Governance and Africa's Quest for Economic Development: Identifying New Opportunities or Strengthening Development Pedestals

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Abstract

Africa, sub-Saharan Africa (SSA) in particular has remained the least economically developed sub-continent of the world and therefore the least contributor to global output and consumption. That SSAs' developmental quagmire is not due to lack of opportunities but misuse thereof is a well-researched as well as that poor governance structures and practices are major causal factors. This paper is of the view that governance issues in SSA are not problems per se, but symptoms of more embedded problems. The problem of philo-psychology – how citizens see themselves in relation to society; how they tend to treat life – in general; governance inclusive – as well as how they expect to be treated by society. These philosophical dispositions determine or shape the citizens' psychological state of mind on which socio-economic as well as political structures are created, policies enunciated and implemented. This is encapsulated in the concept – egalitarianism. This in turn ensures or discourages socio-economic equality, the second pedestal; described here as social-harmony. Based on 30 year data (1986-2015), using four measures of egalitarianism, one measure of social-harmony and economic openness each as well two measures of good governance, the paper compares twenty developing countries – ten SSAs and ten Asian countries; all former colonies, in respect of the above indices vis-a-vis economic development status. Results show that countries with higher scores on these indices also have better developmental outcomes. The paper therefore advises that while new opportunities may not be inimical to SSAs' economic development drives, addressing issues relating to these indispensable developmental pedestals should be given priority or at least adequate attention.

Keywords: Development, Philo-psychological, Pedestals, Quagmire, Socio-political
Background to the Study
The comparative and continuing post performance of African, especially, sub-Saharan African countries since independence seems to be continuing into the twenty-first century as noted by Easterly, (2001) among others. The concern has been further highlighted by the fact that other sub-continents which were at par with the SSA countries in the immediate post World War II are now far more developed than the region as revealed by World Bank (1993), (1994) and (2009) among others. Worse still is that there is little or no concrete evidence that SSA will or can catch-up soon.

It is the light of this that seeking new opportunities to enhance or speed-up SSA economic development process becomes imperative. This paper however opines that the poor economic performance of SSA; development wise, can be traced to mis-use or poor use of opportunities rather than the lack or inadequacy of opportunities. The paper is of the view that while there are actually a large array of growth factors (variables), these can be grouped into four chambers as - pedestal factors, capital bait factors, growth ingredients and growth catalytic factors according to their role each factor actually plays in the growth process.

The paper further suggests that it is the growth ingredients that actually cause growth, the pedestal variables are the pivotal/stanchion variables on which the growth process is anchored and deficiency in this respect has been responsible for the economic growth/development outcomes observed with respect to SSA. The objectives of this paper are to: (i) demonstrate the policy necessity of the four-chamber classification of grow/development factors (ii) canvas the notion that although there are so many growth factors, only two - capital and total factor productivity (TFP) are the real growth ingredients; others play important but not direct roles in the growth process (iii) rationalise why; notwithstanding point number two above the first set of variables are the pillar or stanchion upon which all other factors are predicted and (iv) attempt to prove why SSA’s poor economic development results are more as a result of the lack or weakness of the pedestal variables rather than all other factors.

Review of Related Literature
Conceptual Issues
The concept of economic growth leaves no room for ambiguity. Economic growth, according to Genereux, (2001) refers to an 'increase in production in society over time', while on the other hand, Genenex (2001) defined economic development as a transformation process of economic, political and social structures, involving the decrease in poverty, the increase in standard of living, education, and life expectancy.

Important from the point of view of this paper are the concepts of growth variables/factors, pedestal factors, capital bait factors, growth ingredients and catalytic factors/variables. Other conceptual issues of concern are Philo-psychology, egalitarianism, social-political, social-harmony and economic manage style.
Growth Factors
A growth factor is any factor/variables that has feature or can feature (theoretically or logically) in any growth model. There are large number of these. These, in the opinion of this paper can be grouped conceptually into four as shown in Fig. 1.

