
Prof. Sam Aluko

Conflicts and Economic Development in Africa

Professor Aluko is a retired economics professor, and former economics advisor for various Nigerian governments for more than 30 years. He lives in the country's major city, Lagos. He addressed the New Bretton Woods panel of the Bad Schwalbach conference on March 23.



My friends on the podium, distinguished ladies and gentlemen: I am Sam Aluko from Nigeria. I teach economics; I was professor of economics for many years. I am now retired, but I am not yet tired, so I continue to profess economics and I am here to speak on what I have termed: "Conflicts and Economic Development in Africa."

I am sorry, but I want to take the whole of Africa on my head, rather than talk about Nigeria. And that is because I have been to almost all the countries in Africa and know a lot about their individual and collective problems. And I feel that most of you in Europe, when you see anybody from Africa—and I have a beautiful example: My friend says, "Oh, you are from Nigeria!" I say, "Yes." He says, "I have a friend in Kenya, do you know him?" And I would say: "Kenya is as far from Nigeria, as Britain is far from Nigeria." So, as you take Africa as a unit, I too want to take Africa as a unit in my discourse.

I have summarized my paper into the main problems on what I regard as the possible solutions. Not because anybody in Africa would be listening, but we will continue to say what we feel we should say. I have listed six problems which I say confront Africa today, and have been confronting Africa for a long time.

The first is the falling economic prosperity in Africa. Africa is continually getting poorer and poorer, as individual countries and as citizens of Africa.

Second, increased violence and crimes in Africa. When I was much younger, I could go out any time of the night; my father could put his goose on the road, and people would get there and buy and put money there—and nobody would steal it. Today all of us live in iron-barricaded houses. The wall of my house is about 12 feet high, and thieves still climb the wall to come and harass me. But, when I was young, there were no walls and we were safe.

Thirdly, there is the diminishing role of government. I am very happy with Dr. LaRouche for continually telling us to respect the sovereignty of governments. In Africa, we have been told to dismantle governments, that the role of government, the role of the state, should be reduced more and more. And that is happening in Africa.

The fourth problem that I list, the worst one, is the policy that we are pursuing: liberalization, privatization, globalization—and that has led to the collapse of the infrastructure. So while we are talking of new bridges across Asia and Europe, and so on, even the few roads that we had in Africa are collapsing, and many of them have collapsed.

And fifthly, we have greater insecurity of even governments and political instability in Africa. African countries that were stable before, are now unstable, and any African country can collapse any night. So when I telephone Lagos and speak to my wife, I say, "Is our government still there?" And she says, "Yes, it is still there"—because it can collapse any time, as you saw in Ivory Coast. This country was regarded as one of the most stable countries in Africa, and overnight it just disappeared.

And of course as the *one*: the increasing inefficiency and poverty of the administrations of Africa. Governments that were able to pay salaries in the past, that were honest in the past, are now very corrupt, and are now unable to pay salaries. There have been state governments in my country that have not paid salaries for the past 12 months to their teachers. In my university, where I worked for almost 20 years, we have not had any classes since June of last year; the professors have been on strike since June of last year, because of their problems with the government.

Providing the Solutions

So I list these six problems as the main problems that we face in Africa and I will just go over them briefly in the few minutes that I have. And I also list what can we do, because often we are good to analyze the problems, but we don't try to provide the solutions. So I also list four things that I feel that African governments should do:

First, is that you must reject the imposition of the IMF, the World Bank, the Paris Club. In the Paris Club, there are 13 countries which make up both the Paris Club and the London Club. When they act as bankers, they call themselves the "London Club." When they act as governments, they call themselves the "Paris Club," but they are the same 13 people. And out of those 13, ten are European countries, including Germany. So, when we are accusing the United States here, we accuse Germany, France, Italy, United Kingdom, as part of our oppressors. Because we should reject the imposition of—not only the IMF and the World Bank and the WTO—we should also reject the imposition of the Paris Club and the London Club.

And secondly, that we must return to planning the economies of Africa. From the table that I have to determine the



The Goranyo Dam in Sokola, Nigeria. "In Nigeria you cannot have constant power for one day. So, infrastructure has to be improved and we have to save and invest in ourselves."

developments of the future, you will see immediately that we stopped planning in 1985. The economies of all African countries started going down and down till today. And it is still on the downward trend, because we have abandoned planning for the market.

I used to tell my governments in Nigeria, that "Well, I did not vote for the market, I voted for a government." And I am running home after this conference, to go and vote in the Presidential elections in the middle of next month. So we must reject those we did not vote for, and then ask those whom we vote for to govern,

Thirdly, we must plan and protect our economies, in the view of Friedrich List. Our chairman read the views of Friedrich List, who was a German, who said that if you want to catch up, you just have to protect yourself and you have to plan. We are not even saying to catch up now; even to stay where we are, we have to plan. Nature does not accept stability: Either you go forward or you go backward. And we have been going backward. To go forward we must plan.

