Industrial development and technological innovation as engines of economic prosperity

By Auscar Wambiya

After the window was closed on the nomination of Presidential candidates and their deputies for the ultimate political duel of 9th August 2022, debate turned to what policies each of the contenders had for the ultimate political price being the Presidency in the Kenya's 2022 elections. Questions around the differences in the manifestos and which of the policy documents would spur economic prosperity in the next five years were abound. What would *wanjiku* look out for in the different models that would inform government in the post elections regime?

Empirical economic pundits agree that industrialization and technological change are the two major hallmarks of economic prosperity among developed nations, world over. The ability of these two instruments of growth to spur increased profits for the entrepreneurs, improve wages for the laborers and mobilize higher taxes for the government explains why rich countries are rich and poor countries are poor. This economic thinking overturns the argument that countries need raw materials or produce to succeed. There are many poor countries with abundance of raw materials like gold, tea. coffee or even copper.

That manufacturing and technological advancement are king should inform the development of policies for the next regime. This realization spread through Europe that the real gold mines of the world were not the physical gold mines but the manufacturing industry. For example, Italy is a country in which there is no important gold or silver mine, and so is France; yet both countries are rich in money and treasure thanks to industry. In the next five years, Kenya must industrialize heavily in order to be at par with its economic Vision of 2030.

The fundamental idea here is that a finished product might cost from ten to a hundred times the price of the raw material needed for the product. This idea would recur for centuries in European literature on economic policy. Between raw materials and the finished product lies a multiplier; an industrial process demanding and creating knowledge, mechanization, technology, division of labor, increasing returns and - above all - employment for the masses of underemployed and unemployed that always characterizes poor countries. In between also lies various business opportunities for those in entrepreneurship and huge taxes for government to further promote industry and technological development.

Economic policies that increase taxes to finance welfare programs without feeding the goose that lays the golden eggs which is industry will fail flat. In a cartoon version of the adventures of Robin Hood, the sheriff of Nottingham's strategy to increase tax income out of poor farmers is to hold them upside down and literally shake the last pennies out of their pockets. At the end of World War II, it did not take the European Ministers of Finance long to find out that a far easier way of boosting revenue was to increase the basis for taxation by attracting manufacturing industry. People working with machinery increased their productivity enormously and were able to pay more taxes than those working in the fields.

Unless we prioritize manufacturing, we will remain a colony for a long time even though we claim independence as a people. In this context, colonies are nations specializing in bad trade, in exporting raw materials like tea and importing high technology goods like electric vehicles, whether these are industrial goods or from a knowledge – intensive service sector. It is the colonizers who benefit in this arrangement hence neo-colonialism.

Developing countries will never become rich by exporting food to the first world. In fact, countries without the advantage of raw materials make great effort in order to industrialize thereby overtaking those with the gifts of natural resources and raw materials in abundance. As the great Montesquieu (1689 – 1755) noted: The barrenness of the earth renders men industrious, sober, and inured to hardship, courageous, and fit for war; they are obliged to procure by labor what the earth refuses to bestow spontaneously.

In the place of economic development that made Europe rich and malaria free through industry and technological innovation, Africa gets to keep a colonial economic structure, exporting raw materials with an underdeveloped industrial sector. Instead of development enabling the continent to service debt, Africa gets debt cancellations. Instead of development that eradicates malaria, Africa gets mosquito nets. The structural problems underlying Africa's situation are not addressed, just the symptoms of these problems. Kenya must move from this cycle of poverty. The new government must be clear in its policies on how it intends to promote industry and technology to spur economic growth.

Further on technological innovation, the World economy functions a bit like Alice in Wonderland, where one of the strange characters tells Alice; ‘This is how fast you have to run here in order to stand still.’ In the global economy, only constant innovations sustain welfare. Resting on their laurels as the world’s leading constructors of sailing ships could only last until the steamship took over, when wages and employment would inevitably collapse. The world’s best producer of kerosene lamps soon became poor with the advent of electricity. This is why a new regime must prioritize technological innovation in its policy or we will not compete in the international space of prosperity. The status quo leads inevitably to poverty. Look for what the leading presidential candidates’ manifestos were saying on industry and technology and vote for the most viable among them. Towards Vision 2030.

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