Pedestal Factors
This is factors which are prerequisite for productive activity in any country. They include the Philo-Psychological factors such as the way the individual views him/herself vis-à-vis the world and anything therein as well as the individual psychological disposition to life and all issues; here described as Philo-Psychological factors. This take the form of degree of egalitarianism freedom of faith, believe etc.

It also includes the level of social harmony as well as productive and economic relationship between the state and the citizens as well as among the citizens. It can be said that all factors which enhance technical efficiency of labour – education (knowledge) skill etc are pedestal variables. These, in the economic growth adoption as in the Solow-Swan model operate to increase/decrease total factor productivity. Unfortunately, TFP is an unobservable but not an irrelevant growth ingredient as Abramoritz, (1986) and Campos and Kinoshita, (2003) suggest.

Capital Bait Factors
This is factors that attract capital but are themselves not capital per se.

Given the above, this paper argues that all finance related variables other than capital itself; e.g. interest rate, money supply, exchange rate etc only help to attract capital or enhance marginal productivity of capital.

The paper argues that the primary foundation of growth is TFP based on the level of education/skill, social/political harmony and economic management style. The first two are described in this research as Philo-psychological and socio-political pedestals respectively. Economic management style of which there are three basic types – Marxists, Keynesian and Lazier faire provides the attraction/detraction for capital and labour, determines incentives and reward system and therefore affect capital flows as well as marginal productivity of capital (MPK) and return on capital.

Based on the eclectic; (Ownership, Location and Internalization) growth theory (Dunning 1979), it can be argued that ownership or capital, technology, etc looks for location that enable owners maximize return of production factors through internalization. What is mostly in control of capital recipient countries/regions is therefore location. The stronger the
growth pedestals in these areas especially, economic openness, the more capital will flow ab-initio as Sjoholm, (1999), Xu, (2000) seem to suggest.

The more attractive the capital baits are, by way of policies, programs, incentives, etc. the more productive capital will be in those regions and therefore more and more capital will flow as Alfaro, Kalemli-Ozcan, and Volosovych, (2008), Alfaro, Kalemli-Ozcan, Volosovych (2007) and Campos and Kinoshita (2003).

**Growth Ingredients**

A growth ingredient is any variable whose absence in a growth model defaults that model as a growth model. To this end, this paper opines that there are only two of such variables - capital and total factor productivity (TFP), while others can be regarded as pedestals, capital bait and catalytic factors as shown in figure 1 below.

**Growth Catalysts**

This are factors which help to strengthen confidence encourages entrepreneurship, studiousness and enthusiasm to participate in economic activities by citizens as well as foreigners. This include, good governance, good institutions, rule of law, respect for human right, property right and covenant.

Although these factors are very necessary for economic development as North, (1990) and La Porta, Lopez-Silano, Shleifer, and Vishny, (1998) as well as Bourguignon, (2007) and others have proven. A country without appropriate growth pedestal cannot attract capital while as Pecking (2004) has inadvertently revealed with respect to Saudi/United Arab Emirate. In other word Pecking's allegation of corruption did not prevent rather it spurred capital flows in large quanta to flow to make the Dubai phenomenon another economic development wonder: corruption or no corruption (also see, Soliman, 1989).

**Theoretical Review**

There is a variety of theories of economic growth/development. According to Todaro and Smith (2009) four have become more commonly canvased since the end of World War II. These according to them are the (i) classical growth theories, (ii) modernization theory (iii) Marxist’s theory and (iv) neo-classical counter-revolution/theory. Added to this is the OLI theory. In addition still are models/theories of economic growth/development which prevailed before WW I&II. Notwithstanding these mirage of theories, theories of growth/development can be discussed from two perspectives. (i) theories perspective and (ii) model perspective.

The paper therefore insist that, notwithstanding the Lucas Paradox Lucas (1990); capital goes to where it has higher marginal productivity and return. Lucas Paradox, following Lucas himself is not so paradoxical. Capital seems to flow up-hill (Lucas 1990) contrary to textbook theory. This occur because investors – FDI, capital or money market investors are all Markowitz inclined. That is investors are generally risk averse.

