The forgotten catalyst of economic growth

By XN Iraki

What is Kenya’s greatest concern, apart from the constitution?

Some could cite the environment and population-growth imbalance. Others would cite crime, joblessness or the decay of family values.

I say it is the lack of new ideas. We generate too few ideas and that is why our problems are persistent.

Keen observers will note that in the last 50 years we have not made any dramatic leap forward. It is no wonder, therefore, that we are obsessed with politics, the only area where there is action.

From independence through multiparty, to the grand coalition and the current yearning for a new constitution — which mentions the word research a mere seven times, one thing remains true — ideas remain few, and innovation limited.

Some observers will lay blame on our brand of politics, saying politics and politicians are our giant dustbins, scapegoats who hold our future at ransom. They cite the robust economic growth recorded from 2002 after the end of the Kanu-era as the best evidence that politicians are the problem.

But that is just part of the story. Some will also argue that we did not have enough new ideas to deal with the post-Kanu era.

We still hear the echoes of Kanu, and very few of the top leaders in Kenya can deny they have no ‘kanu blood.” Even our Draft Constitution has echoes of Kanuism, with its insistence on powerful institutions and intolerance to the NO views. Could it be that Moi was right when he suggested Kanu would rule for a 100 years?

Economic consequences

So why do we generate so few ideas and what are the economic consequences of that? And what can we do about that?

First, on the lack of new ideas, Unesco and other United Nations agencies keep data on every country’s propensity for new ideas. Kenya produces too few journals, which though labelled ‘academic research’ eventually become the seedbed of development, where research ideas are commercialised. The beauty about published research is that someone else could see the value of an idea, even when the originator might not. We also have too few researchers per 1000,000 people. Leaders in this category, when averaged for a ten-year period, include Finland, Iceland, Sweden, Denmark, USA, Singapore, Norway, and Luxembourg.
If we use the number of patents registered in the last 50 years as the measure for how many new ideas a country generates, Kenya still fares badly. The same names top this list, this time with the inclusion of South Korea and China. The list looks familiar when you use the expenditure on Research and Development (R&D) as percentage of GDP. On this category, Israel leads.

Not admirable

Our data on each of these proxies is not admirable, and with good reason. Kenyans do not see research as a priority. We have more pressing needs. How often do you hear our politicians talk about research? We do not see research as an investment into the future. Yet, new ideas have shaped and shaken the world, from the life changing medical advances to space exploration and even nuclear weapons.

We probably ignore research because we do not see the immediate economic returns. Research is akin to rearing children; it takes long to get any returns.

Moreover, Kenya is not a curious nation. We do not see a reason to get to the bottom of issues, preferring quick fixes.

But lack of curiosity is an enemy of research and development. It is no wonder science and mathematics are not the most popular subjects in our schools. Have you noted that despite the expansion of university education in Kenya, the focus is on "soft" options?

Research still scanty

And even in these soft areas, research is scanty. You might find Westerners have written more about Maasai than East Africans.

Our cultures have taught us to prefer what exists, at the expense of everything new. How many of us have tried to find out how a cellular phone works? What of VVTi engine? Do you recall the jokes we cracked about Nyayo car? And, of course, we all blame our education system because it encourages cramming rather than application of knowledge. How else can you explain why illiterate people are able to count money?

Others cite lack of incentives, saying our market rarely rewards thinkers, either through recognition or even financially. Do we have any awards in Kenya for innovators in Kenya?

So how do we get out of this quagmire?

The connection between R&D and economic growth is well documented. McKinsey Consulting, for example, notes, "Some executives worry that the cost-cutting moves their companies made in R&D last year will have painful consequences, including a weaker talent pool and a loss of market share resulting from shrivelled new-product pipelines."
If the market share shrinks, economic growth is retarded at national level. Most successful firms are also leaders in R&D, filing many patents to protect their findings. The list of top nations in R&D closely mirrors top countries in economic growth.

We must devote more money to R&D. Israel devotes more than four per cent of her GDP to research, while Kenya devolves less than one per cent. You cannot be a leader if you only wait to adopt tired ideas. What was our national R&D budget last year? Will it increase this year? New ideas do not come by inspiration, except in poetry.

Inspire youth

We must showcase the benefits of R&D and inspire the younger generation. Do you recall President Obama’s recent suggestion that we visit Mars in our lifetime? How often do our leaders talk science and technology? Why, I ask again, do we take school drama festival winners to State House and not science congress winners?

The beauty about R&D is that new ideas serve as a barrier to competitors. You can make money and wealth as followers compete for the leftovers. What new products and services do we sell to the world at our price?

