

Editorial Notes

Special Issue on the Ethiopian Economy

By Mammo Muchie

It is with sincere appreciation to the contributing editors and the authors of the research papers that I would like to introduce this special issue on the Ethiopian economy. It took over two years to prepare this special issue. The peer review process was thorough and took a considerable time. In the end, a research product that all that cares about Ethiopia's future must read and reflect, engage with and critically enrich their understanding has come out. Congratulations to the guest editors Professor Minga Negash and Professor Seid Hassan and the contributors Professors Abu Girma, Getatchew and Zeleke. The normative position of the authors has been richly supported by meticulous and fastidious research, and I strongly recommend those who are in Government and all the stakeholders including IMF, World Bank, UN and Africa Union, donors and others directly or indirectly impacting the Ethiopian economy not to ignore this work and give it their full attention and draw lessons to help us all unite in creating an Ethiopia where every citizen has fully the dignity and self-worth essential for realising the basic amenities of existence.

I have been invited by the Adama Science and Technology University (ASTU) to teach masters blocked course on 'Advanced Development Economics'. It was indeed an unusual experience for me to teach such a course after forty years of absence without my choice. What came as a surprise to me was that there was no text book on Ethiopian economics. One of the classes I selected to do was on the relationship of ethnic diversity to development economics. This was presented theoretically, conceptually and mathematically by bringing such concepts as the ethnic fractionalisation index where ethnic fractionalisation from say, two major ethnic groups, to as many as possible were explored to discover how varied patterns of ethnic diversity composition impacts either negatively or positively to rates of economic growth. Along with ethnic alignment or misalignment, there was also the issue of the polarisation index that also measures the impact of the social distance amongst ethnic groups and their members on the economy. It was fascinating how such studies reveal that ethnic conflict and ethnic diversity can be a source of many ills, unless a way is found to create a system where ethnic groups believe fairness, accountability, governance and institutions are founded on the principles of justice above all else through the law and the persons elected to provide public service and not self-service. One of the key ills that spoil the pattern and path of economic development is that ethnic alignment tends to narrow social distance within the ethnic group whilst exacerbating the social distance amongst the ethnic groups. This tends to create a situation where corruption becomes almost a natural outcome of this misalignment of social distance closeness within the ethnic group and social distance farness amongst ethnic groups. If ethnic group differences continue to exacerbate social distance, the polarisation can lead to genocide and ethnic fratricidal civil wars. What social closeness within an ethnic group does is create

genocide and ethnic fratricidal civil wars. What social closeness within an ethnic group does is create farness in social distance amongst ethnic groups. The corruption buttressed by social closeness defies laws, norms, institutions, and accountable and transparent governance. It is worse than the corruption that occurs by transgressing established laws. It is covered up and thus often very difficult to identify, overcome and remove.

In Ethiopia as we have an ethnic-based political economic situation, the danger and the opportunity of this reality need close and penetrating intellectual scrutiny. As research is the knowledge power to define reality, the intellectual resources of the nation must be mobilised to excavate at the root of this ethnic based situation where the country is today in order to find creative ways so that corruption and other societal ills are resolved and Ethiopia enters into a path of economic development consistent with its sacred values such as, for example amongst the many sayings full of timeless wisdom, 'let not your left hand see, let alone speak about what your right hand gives.'

The other interesting discussion from the class in the Adam Science, Technology University (ASTU) on the Advanced Economic Development course was the difference between economic growth and economic development. In Africa we have now like the East Asian Tigers, what are designated the African roaring lions. Ethiopia belongs to the roaring lion economy category for registering a sustained above 8 % rate of economic growth for a number of years. The issue that came was what does this mean? Does it mean the state of ill-being and incapability of the people today in Ethiopia is also being structurally transforming or is this rate of growth one that may not be fully connected to changing peoples' lives and wellbeing in Ethiopia? What came out of the theoretical and conceptual discussion differentiating economic growth with economic development is that economic growth may be a necessary condition for economic development; but it is not a sufficient condition. This came from one of the bright female students where she provided a way to neatly differentiate conceptually economic growth from economic development. Economic development includes a growth path to realise poverty eradication, creating new employment, human development and reduction in inequality. Economic growth mainly highlights by drawing attention to rates of growth of per capita income and gross national product.