As Abdul-Maliq (2017) notes, all investors obey the cemented market hypothesis. That is, different investors whether in the money, capital of foreign direct investment have preferences for sectors, sub-markets, as well as different segments of each. According to him
investors generally are guided by their type/source of investment funds (that is, liability structure), their investment horizon and risk appetite. Thus Lucas observation only suggests that investors are weighting risk factors – especially country and sovereign risk – in addition to MPK or return on investment.

It can therefore be argued that in globalized world, the most relevant economic growth/development theoretical framework is the neo-classical theory. According to Todaro and Smith (2009) this has been ignited especially by Thatcherism and Reganomics.

The basic tenet of the new growth penumbra is free economy, market determined prices of input and output, prices as well as cost; egalitarian/secular, socially harmonious and globally integrated economy. This paper posits that these pedestals – necessary though not sufficient-have been more prevalent in the East Asian countries than in SSAs hence the difference in development outcomes in these otherwise similar regions.

**Empirical Review**

Empirical review in this research is rather simple, limited but straight forward. Of relevance to the argument in this research are the experience of Europe under the Marshal plan, the rise to prominence-economic growth/development wise – of the Asian Tigers and the development experiences the Gulf states, especially, United Arab Emirate: the Dubai Phenomenon.

The quick recovery of Europe from the devastation of World War II is attributed to the massive flow of foreign capital into the region under the Marshal plan. According to Wilde (2017) about sixteen Western and Eastern European countries that benefited from capital flows under Marshall-plan recorded between 15% - 25% growth rate within a remarkably short time.

The argument as to how East Asian countries grew so fast Singh (1994) versus World Bank (1993) is yet to be over. However, one thing is clear. The economies witnessed massive capital injections (domestic and or foreign): the economies opened-up to import/export of ideas, human capital and what not. These were themselves predicated on fundamental restructuring of what can be regarded as the Philo-psychology of the states.

Although, as said earlier, Japan cannot be regarded as a former colony, it has had a taste of foreign control. Especially after the second World War when the United states played overseeing role over Japan based on World War II treaties. Rather than turn confrontational, Japan/US corporated and massive capital flowed from US to Japan, export and import trade expanded and Japan quickly grew to become world second largest economy.

The Dubai phenomenon has been achieved by the Saudi’s deliberate intentions and actions to attract massive foreign capital into the region. Going by Peking (2004) it can be argued that such capital oriented from the petro-dollar largish of the oil boom eras. But such funds could have been kept abroad but for the deliberate policy actions to liberalize, modernize and circularize (at least to some extent) the rather strict ways of life.
These experiences are quite contrary to those in SSAs where reforms are often biasedly conceived, tilted and more often than not truncated or misaligned as Adeyemi (1996), World Bank (1994), Moss, Ramachandran, and Shah, (2004) have opined. We therefore submit and proceed to provide empirical evidence to show that the poor growth/development records of many SSAs has been as a result of poor growth pedestals, which makes reforms (bait capital policies) ineffectual and in return results into perpetual poor governance.

**Data and Methodology**

Data for this research are source from world Bank data base. Nine variables are investigated for thirty years 1986 – 2015 and in respect of 10 SSAs countries – Angola, Cote d’Ivore, Ghana, Kenya, Madagascar, Mauritius, Nigeria, Senegal, Tanzania and Uganda and 10 Asian countries – Afghanistan, Bangladesh, Japan, Malaysia, Pakistan, Philippines, Singapore, South Korea, Thailand and Vietnam.

The study determines the thirty year average of each country in respect of each variable, ranks these on the bases of best to worst. The variables are: (a) Growth variable (b) Philo-psychological variables (c) Social – political factor (d) Economic management style proxied by degree of economic openness (e) Governance variable.

With regards to SSAs, cognizance was taken of the differences in the colonial past; hence, Franco-phone the Anglo phone countries are included as well as former colonies of other nations such as Portugal, Spain and others. With respect to Asian countries, cognizance was equally taken of the historical past of the region. Thus, Afghanistan and Vietnam – two hot-spot-countries of cold war policies of the immediate post WW II era are included; Pakistan and Bangladesh – two spin-off-countries of mother India as well as others of diverse backgrounds.

