

An African Perspective on the Social Market Economy

VENUE: KONRAD-ADENAUER-STIFTUNG

Retention period: commencement of the speech. The spoken word shall prevail.

Mr. Moderator,
Distinguishes Guests,
Ladies and Gentlemen,

I bring all of you warm greetings from Ghana. Everywhere we have been, so far, in your beautiful and historic city, I and my colleagues have been warmly welcomed.

I want to start by expressing my sincere appreciation to the Konrad-Adenauer-Foundation for the kind invitation to speak in these lecture series aimed at finding a more durable economic system that will be able to withstand the rigours of the rapidly changing times and circumstances in the fortunes of nation in international relations.

I stand here to pay tribute to the long line of leaders of the Christian Democratic Union including: Konrad Adenauer, Ludwig Erhard, Kurt Georg Kiesinger, Helmut Kohl and of course Angela Merkel, whose thoughts and ideas have helped to give meaning to the concept of Social Market Economy (SME) here in Germany and internationally.

The recent financial crisis that engulfed the world, which saw almost every economy in any part of the globe, being turned upside down has once again brought to the fore the need for an economic system that will ensure the necessary balance between the open market system on the one hand and the regulatory authority of the state and the individual citizen's interest on the other for sustainable development in a seamless manner.

The fall of the Berlin wall has seen the demise of Centrally Planned Economic (CPE) systems in many parts of the world against the inherent and enduring strengths of the liberal market system.

Today, some of the bastions of centrally planned economies which criminalizes initiative and drive of private enterprise have all been converted in support of Free Market Enterprise (FME) and are indeed being served by some of the most enterprising pushing investments around the world.

Yet the shocking and destabilizing experiences from the so-called financial crunch in the last couple of years, whose after-effects most countries are still battling with, tell us that not all is well with the free economic model. The compelling need to adopt an economic system that balances the fortunes of private enterprise with that of the state while ensuring the welfare of the individual has once again taken centre stage in world economic affairs.

The German economic model of Social Market Economy (SME) which has seen Germans successfully re-build their country from the ruins of the Second World War into one of the strongest in the world, assumes major importance for all, especially, the developing world.

WHY SOCIAL MARKET ECONOMY

Social Market Economy could be described as promoting the values of competitiveness and profitability while at the same time advocating the moderating influences of state regulatory authority to ensure that the in-

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terest of the ordinary citizen within it are not overwhelmed by the profit-seeking tendencies of the former.

The role of the state in the SME is not the stifle growth of the private sector. It is to play a regulatory role that ensure that free enterprise while enjoying its liberties, has responsibilities towards the individual in the state on whose toil and swat it is making the huge profits, thus the responsibility of the open market system towards the framework of the stat that gives it the base from which to grow.

In modern- day parlance, the SME ensures a win-win relationship among all the stakeholders within a market place. The state acts as a regulator, only to preserve the interest of the individual and ensure that unbridled profits do not whittle away the benefits that must be enjoyed by the individual.

THE AFRICAN ECONOMIC CONDITION

To grasp the relevance of the Social Market Economy in the African context one needs to understand as well, the economic social and political condition of the continent in our contemporary time. The imperative to adopt the Social Market Economy derives from the very high potential of this model to take Africa out of the poverty into prosperity. The first decade of the 21st century saw Africa making great strides in social and economic development. Economic growth for the continent as a whole reaches 6.1 per cent, inflation dropped, the fiscal deficit narrowed, and for the first time in many decades, aid dependence in Africa experienced a sharp decline even if there were significant individual country exceptions.

The good news is that most of the economic improvement has been domestically driven by prudent economic policies and effective harnessing of human and material resources. Admittedly, on the other hand, country by country experiences revealed extremely wide and disturbing variations. On the average in Sub-Saharan Africa 440 U.S. dollar of taxes were collected in 2007 per person, while 40 U.S. dollars of aid was

received per person. Significantly, majority of African countries today choose their own leaders in relatively free, fair, and peaceful elections.

More importantly, change of government through the ballot box rather than through the barrel of the gun is gradually becoming the standard practice. Enhanced transparency on sustained basis should establish the process as the order of the day. In turn it would underpin good governance in terms of inclusion, accountability, abatement of corruption, increasing peace and stability. Yet there is a downside to the African success story. When all is said and done the fact still remains that today Africa is the least developed continent. We cannot run away from this stark reality.

Approximately one out of every three of the world's poor live in Africa. Part of the explanation for the persistent poverty in the continent is the marginal role it plays in the global economy. Essentially, Africa exports predominantly primary products on to the global market in exchange for manufactured goods. About 80% of its exports are based on oil, minerals and agricultural goods. Its share of global trade is extremely low, accounting for barely 3.4% in merchandise and an insignificant share in services. Even more disappointing, is intra- African trade which on the average represents only 10% of the total African exports.

AFRICAN STRATEGIES

Since the dawn of independence, five decades ago, Africa has been pressed through a full cycle of economic and ideological models most of which were neither wholesomely conceived nor pragmatically implemented.

The circle included some doubtful leftist ideological policies including centrally-planned economies with state-ownership of much of the means of production, price controls, import licensing, rationing of hard currency, weak central banks, manipulation of the budding private sector and disregard of banking confidentiality.