The key challenge in economies like Ethiopia is the dominance of agriculture. The transformation dynamics has to address mainly the transformation of agriculture. If agriculture remains largely as it has been and there is no technological and human capital transformation worthy of a scale that can anchor the rate and contribution of the economic growth dynamic, there will be a problem. No matter how the rate of economic growth escalates, it will not be synonymous with the rate of economic development. Economic development implies the structural transformation of the predominantly agrarian economic structure. Economic growth and development that put agriculture first to drive the structural transformation of the economy means the livelihood, the education and the overall social condition of the population in the rural areas would change. The current roaring lion's economic growth is often driven by services, construction, tourism, infrastructure, foreign multinational and business penetration and a number of such factors. It is not often related to the structural transformation of the agrarian economy through a process of innovative industrialisation. This is an important insight that requires deeper research so that all the stakeholders involved in the Ethiopian economic transformation process can align their conceptual frames, policies, purposes and actions to make those changes that make real difference to the lives of real ordinary people that matter so much.

The other interesting issue is what the economic system that is evolving in Ethiopia is today. There are very interesting theoretical taxonomies that classify economies as follows: Market capitalist (USA, Ireland, Hong Kong, New Zealand, Colombia, Ivory Coast); Planned Market Capitalist (Japan, France, S. Korea, India); Social market capitalist (Germany, Sweden, Costa Rica, Sri Lanka); Market socialist (China, Egypt); Former Market Socialist (Hungary, Slovenia); Former Command Socialist (Czech Republic, Russia, Ethiopia); New Traditionalist (Iran, Pakistan). What is the economic system in Ethiopia today? There is a need to explore the following systematically: a) the allocation mechanism, b) the forms of ownership, c) the state vs market relation in managing economic activity and the stakeholders role in the economy, d) the incentive system that includes traditional and non traditional, material and moral incentives; e) the income distribution mechanisms, that is, how fair and just they are and seen to be so; f) the social safety net arrangement and how it is and seen to be also fair and just; and, g) last but not least, the political and ideological preferences of the rulers and how this alienates and inspires the people to engage in production and committed service to the nation. What is the decision-making structure (tied to political system)? What is information structure (tied to state and non-state interventions)? What is the motivational structure and how relevant is to the culture and tradition of the people? How are all these coordinated so that an overall developmental outcome is the consequence of the systemic alignment of these varied range of structures, institutions, activities and policies together? When we ask the question what is the current economic system in Ethiopia, what exactly is the accurate answer, if an economic system is indeed a definition that captures the system of production, distribution and consumption of goods and services where these are organised as an interconnected whole across a national territory; and, if indeed, a nation or state allocates its resources and apportions goods and services in the national community in an organised, transparent and accountable way with a legitimate governance that even those who criticise will not refuse or protest to be part of. When it comes to studying the current economic system in Ethiopia, what appears to dominate is rather more the prevalence of systemic confusion than systemic clarity as the authors in this special issue bring corroborating evidence from their research that the current policy makers in the country should not ignore, but pay close attention to. Now the challenge is how can Ethiopia develop economic system clarity and evolve an Ethiopian national system of innovation where tradition and modernity will be aligned, indigenous knowledge with knowledge that comes from outside can stimulate the economy, and also where a science, technology, engineering, innovation driven economic development will guide the economic system construction of a well being anchored Ethiopia where no citizen will go hungry at all.

