

HumanProgress



UNLOCKING AFRICA'S POTENTIAL

THE
HumanProgress
PODCAST

Sub-Saharan Africa is the world's poorest region, but that means it also has the most potential for growth.

In this episode of The Human Progress Podcast, David Ansara, the Chief Executive of the Free Market Foundation, a South African think tank, outlines the political and economic situation in Africa and how its remaining barriers to prosperity can be overcome.

Watch the interview [here](#).

Or, listen to the [audio](#).

Below is an edited and abridged transcript featuring some highlights from the interview.

What is the broad state of progress, free markets, and individual liberty in Africa today?

You must always be cautious about broad brushstroke assessments of Africa, but there are a few general trends we can observe.

During the post-liberation period, there was a trend towards socialist and nationalist policies and highly interventionist states across sub-Saharan Africa. Many African countries were economically isolated. But since the end of the Cold War, there's been quite an improvement, not only in economic openness but also a broader political liberalization.

However, it's a mixed picture. There are still significant security concerns in large parts of Africa, and we also have fragile and often hostile state institutions.

What are some strengths and opportunities for Africa?

One big strength is the demographic dividend. Sub-Saharan Africa has a very young population relative to the rest of the world. Young men without jobs tend to cause trouble, but they also have huge productive potential. But you also need an enabling policy framework. You need economic opportunities. You need good education.

Internet access is allowing people to bypass traditional university systems. Before, maybe the elites in Lagos could have gone to study at King's College in London. Now, anyone can learn the skills they need through Khan Academy or Coursera. Africa's also located in a very favorable time zone for remote services. So, Africa is well positioned to take advantage of these opportunities.

Another opportunity is the African Continental Free Trade Agreement, which aims to reduce 90% of tariffs over the next 12 years. The rate of trade between African countries is low, roughly 10 to 15%, whereas intra-European trade is north of 60%, so something like the African Continental Free Trade Agreement has potential. However, many non-tariff barriers still exist, such as meddling officials trying to extract bribes and poor infrastructure.

What about the threats to progress on the continent?

Governance issues remain a big problem, especially corruption. Here in South Africa, we're dealing with endemic corruption that has resulted in rolling blackouts. That problem extends across all spheres of government in South Africa. President Ramaphosa himself had about \$6 million worth of US currency hidden in his couch.

Another major threat is the lack of respect for private property. In South Africa, we have constitutional protection for private property, but there were recent moves to amend the constitution to include expropriation with nil compensation. That amendment was unsuccessful, but now a bill has been introduced in Parliament which tries to, through normal legislation, introduce expropriation without compensation.

Security of tenure is also weak. If you want to purchase property in Mozambique, for example, you have to take a 99-year lease, which is not comforting to a potential investor.

Sub-Saharan African countries need to take this seriously, and countries like Botswana and Mauritius that do take it seriously will reap the benefits.

How has the pandemic been for Africa?

What was interesting about the pandemic is that, either through a lack of respect for Covid lockdown restrictions or just the impossibility of enforcing these restrictions, much of sub-Saharan Africa escaped the worst excesses of the lockdowns. People just continued to go about their business. In many respects, I think the developed world was hit harder by the Covid responses.

Sub-Saharan Africa remains the world's poorest region. How can this region unlock its economic potential?

Economists and policymakers make economic development seem very technically complicated, but the ingredients are actually well-tried and tested. The Economic Freedom of the World Report measures five areas: the size of government, the legal system and property rights, sound money, freedom to trade internationally, and appropriate regulation. When you adjust for purchasing power, the freest quartile of nations in the Economic Freedom of the World Report have average incomes more than seven times higher than those of the least free quartile. Average incomes in the top quartile are about \$48,000; in the least free quartile, they are about \$6500.

In many African states, government consumption accounts for most of the country's total consumption, and most of the middle classes in many African countries are civil servants. That has an opportunity cost; somebody working for the government could otherwise have added new value to the economy. Keeping the government small is essential.

One of Africa's real Achilles' heels is the lack of respect for private property rights and the rule of law. Many critics of free-market policies, particularly here in South Africa, think private property rights just protect the interests of the wealthy, but it's the poorest people in society who need private property rights the most. Across Africa, many poor families lack any formal title to their property, and it's very common for a local official to come and say, "You have to dismantle your shack and move your entire home because we tell you to." At the Free Market Foundation, we have a project that assists poor homeowners with their property title applications. That is a really impactful way of driving development. You don't need some massive World Bank loan or a foreign NGO. If you protect people's property, they will create prosperity for themselves.

Many people in rich countries think foreign aid is the best way to combat poverty. Do you agree?

Charity can be effective, but if you contrast it to, for example, the growth of telecommunications, it's clear that market forces are creating prosperity orders of magnitude larger than what any NGO can achieve.

One of the problems with aid is political. International aid agencies often prefer or are mandated to work with local governments. In Ethiopia, Meles Zenawi used development funding to distribute patronage in his country to buy political favor. Paul Kagame in Rwanda has effectively played the international donor community and used that favor to entrench his power. Another problem is that much of the funding for these global development projects is used for administration. In a country like Malawi or Tanzania, whenever you see a four-wheel drive motor vehicle in the city, you know it's being driven by somebody working for an international NGO.

International organizations have a role, for example, in emergency responses to famines. But as Amartya Sen has indicated, liberal democracies with market economies seldom suffer from famines. Those systemic reforms are not as sexy as running a well-funded United Nations project, but they are more durable. GDP per capita has increased by about 30% across Africa in the last 20 years, and that is mostly from removing barriers and letting people get on with their business. People are naturally ambitious. They want to improve their families' lives, and they want their children's lives to be better than their own. They just need the right conditions in which to operate.

What are you the most optimistic about regarding Africa's future?

I'm actually bullish about Africa.

As you've documented so well in your work, the story of human progress is profound. But I get a sense that, in many Western countries, there's a lack of optimism about the future. I don't see that in Africa. There's a sense of imminent change. Many post-liberation movements have declining electoral majorities, which could usher in much more political competition.

Africans also have that fire in their belly. In Western countries, there's an expectation that living standards have always been a certain way and will remain that way forever. But Africans have a real hustle-and-grind mentality, and that's going to be able to take them very far indeed. There are strong headwinds: security issues, vulnerability to extreme weather events, and energy issues. But problems breed innovation, and I think Africans have that innovative spirit to change their circumstances and to get things done.

Read the full transcript [here](#).



Facebook



Twitter



Instagram



YouTube



Email