represented more than 50% of public expenses. This situation triggered an urgent need for structural adjustments. On top of that, one of the biggest reasons for the fall of the Cameroonian economy is the lack of rational decision-making.

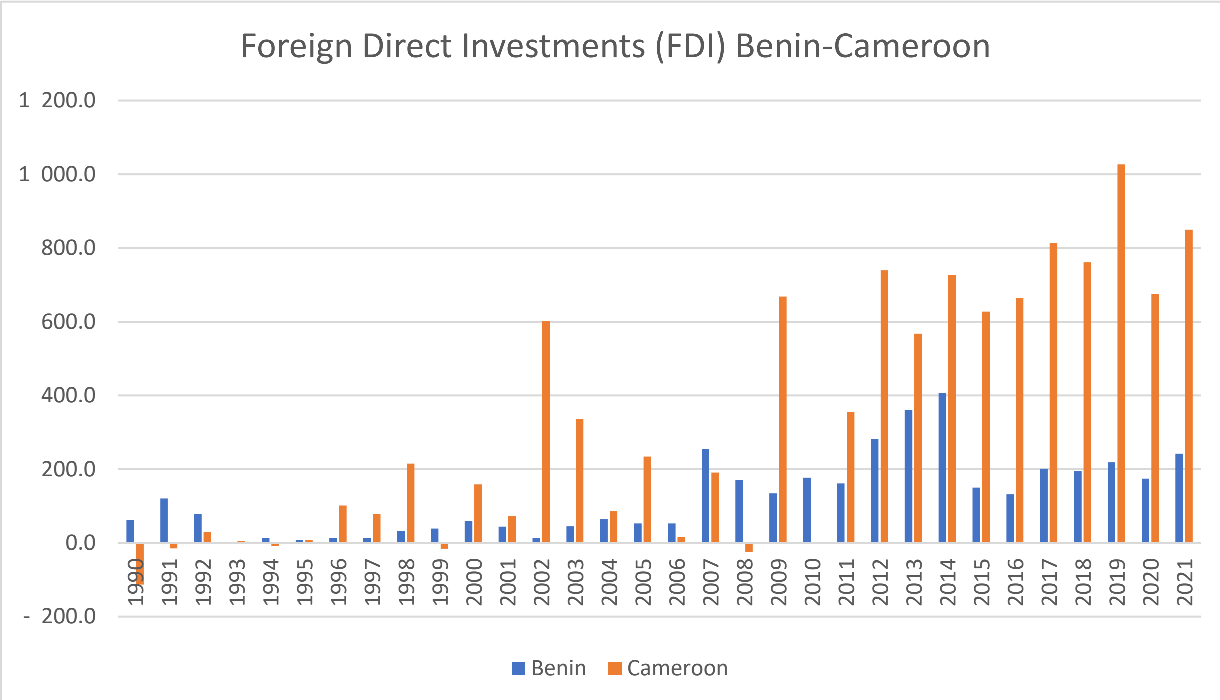
This situation has led the country into a state of deep depression from which it struggles to recover up to this day. The public administration has adopted lifestyle reduction measures to build resilience through investment in productive sectors such as education and technology. The State set up a program of reducing public spending by 18% initially and 60% in the late 60s. The National Hydrocarb Corporation (SNH) ended up with a debt of about 200 million dollars. As a result, civil servants saw their salaries cut by 50% after 1993 as an adjustment measure.

The case of Benin is not so far from the rest of the countries of sub-Saharan Africa, in that the country experienced a notable prosperity in the 1970s to 1980s from where in the above graph shows 9.2% in 1980. The main products offered to the world were cotton, cereals, and other products from agriculture. Benin benefited from a strategic geography with access to the ocean and sharing a long border with Nigeria, one of the largest consumers of Benin's products for its oil industry.

Indeed, the decline of the Beninese economy was marked by the fall of public enterprises with the change of Marxist regime towards a democratic one. It should be noted that Benin's economic growth rate was constant but modest with a peak of 8%. We noted that Benin resumed with negative growth of - 6% marking the decline of an economic system. This situation results from the weight of public enterprises associated with the fall of the financial system and political instability.

The main reasons for the fall of the Benin economy in the 1990s is its strong dependence on the outside for the sale of its main products, and its importation of electricity from neighboring countries. Similarly, Benin's trade terms have been severely damaged by Nigeria's oil recession. In addition, Benin is recognized as one of the most corrupt countries in the sub-region. Benin has taken a fresh breath due to the reforms and urgent measures put in place such as the privatization of certain public enterprises and the reform of taxation by granting exemptions to facilitate access to enterprises. (Amin 2002)

The graph below shows that Benin has maintained an acceptable level of attractiveness of foreign direct investment (FDI). The country mobilized $405 million in FDI in 2013, a peak which demonstrated the impact of urgent measures adopted by its leaders. The level of FDI attraction is relatively stable at an average of $200 million per year. Unlike Benin, the Cameroonian economy has performed well in terms of FDI despite the shock caused by the Covid-19 pandemic. In fact, Cameroon has recorded inflows up to Usd 1 billion in 2019. These figures are the result of contracts signed between the Chinese government because 70% of investments in the country are of Chinese origin. On top of that, Cameroon has enjoyed a fairly long period of political stability under the current regime. Note that the Cameroonian economy remains attractive because of its endowment of mining, oil, and fertile soil for the practice of industrial agriculture.



Source: **UNCTAD's [World Investment Report 2022]**

Conclusion and Recommendations

After analysis we have identified that the impact of leadership on a country's economic growth is very broad. Indeed, vision remains the key to successful leadership in any area of social life. Central African countries have failed to eradicate poverty through:

- **Lack and/or inability to follow a long-term vision.**

The presence of a unifying leader is a basic element for the takeoff and political stability of a nation. After his release from prison, the world expected the bloodiest civil war in the history of South Africa however Nelson Mandela adopted national reconciliation approach, peaceful cohabitation, and forgiveness. This approach has enabled South Africa to build a prosperous and attractive nation. Foreign direct investment rose from $3.04 billion to $40 billion between 2020 and 2021. This is mainly due to the investments for the construction of a large data center as well in green energy of the South Africa (UNACTED World Investment Report 2022).

- **A decision-making not based of real data.**

Studies show that there is a severe lack of real data on various key sectors of the economy mostly in developing countries which hinder the decision-making system in general. Furthermore, most households in third world are not aware of their vulnerability towards poverty. Indeed, in most developing countries, education and training occupy 3% of the national budget. The lack of adequately trained human capital is a barrier to development. On top of that, the decisions made are often short-term with potential long-term negative consequences.

1. **Unskillful Leaders.**

To recall the example of the Singapore, Dr Lee Kwan was a skillful and well-trained university professor, an elite unanimously recognized by all his contemporaries. For instance, in his 30s, LKY obtained the highest academic distinction for his results in law Fitzwilliam College of Cambridge in Great Britain. In 1955, he was associated with the negotiations for Singapore's independence in London where his intelligence and personality strongly impressed the British authorities. The same effect of the level of education of a leader on the growth of a nation is proven by positive influence of Julius Nyerere on the socio-economic advancement of Tanzania.

The main recommendation of this study is that each people should appoint leaders who demonstrate skills such as management, problem-solving coupled with values such as vision, patriotism, common good respect, etc. Next, the fast-changing world we are living in requires well equipped leaders that can help nations navigate through these unprecedented times way to economy recovery.

Our point encounters the conclusion of the paper published by the Foreign Commonwealth & Development office (FCDO) which declared the following: "*But ultimately the biggest determinants of growth in a country will be its leadership, policies, and institutions*."

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