In ASTU I also introduced as part of the Advanced Development Economics Course the innovation system approach to economic development that has been developed originally by the Globelics intellectual community (www.globelics.org) and the new journal on Africa, the African Journal of Science, Technology, Innovation and Development (www.ajstid.com), published by the Routledge Publishers Taylor and Francis (<http://www.tandfonline.com/toc/rajs20/current>). Embedding innovation in the economic growth and development nexus can provide a new synthesis of the economics of social transformation at the same time.

There is also a governance change that is sorely needed by anchoring it on a moral and legal foundation that all citizens must share. Starvation, let alone famine must be regarded in Ethiopia as a violation of not only human rights but also the law that must be enshrined as a national principle.

How can such a national imagination and vision emerge as the shared intrinsic value by going beyond ethnic fractionalisation and polarisation to create a robust national economic system. When Ethiopia develops a strong economic system, all problems become shared, as indeed are all solutions. There is no pro-poor policy per se being sold to us from the current unattractive donor – speak world intrusion. There can only be a national anti-poverty strategy that will make sense when all are encouraged to be involved and are able to share the resources and tasks to solve the problem of poverty as indeed any other problem together. In fact poverty must be above all the concern of the rich, the poor live it, but the rich must make all efforts to help the poor come out of it by supporting enabling, capacitating and innovative enterprises to eradicate it. A national purpose with a national passion is needed to solve all the problems together, not as fractionalised entities and identities.

I include two wise statements to help us think about how in a country like ours where tradition plays a big role, where you find people when you want to give them money they get embarrassed and can even run away, that we need to do grounded appreciative empirical research and theorising. Karl Polanyi's wise statement may be useful for our economists to do this grounded and ground-breaking research that is waiting still to be done: "Though human society is naturally conditioned by economic factors, the motives of human individuals are only exceptionally determined by the needs of material want-satisfaction" (Karl Polanyi). In addition developing an appropriate theory and knowing our economic circumstances may not mean we get our policies right. I refer you to also recognise Maynard Keynes relevant statement: "The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessors to draw correct conclusions." (John Maynard Keynes)

The papers in this special issue are: Abu Girma on Fiscal Federalism in Theory and Practice; Minga Negash on Corporate governance and ownership structure: The case of Ethiopia; Seid Hassan on Aid, Predation and State Capture: The Role of Development Aid in Corruption and Undermining Governance: The Case of Ethiopia; Seid Hassan on The State Capture Onset in Ethiopia: Humanitarian Aid and Corruption; Abu Girma on The Challenges and Policies of Poverty Reduction in Ethiopia; Zeleke Worku on Social Capital as a Differential of Long-term Survival in Small and Medium-sized Enterprises in Ethiopia; and Getachew Begashaw on Landlockedness as an Impediment to Economic Development in Ethiopia: A Framework for a Durable Solution.

Together they open a reflective, analytical, critical and creative research approach to all the challenges and problems of economic development and governance in general and Ethiopia in particular.

Finally on behalf of the the Ee-JEIF editorial board, I strongly recommend that we all read these papers and engage in a critical discussion to go beyond economic growth to economic development and the making of a robust Ethiopian economic system. I encourage all Ethiopians in various fields from philosophy to engineering to do similar work and produce special Ee-JRIF issues on Ethiopian philosophy and Ethiopian science, Ethiopian astronomy, Ethiopian mathematics and so on in order to advance learning and knowledge to make this historic nation to play not only for itself but also for the rest of Africa and the world as a harbinger of great advances in deepening both knowledge culture and civilisation. We in Ee-JRIF will do all we can to provide the resources to disseminate your

work. So start producing and send us your work, remembering by working together we go far, by working alone one may go fast, but not far. Let Ethiopia and the rest of Africa go far. If Ethiopia goes far, the rest of Africa will go far also as they are together, and if the rest of Africa go far, Ethiopia will be included and will also go far. Let them all go far and fully develop in this OAU/AU Jubilee year together not each alone fast with deep values, norms, laws, human rights, openness, accountability, transparency and sustainable governance.

Mammo Muchie, Chief Editor of Ee-JRIF