The selection also purposively include large, fairly large, not-so-large as well as small countries all in an attempt to eliminate circumstances that may occasion a placebo effect outside the targeted variables or evidence.

**Data presentation Analysis and Discussion of Findings Graphical & Descriptive Comparison of key Variables**

**Explanation of Descriptive Statistics**

The descriptive statistics results tabulated below shows the distributions of the key variables grouping the countries into their regions (Africa and Asia). From the table, GDP per Capita, for Africa shows a min. of -.55 and max. of 4.30 with a mean and std. dev. of 1.6333 and 1.495; while the Asia has a min. of 1.53 and max. of 5.28 with a mean and std. dev. of 3.255 and 1.405. This shows that Asia has more GDP per Capital than Africa.
Table 1: Descriptive Statistics Results

<table>
<thead>
<tr>
<th>Region</th>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
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<tr>
<td>Africa</td>
<td>GDP per Capital</td>
<td>-.55</td>
<td>4.30</td>
<td>1.6333</td>
<td>1.49548</td>
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<td></td>
<td>Net Migration</td>
<td>-.50</td>
<td>.26</td>
<td>-.0635</td>
<td>.24198</td>
</tr>
<tr>
<td></td>
<td>FDI/GDP Ratio</td>
<td>.62</td>
<td>5.86</td>
<td>2.7561</td>
<td>1.40572</td>
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<td></td>
<td>Government Effectiveness</td>
<td>-.78</td>
<td>-.05</td>
<td>-.3764</td>
<td>.21406</td>
</tr>
<tr>
<td></td>
<td>Corruption Perception Index</td>
<td>3.03</td>
<td>18.33</td>
<td>11.8900</td>
<td>4.35950</td>
</tr>
<tr>
<td></td>
<td>Tertiary School Enrollment</td>
<td>1.22</td>
<td>16.56</td>
<td>5.4908</td>
<td>4.66393</td>
</tr>
<tr>
<td></td>
<td>Adult Population</td>
<td>48.55</td>
<td>68.20</td>
<td>53.6038</td>
<td>5.46988</td>
</tr>
<tr>
<td></td>
<td>Rural population in Agriculture</td>
<td>55.18</td>
<td>87.40</td>
<td>67.4966</td>
<td>11.09675</td>
</tr>
<tr>
<td></td>
<td>Girl-Child Education</td>
<td>43.30</td>
<td>49.61</td>
<td>47.0960</td>
<td>2.2571</td>
</tr>
<tr>
<td>Asia</td>
<td>GDP per Capital</td>
<td>1.53</td>
<td>5.28</td>
<td>3.2548</td>
<td>1.40510</td>
</tr>
<tr>
<td></td>
<td>Net Migration</td>
<td>-.45</td>
<td>2.01</td>
<td>.1899</td>
<td>.73356</td>
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<tr>
<td></td>
<td>FDI/GDP Ratio</td>
<td>.12</td>
<td>15.23</td>
<td>3.1649</td>
<td>4.53926</td>
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<td></td>
<td>Government Effectiveness</td>
<td>-.79</td>
<td>1.22</td>
<td>.1631</td>
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<td></td>
<td>Corruption Perception Index</td>
<td>1.30</td>
<td>45.47</td>
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<td></td>
<td>Tertiary School Enrollment</td>
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<td>Adult Population</td>
<td>50.17</td>
<td>72.32</td>
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<td></td>
<td>Employment in Agriculture</td>
<td>.00</td>
<td>78.39</td>
<td>48.9257</td>
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<tr>
<td></td>
<td>Girl-Child Education</td>
<td>31.54</td>
<td>48.79</td>
<td>45.6740</td>
<td>5.74697</td>
</tr>
</tbody>
</table>

Source: Author’s Computations, 2017. (SPSS V.21.0)

As for Net Migration, Africa records a min. of -.50 and max. of .26 as well as a mean and std. dev. of -.0635 and .242; while Asia records a min. of -.45 and max. of 2.01 with a mean and std. dev. of 1.90 and .734. This suggests that Africa records more of emigration than Asia.