Fourthly, we must fix interest rates and exchange rates. The rate of interest in Nigeria today, is about 35-40%. When I got into government, it was about 2%! It was through our pressure that, we brought it down to 21%; it's now back to 35-40%. And it's like that throughout Africa. So, when we say, we should compete in the market—Japan's rate of interest for small business is 0.9%. The rate of interest in Nigeria is 35-40%. So, even if we are equally efficient as the Japanese, we cannot be, borrowing at 40%. And, if somebody is borrowing at 1% and we are competing, you know who will win. And we are not as efficient as the Japanese, or Americans—or you. The rate of interest here is between 5-6%, and you can get subsidized rates, but there is no subsidized rates in Africa. So the rate of interest must be brought down.

And then, of course, we must emphasize production and not consumption. So as many of you have cellular telephones,

so many of the elites in Nigeria have cellular telephones. So most of the things that you enjoy here, has been enjoyed to a greater degree by the few Nigerian elites, the few elites, which is only 0.1% of the whole population. They are living, in fact, better than many of you. So, we must emphasize production rather than consumption.

Let me elaborate these points briefly:

Now, when we talk about reducing economic prosperity, we find that today, when you take the global income of the Africans—the whole of the 53 countries of Africa: In 1980, the average income was about \$800 per head, which is pretty poor. But, today it is about \$350 per head. There are some African countries like Libya, Nigeria, South Africa, that have an income a little higher than that. But we are talking of the average.

Let me take Nigeria, for example, where I come from. In 1980, our per-capita income was \$2,400 per head, because we have oil, and we have a lot of minerals. Nigeria is a very highly endowed country, just like any African country. Africa is the most-endowed continent natural resource-wise. So in 1980, Nigeria had a per-capita income of \$2,400. Today it is about \$350, that is about one-seventh of what it was in 1980.

Of course, that is because while we are getting poorer and poorer, our population is rising faster and faster. The annual rate of population growth in Nigeria is 3.5%. Yours is less than 1%, in Germany. So while there are more and more people, there is less and less money to share among them.

'Brain Drain' and Increasing Violence

And because of that, we have a heavy brain drain. [Someone asked me] "Are you going back home?" Because for every African who goes back home, another wants to leave that enclave. So, there's an increasing brain drain.

There was a study the World Bank did, and I took part in it in 1999-2000. It concluded that there were 7,000 African professionals, engineers, economists, pharmacists, doctors about 7,000 every year leave Africa, run away from Africa. And one-third of those who are abroad, don't even return home. When they come here, they come and study, don't think that they are going to go back home. Many of them, if they can, will not go back.

Whereas when I was a student in the London School of Economics in the '50s (I finished in 1959), there was nothing the school didn't do to retain me to teach, because I was their scholar. I said: "No, I must go home," because there were more opportunities in my country, more than in Britain. In fact, I told my professor then, "I would rather take you to Nigeria, than you retaining me here in England." In those days, many people used to come from Germany to our university in Nigeria to work; but today, it is not.

So because of the poverty, people are leaving Nigeria and Africa; and people outside Africa are not returning home, and

you cannot blame them. When I went to get my German visa, there were about 3,000 Nigerians at 6 o'clock in the morning struggling to get a visa. And that is so in all embassies in Nigeria.

And because people are getting poorer and poorer, there is increased crime, and violence, and conflicts. So very many countries in Africa, you have like Rwanda, Burundi, Somalia, name it, every country, *every country* in Africa—even South Africa, which is one of the most developed, the crime there is terrible—in Nigeria the crime rate has increased abundantly. And there is no country in Africa, where there is no increase in crime. They steal cars; you cannot go out, you cannot walk. About four or five politicians had been killed before I left home.

So when you have violence and you have conflicts, you have ethnic quarrels, there cannot be peace; and when there is no peace, there cannot be economic progress. And you find that the budget which was spent on production, is now spent on the prevention of crime, which is very ineffective.

And this is because, also, of the diminishing role of government: Because the World Bank and the IMF have come and said: "You are inefficient, and you are not making progress, because the government is corrupt. And therefore, even remove government, and allow the private sector in the economy; then the economy will move." But there is no private sector in Africa. I want to assure you, that there is no private sector in Africa. The only sector in Africa that is viable is the government sector.

