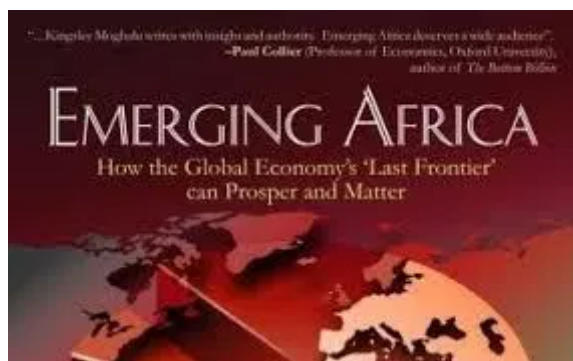


Afro-optimism will not transform Africa

Dr Kingsley Moghalu, Deputy Governor of the Central Bank of Nigeria and LSE alumnus, was recently in London to promote his latest book, ***Emerging Africa: How the Global Economy's 'Last Frontier' can prosper and matter*** and Africa at LSE met him to find out about his vision for a prosperous Africa.

The term “Africa Rising” is on the lips of many these days particularly as seven of the world’s fastest growing economies are believed to be African. But can this current wave of Afro-optimism bring genuine prosperity to the African continent? Dr Kingsley Chiedu Moghalu, the Deputy Governor of the Central Bank of Nigeria thinks not.

“Hope is good,” he says. “But hope must be based on concrete substantive strategy going forward, so I pour a little bit of cold water of the Africa Rising phenomenon. I think it could lead to illusionary thinking. I recall that when African countries became independent that there was a huge sense of euphoria around the continent that independence guaranteed economic growth, political development and stability. But this did not happen in the following 30 to 40 years.”



In his latest book, ***Emerging Africa: How the Global Economy's 'Last Frontier' can prosper and matter***, Dr Moghalu presents his own ideas on how Africa can become truly prosperous. He describes it as “a vision for Africa’s future based on a fundamental analysis of why Africa has fallen behind in the world economy”.

In doing so, the LSE alumnus discusses some fundamental misunderstandings about which African states need to revise their assumptions.

The first is the idea that globalisation is automatically good. Rather, Dr Moghalu describes it as a huge and influential reality which Africans must engage with a sense of sophistication and self-interest. It is important to find a way to break that stranglehold because globalisation is neither benign in its intention nor agnostic in its belief. It is driven by an agenda and there are people who drive it.

Economist Dambisa Moyo caused controversy with her first book, ***Dead Aid: Why foreign aid isn't working and how there is another way for Africa***. Dr Moghalu echoes some of her arguments describing foreign aid as one of the leading reasons why Africa is impoverished. “It has removed the incentive of many African nations to seek solutions for their economic challenges and create wealth for their citizens,” he argues. “Instead it has perpetuated poverty because they are simply content to survive from one day to the next.”

Foreign aid does have its place, Dr Moghalu admits, but “it should always be within a limited time frame and it should focus on economic wealth creation activities rather than just helping people survive”. On the day we meet, the UK Secretary of State for International Development Justine

Greening is in the news revealing that there will be a **radical shift in future UK aid into economic development**, concentrating on economic growth and jobs. Dr Moghalu expressed great pleasure at this announcement remarking that “it is very interesting that British policy is catching up with the recommendations in my book”.

Another fundamental understanding that the central banker develops in his book is the importance of understanding the four different kinds of capitalism and the implications they have for Africa’s growth. The first is state capitalism which is not very common, although it is practised by China. It is, in fact, an oxymoron. Many African states do not have the capacity to run state capitalism because you need an all-knowing state with a huge reserve of strategic thinking capacity to be able to direct wealth creation for the purposes defined by the state. There is also oligarchic or crony capitalism in Russia and some African states. This can be turned into strategic activity if cronyism is not rampant. South Korea did that by creating the Chaebols, the family-held businesses which today dominate the South Korea economy. Welfare capitalism is the norm in Europe. Some African states have practised welfare capitalism without generating the type of revenue that will sustain it into the future. Now it is out of favour. Entrepreneurial capitalism is what made America wealthy and this is what Dr Moghalu recommends for most African economies because it suits the African culture. Along with a certain amount of oligarchic and welfare capitalism, it would do Africa a world of good, he adds.

Much of the “Africa Rising” narrative is based on the cyclical growth in income revenues from commodities. But who knows how long this will last? Dr Moghalu wants African governments to grasp hold of their future by creating industrial manufacturing so that Africans can consume what they produce. If that could be achieved, the continent will have moved away from being an import-driven consumer-driven economy. It is only then, he argues, that we can say Africa has truly risen.

Emerging Africa: How the Global Economy’s ‘Last Frontier’ can prosper and matter by Dr Kingsley Chiedu Moghalu (Bookcraft 2013)

Dr Moghalu was in London as part of the Africa Focus 2014 events organised by **OMFIF**.

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