The FDI-GDP ratio of Africa is put at min. of .62 and max. of 5.86 with a mean and std. dev. of 2.756 and 1.406; while the Asia has a min. of .12 and max. of 15.23 with a mean and std. dev. of 3.165 and 4.539. This means that Asia has more FDI-GDP ratio than Africa.

Also, the Government Effectiveness in Africa shows a min. of -.78 and a max. of -.05 with an average and std. dev. of -.376 and .214; while that of Asia has a min. of -.79 and a max. of 1.22 with a mean and std. dev. of .163 and .622. This shows that Asia is far ahead of Africa with regards to government effectiveness.

The Corruption Perception Index (CPI) of Africa shows a min. of 3.03 and a max. of 18.33 with an average and std. dev. of 11.89 and 4.359; while that of Asia has a min. of 1.30 and a max. of 45.47 with a mean and std. dev. of 19.63 and 13.112. This shows that Asia score very high compared to Africa in terms of corruption fight.

Tertiary School Enrollment, Africa records a min. of 1.22 and max. of 16.56 with a mean and std. dev. of 4.664; while Asia records min. of .00 and max. of 100.3 with a mean and std. dev. of 29.403 and 32.146. The implication of this is that, Asia records very high school enrollment rate than Africa.
In terms of Adult population, Africa ranged from Min. of 48.55 to Max. of 68.20 with an average and std. dev. of 53.604 and 5.469; while that of their Asian counterpart ranged from Min. of 50.17 to Max. of 72.32 with an average of 62.937 and std. dev. of 7.061. This suggests that Asian countries have adult population than Nigeria.

With regards to employment in agriculture, Africa records a Min. of 55.18 and a Max. of 87.40 with a mean of 67.496 and a std. dev. of 11.097; while Asia records a min. of 00 and max. of 78.39 with a mean and std. dev. of 48.926 and 27.956. This implies that Africa is ahead of Asia in terms of involvement in agriculture.

With regards to Girl-Child Education, Africa ranged between a Min. of 43.30 to a Max. of 49.61 with an average and std. dev. of 47.10 and 2.235; while that of their Asian counterpart ranged from Min. of 31.54 to Max. of 48.79 with an average of 45.67 and std. dev. of 5.75. This implies that there is wider disparity among Asian countries with regards to girl-child education than their Africa counterparts.

**Explanation of the Graphical Analysis**

From the graphical analysis from the fig 2.1 we observe the twenty-countries’ ranks with respect to average RGDP rates. We divide the countries in four groups – the best performing five, the worst performing five and the middle ten. The middle ten we divide into upper middle and lower middle.

As we can observed, the best performing five except one – Mauritius – others are all Asian countries. Directly opposed to that is that all of the five poor performing countries are all SSAs. Only one SSA country also escaped into the upper middle, implying that eight out of the ten worst performing are SSAs and vise-versa.

We then compare this with the countries ranking on the bases of the pedestal variables. Girl-child school enrolment Fig. 2.2, employment in Agriculture, Fig. 2.3, rural adult population in Agriculture Fig. 2.4, and tertiary school enrolment Fig. 2.5. Analysis shows that SSA countries perform fairly well against their Asian counterparts.

Based on Fig. 2.6 – net migration (incoming minus outgoing), – evidence of social harmony - SSA countries have poor showing which negatets possible improvement in the above pedestal attributes. The likely explanation of this is that as SSA citizen become fairly educated they are more likely to migrate hence the brain drain syndrome that has been reported by many researchers.

As a measure of economic openness, FDI/GDP ratios show that from SSA countries, Nigeria and Ghana are among the five most open. The case of the Eastern Asia country seem to have followed in the footsteps of Japan in their inward looking policy.