There is no private sector, because there are no infrastructures, there is no electricity. In my house, the last water I had was in 1980, public water supply; so I had to dig my own well and put a pump and pump to the roof, to have water in my house. No electricity! I had to buy a generator and to buy fuel to fuel it, to get light. Telephone: I called my wife this morning; we have three telephones, two at home and one in the office: All the three are turned off. I said, "Why?" "Because there was heavy rain last night and everything broke down." And I am still one of the elite. So, you can know what the ordinary person is suffering. So there is no private sector, because the private sector cannot function, because there are no infrastructures, no good roads, no water, and no electricity.

Then of course, because we are following liberalization, globalization, privatization and every shibboleth that comes from abroad, government is virtually doing nothing to arrest the situation. So, we are not planning. You find that the Central Bank, for example, in Nigeria when you talk to them, they don't even know the role of a Central Bank. That's why I was very happy, when our friend from Moscow was talking about lack of knowledge today; even the Central Bank, I go there, the governor is my friend and I say: "Look, Governor, what is the role of the central bank?" And he says: "The role of the central bank is to control the banks." I said, "No! You are a bankers' bank." They are very happy when a bank collapses.

The Central Bank is very happy. And it will advertise that the bank has collapsed, and they will seize the resources. I said: "No! Your role is to prevent banks from collapsing!" But they figure their role is to reduce the number of banks. And when a bank is about to collapse, they help it to collapse. So, the Central Bank is not doing its work, because it does not know its proper role.

Half the World's Refugees Are Africans

Then, of course, you find that, because of this problem of non-government, and crime, the refugee problem in Africa is tremendous: We account for about half of the population of the refugees in the world—Africa. And we account for only one-tenth of the population of the world, but we account for *half* of the refugees of the world. Not only outside Africa, but even within Africa they move around. They move around. My Nigerian friend from Holland was complaining yesterday about the fact that Holland is very efficient at deporting Nigerians from Holland. So we find that this is a problem that the African governments face, because of this diminished wealth, diminished prosperity.

And because of the diminishing role of government, you find that Africans are increasingly unable to *feed themselves!* Even food! When I was young, we used to access food; we used to export cotton, groundnut, palm oil—name it. Today we import all those—including toothpicks! Our government has just, because of pressure, banned about 30 items, including toothpicks and so on. So, we even import petrol, kerosene, diesel, and we are the sixth-largest producer of crude oil in the world. We built an export terminal to export excess refined products. We have now turned that port to the importation of the fuel; so when you get to Nigeria today, you find long queues of people struggling to buy refined petrol.

The same thing in Africa.

Zimbabwe: When I was studying in London, I was studying the economies of Africa, the major export of Zimbabwe, at that time—which was then southern Rhodesia—was maize; today Zimbabwe imports maize to feed its cattle. The main export of Tanzania was groundnut. Today, they import groundnut-oil to feed themselves. Cameroon: They export bananas, but today they cannot even get banana or plantain to eat. And that goes along throughout Africa. They have turned into becoming the bottom of the world.

And, of course, as I said, all this leads to political instability. In Nigeria, for example, people are beginning to ask, that we should dismantle the country and everybody goes his way. But we are about 250 tribes and ethnic groups, so we cannot have 250 countries. So it is not possible for us to disintegrate, but we are fighting among ourselves. And you find the young men, who have no job—which are about 46% of the economically active Nigerians who are out of jobs—so they go and seize the oil companies, and they commit a lot of crime against the economy and against one another.

Then, of course, the debt! I don't even think of the debts



The key to raising living standards for Africa's people, is to emphasize production rather than consumption. "While we are talking of new bridges across Asia and Europe, and so on, even the few roads that we had in Africa are collapsing, and many of them have collapsed." Here, the Nigerian capital of Abuja.

as much, because a country like Nigeria can pay its debt. And when they asked for debt relief, I said "No! They should not grant us that relief; we have borrowed money, we should pay it. And we can afford to pay, if we are really serious."

So, you find that all those countries in Africa that have conflicts, are going backward. They are getting poorer and poorer, and they are getting more and more.

Africa Has To Return to Planning

For that, we have to do a number of things, and these are possible. When I was an economic advisor to my state, my state government, we were able to do a number of things. We established in the state about 22 industries, small-scale industries, just by collaborating with one another, saving and borrowing money from the bank—at that time it was 4-5% in 1980, when I was economic advisor. And the state was beginning to take over. Then of course, the crisis came, the military came and you know, when the military takes over a country, that country is dead. So when I was in government, I said, when the military takes over a town, they loot it; so when they occupy a country, they loot it. So the military came and sold out all the 22 industries, under the name of privatization—and of course all of them have collapsed, because there is no private sector to manage things.