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Invariably the disorder, stagnation and stark poverty that ensued from the imposition of such economic regimes characterized the first three decades of the independence of most African nations.

In revulsion to the Western colonial subjugation, they had freed themselves from, most of the pioneering leaders, who had not been well-initiated into the complexities of state governance and economic management, rushed to embrace the leftism of the East, their high-handed intolerance and dictatorship, destabilized their governments and a chain of coup d'états plagued the continent through the entire period, especially in the 'cold war'.

The second model which changes with the collapse of the 'cold war', symbolically etched into history by the fall of the Berlin Wall in 1989, was the not-too-well examined compendium of 'cure-all prescriptions' of the Breton Woods institutions.

These included Structural Adjustment Programmes of conditionalities for aid' on basis of severe labour retrenchment and balanced national budgets pursued with ruthless cut-backs of public expenditure and borrowing. The basic assumption here was that the affected economies thus trimmed, would be restored to sound macro-economic health, to support overall national development. The resulting reality was rather the opposite. Wild unemployment and deepened poverty ensued. The already weak private sector had been totally ignored as the necessary 'safety valve' to have been primed to absorb the lay-offs from the public sector, to keep the economy in balance to resume growth.

In any case, the capacity and commitment of the then political leadership to provide pragmatic management necessary for the success of the programmes were not ensured. So they failed.

By the turn of the century, with the rapidly spreading liberalization after the 'cold war', and the far-reaching impact of the Information Communication Technology revolution around the world, African nations began to

awaken. The evidence was in the increasing emergence of new crop of leaders across the continent who were better educated and well groomed to the awareness of the complex interplay of geopolitical forces around their nations and continent.

These new crop of leaders had also been elected constitutionally and enjoyed the legitimacy of the support of their peoples. They suffered from the affront of the dignity of their nations which were marginalized in international political and economic relations because of their extreme poverty in spite of their immense natural resources.

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These leaders were individually and collectively determined to lift Africa up into the mainstream of globalization within the shortest possible time. Hence the launch of the Africa Union which resulted in the drafting of the New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM) to declare Africa's RENAISSANCE through Good Governance and mutually beneficial Partnerships between the Private and Public Sectors from within and outside the continent.

In this respect, Africa with its immense natural resources, its investments, knowledge and markets from would-be partners to add value to its produce on the continent which hitherto would have been exported in its raw state. The engagement of the West with China has shown that there is room for prosperity for all in the world market place should the right conditions be met. This should be the bounding duty on in the international community.

MY GOVERNMENT'S EXPERIENCE WITH SME

In all modesty, I need to state it here that in my eight year experience as President of Ghana, my party and I have come to see the SME as a clear way forward for Ghana and Africa.

If we have to move our continent out of its present condition to poverty, penury and misery then we should be looking in the direction of the SME as our guiding philosophy.

When my party, the New Patriotic Party (NPP) took over the reins of government through a historic two-round presidential election in the year 2000 the FME had already become entrenched through 18 years of a merciless structural adjustment program. The economy was experiencing a modest 3.7 per cent annual growth.

But the poverty level was unacceptably high and health care was based on a vicious cash and carry system. In spite of an official free basic education policy, school gross enrolment rates were below expectation, especially for girls.

(Please talk about five pillars of growth)

- 1 - Good Governance
- 2 - Private Sector Development
- 3 - Infrastructure Growth
- 4 - Human Resource Development
- 5 - Agriculture Development

With social market principles as our guide, we gradually adopted a step-by-step approach of balancing the efficiency of the free market with human social policy. We started a school feeding programme which gave primary school children one hot meal a day. The NPP government started paying schools, a capitation grant for every child enrolled to stop schools from charging parents for various services. The combination of these two policies shot school enrolment

through the roof. Going to school now became the joy of every child. The succeeding government has built on this and introduced free school uniforms and free exercise books in all basic schools.

The cash and carry system of healthcare which came with structural adjustment and FME had depressed hospital attendance by the poor and disadvantaged. O.P.D.s recorded low attendance figures from year to year. My government's response was to institute a National Health Insurance Scheme (NHIS) which brought healthcare within the reach of every Ghanaian and gave free maternity care to pregnant mothers.

Finally, to put the smiles on the faces of the poor and most disadvantaged sections of our population we introduced LEAP or Livelihood Empowerment Against Poverty grant which helped some of the poor keep body and soul together.

By 2008, when I was leaving office, the economy was growing by over 7 per cent a year, business confidence was high and poverty had been reduced from over 30 per cent to just about 25 per cent. Ghana had become probably the first African country to attain the MDG of cutting poverty into half before 2015.

The economic base which was at about \$4 billion when we took over had quadrupled to \$16 billion and Ghana for the first time was among only a very few select states in Africa to be able to source funds from the international capital market. Indeed, Ghana's request for \$750m was over sub-scribed by about four times to more than \$3 billion.

I am proud to say that my party has been implementing the SME for some time now and we would urge like-minded political parties in other African countries to follow in our footsteps.

You have my assurance should we come back to power, which we hope to in the near future, we shall continue in like manner in an even intensified manner.

Thank you and may God Bless Us All.