However, the position of Vietnam, Malaysia and Singapore speak better for emerging economies with respect to openness. This goes to support researchers who opine that there is still anti-foreign investment sentiment in SSA, such as Moss et al.
On the basis of government effectiveness and corruption, the finding is not so categorical, some countries that have low ranking in development and economic openness have poor ranking in good governance and corruption perception. This implies that while good governance and low corruption perception may enhance economic development, they are not strong inducement factors as economic openness and social harmony.

**Summary, Conclusion and Recommendation**

This paper investigated the comparative poor performance of sub-Saharan African countries vis-à-vis their Asian counterpart. The paper compares ten SSA countries with ten Asian countries all of which are former colonies (except Japan) on the bases of nine variables. With average of real GDP per capita growth as a measure of economic development, the paper investigates six variables which are considered as pedestal variables as well as two considered as catalytic variables in the economic growth process. These are Philo-psychological variables which determines the extent to which a nation can be regarded as egalitarian. These are Girl child school enrolment rate, rural adult population in Agriculture, and rate of tertiary school enrolment.

Social harmony-reflecting peace, security, property and life was used as a factor of socio-political pedestal. Economic management philosophy or style—the economic system pedestal was measure by level of economic openness with FDI/GDP ratio as a proxy. Governance effective and corruption perception were used as governance variables.

Results show that no sub-Saharan African country ranked among the best five. On the other hand, all the worst performing five countries were SSA countries. Also, of all be second best five, only one is a SSA countries while in the second to the worst five are all SSA except one. Result also shows that while SSA countries compared fairly well on the bases of the egalitarian measure, it appears that due to poor states of social-harmony, outward migration reduce the possible contribution of education to economic growth in SSA. This of course reaffirm the brain drain syndrome for which SSA is now well-known.

On the basses of economic freedom (openness) result shows that the old Asian countries, especially Japan, have very low level of FDI/GDP ratio but is still very developed. On the other hand, the emerging Asian countries – Singapore, Malaysia, Vietnam, in that order, top the combined group while Japan and Bangladesh are least.

Paradoxically, based on good governance and corruption the result is ambivalent as some very open and fairly well developed countries have low governance effectiveness and high corruption ranking.

It must be said however that the best five countries on the bases of both government effectiveness as well as corruption perception are also all Asian while the lowest are SSAs. It is in the middle ten that the ambivalence is prominent.

The paper advises that SSA countries need to improve on the social-harmony situation – that is reduction in wars, conflicts etc. be less religiously or traditionally dogmatic as well as increase their degrees of economic openness. While corruption and governance issues are gamine, it is opined that increasing level of education, social interaction, globalization will naturally improve the governance situation in SSA.
References


Appendices

Appendix A

Fig. 2: Graphical Representation of GDP per Capital among Selected Countries

Source: Author’s Computation, 2017.

Appendix B1

Fig. 3: Graphical Representation of Girl-Child among the Selected Countries

Source: Authors Computation, 2017.
Appendix B2
Fig. 4: Graphical Representation of Employment in Agriculture among the Selected Countries.

Source: Authors Computation, 2017.

Appendix B3
Fig. 5: Graphical Representation of Adult Population among the Selected Countries

Source: Authors Computation, 2017.
Appendix B4
Fig. 6: Graphical Representation of Tertiary School Enrollment among the Selected Countries.

Source: Authors Computation, 2017.

Appendix C
Fig. 7: Graphical Representation of Net Immigration among Selected Countries

Source: Author’s Computation, 2017.
Appendix D
Fig. 8: Graphical Representation of FDI/GDP Ratio among Selected Countries

![Graph of FDI/GDP Ratio among Selected Countries](image)

**Source:** Authors Computation, 2017.

Appendix E1
Fig. 9: Graphical Representation of Govt. Effectiveness score among the Selected Countries.

![Graph of Government Effectiveness](image)

**Source:** Authors Computation, 2017.
Appendix E2
Fig. 10: Graphical Representation of Corruption Perception Index among the Selected Countries.

Source: Authors Computation, 2017.