So I said we have to return to planning in Africa, and almost all the African countries. In 1980, we all met in Lagos, the capital of Nigeria then, to adopt what they called the "Lagos Plan of Action." But then, when the IMF and the World Bank, and all of their representatives there—because all their bad ones are in Africa—so, when they came, they

said we should stop planning. And there is no plan of action, except recently when America and Britain and Europe, now imposed something which they called "Nepad"—that's New Economic Program for Africa. That didn't come from Africa. It came from Europe and America. They knew that we are not happy with the IMF and World Bank, and they knew that we are likely to reject them. So they bring Nepad. But Nepad without planning is as sure to fail as the IMF, and so on.

Equally, as I said, our governments have become increasingly unwilling to act, and I am saying that they should continue to act, to plan. They should reject this free-market, because we are not part of the market. Because the market is only one-way. As I keep on telling them, I say, "When we steal money in Africa, you come and put it in Europe. But when Europeans steal money in Europe, they don't put it in Africa. Because it's not only Africans that steal—otherwise there would be no word for stealing in European languages." So Europeans do steal; Americans steal. But when they steal, they invest it in their country, and that is what I always call "productive corruption." Now, our own is "destructive corruption." The government steals the money, and come and hide it in Europe and America. And when we die, that money dies with us. So, you find that a policy is imposed upon us, because we cannot act, or react.

Yes to Production, Not Conspicuous Consumption

Then, of course, as I said, the major part that has been very common now is, that we have stopped production, we have embarked on consumption, conspicuous consumption.



A palace in Kano, Nigeria.

Our President has a new plane, a new jet; the MPs have free houses, free cars and so on, in a country that is continually getting down. The East Africans and South Africans are much better than West Africans. We are the worst in Africa, because our rulers are very good at conspicuous consumption and *nil* production. Now I am saying unless we return to emphasize production, rather than consumption, we will continue to go down.

And, of course, finally—as I keep on saying—we have to improve our infrastructure. All the infrastructure in *most* countries of Africa, apart from South Africa, has collapsed. And why did it collapse? Because, for almost all the 53 countries, apart from about 5 or 6, the government income, the government budget, today, is about half of what it was in 1980, in purchasing power, in real purchasing power. So what they could maintain in 1980, they cannot maintain today. So, Ghana celebrated, last year, one year of constant electrical power—it was a big celebration. In Nigeria, you cannot have *one day* of constant power. So, infrastructure has to be increased and to be improved, so that we will continue to take off. And of course, we have to save and invest in ourselves. Because, we are not saving. If you give it for conspicuous consumption, then of course, you cannot save!

I was very impressed when our Chinese friend said that they have 7-8% growth rate and the saving rate is about 16%. So, when the saving rate is about 16% and the growth rate

7%, then the capital-return ratio, between what you invest to what you get back is about 2:1. In Africa, for example, if we were to stabilize, to return to what we were in 1980, for the next ten years, we have to be growing at an annual rate of about 6-7%. And the capital-return ratio in Africa is 4:1, not 2:1, as in China. This means we have to save about 24% of our GDP. At present, we are saving less than 9% throughout Africa. Therefore, if we are to change from what we are, we have to emphasize less on consumption, emphasize more on production, emphasize more the role of government, and reject the IMF and the World Bank.

Of course, we are not saying we should be isolated. We have to cooperate with people abroad, and that's why I am here. And we are thankful, that you bring us here.

In my own party government—we have 30 political parties in Nigeria. There is not one of them, that is even thinking about planning or controlling or changing exchange rates or the interest rate, except one, for which I am an advisor. So I have written them a memorandum. And when I was saying, "Let us control the exchange rates and interest rates," the leader of the party was saying that, "America will not let us win." I said, "We cannot win anyway, unless we cannot defeat the government in power. Let us put all those challenges to whoever wins the election." That's the only party. It's called Movement for Democracy and Justice. That's the only party which has any blueprint of how to attack the economy. This is because myself and one of my friends are members of this small party.

So I want to leave with you: when you see Africans around, please be sympathetic to them. They don't want to leave their countries. It is because the countries are hell-fire, and therefore, they want to escape. Because they are energetic—they are energetic—they can produce and perform here. They cannot perform in Africa, because the system there does not allow many people to perform. Those of us who have been long there, have been able to continue to argue, and to shout, and to abuse and to be abused. But these young men—nobody will listen to them anyway, and their voices will not be heard.

So what I want to leave with you that the economic situation in Africa is grim, the chances are there, the resources are there, but the means of actualizing them to create wealth have still not been addressed. And I am saying, that they have to be addressed, if we are not to continue to go backwards. Because rather than catch up, we are going more and more backward. Because, since 1980 the European and American countries, in totality, have doubled their income! Germany, for example in 1980, was almost \$20,000 per head. Today, you are about \$32,000. But, we in Nigeria, in 1980 were about \$2,000; today we are only about \$300. Africa today is about 80% poorer today, than as rich as it was in 1980.

And therefore, the situation is grim, but I don't think it is hopeless.

Thank you very much.