Some have boldly suggested that although we liberalised the economy, we are still too conservative, preferring to do things the same old ways. How did it take 100 years to number buildings in Nairobi? Why do we still have roundabouts? Could new curriculum liberalise our minds?

New ideas and new knowledge do not suffer from the law of diminishing returns, unlike the productivity of land. New ideas brought us from the stone age to space age; that is not about to change.

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Is Kenya missing out by relegating culture to the sidelines?

Published on 27/04/2010

By XN Iraki

Last week we had the honour of attending the coronation of King Oyo Nyimba Kabambi Iguru Rukidi IV of Tooro Kingdom in Western Uganda.

Do not ask me which Kenyan kingdom we were representing. The drive from Kampala to Fort Portal (capital of Tooro Kingdom) on the foothills of the Ruwenzori was scenic through hills and valleys, green all the way with different communities, and their traditional dresses doting the beautiful landscape.
Two things become clear as you drive to western Uganda; one, the horns of the cows become longer and two, women become more beautiful.

The Tooro King’s palace is atop a hill overlooking the historic town of Fort Portal, and the great Ruwenzoriers.

On Saturday, 17, it was a beehive of activity, as dignitaries came to celebrate the official coronation of the king on attaining age 18, after his father had died when he was only 3.

The palace had its share of modernity, with big multinational corporations from Coca-Cola to Uganda Telecoms conspicuously advertising their products on the palace grounds.

This prompts us to ask a basic question; do kingdoms make economic sense within modern capitalism systems that pay a premium on meritocracy and diversity?

**revived kingdoms**

Uganda recently revived the kingdoms (starting with Buganda in 1993) as an avenue to increase cultural identity and national cohesion. While we may think that it it a big step back in time, it might actually be part of modernity. UK, Japan, Netherlands, Denmark, Norway, Sweden and Thailand are all kingdoms.

Though most of these kings or queens do not hold much political power, their contribution to economy is huge, but indirect.

First, kingdoms provide an avenue for continuity, satisfying the national psyche, giving the nation an identity, which transient elections cannot give.

That is why UK, though demanding regular elections from us, still keeps a monarchy, a repository of its historical triumphs from the battle of Waterloo, to world’s greatest empire, where at one time, the sun never set. Japan, despite all her fame in high technology, keeps a monarchy.

Such national identity is good for an economy; it makes setting national goals and pulling together easier. That is what we lack in Kenya, instead, finding identity in our tribes.

Uganda is probably ahead of us in trying to leverage national identity using existing traditional institutions. Without an identity, national cohesion and pride, we can undo any economic progress, as 2008 post-election violence revealed quite clearly.

Secondly, kingdoms can be an attraction for visitors, bringing tourists and enthusiasts. It was very hard to get a hotel in Fort Portal because of the coronation. But these visitors brought money, and there is no doubt buoyed the local and national economy. Even more
people visit palaces in kingdoms from Buckingham in UK, to Akasaka palace in Japan. It was fun visiting the tombs of the past Tooro kings, despite having to walk backwards when getting out of the housed tombs.

Egypt makes lots of money from dead kings. Myths around mummified Pharaohs attracts millions to Egypt. There is even a whole area of study called Egyptology. While in Kenya, we are yet to make Ol Duvai Gorge or Gedi ruins competitors to Egypt’s Valley of the Kings.

‘Tero buru’

In Kenya we need to give the big five competition by paying attention to our cultures, not necessarily reviving our kingdoms. Every community in Kenya has certain cultural attractions. In Luoland, we could bring in tourists to witness ‘Tero Buru’, or other ceremonies. We can even visit Ukambani to witness the ‘Kithitu’.

It is very myopic that someone could stop bull fighting in western Kenya, which is a great cultural curiosity. Who would not marvel at the Maasai ceremony of turning boys into warriors without killing the lions? What of Bukusu circumcision ceremonies? Who would hate to witness a kikuyu ‘ngurario’? Along the coast, several ceremonies involving local cultures would attract thousands as the annual Lamu festival has shown.

Have you noted how Safaricom has ingeniously included our culture and landscapes in her advertisements?

In our quest to grow our economy, we have often forget the soft issues like culture, which have lots of leverage, with low barriers to entry. Uganda seems to have quickly learnt from Egyptians that there is money in culture.

South Africa, Nigeria and Ghana have retained their chiefs and kings, who were well represented in Tooro.

If we can repackaging our cultures, we could make lots of money.

Imagine packaging our stereotypes, the flamboyance of dholuos, the stinginess of kikuyus, and the affiliation of bright colors to Kambas, the bravely of Maasai warriors, and the humility of the coastal people?

traditional cultures
In our visit to Tooro Kingdom, we were mesmerized by the traditional cultures from the attire to greetings and foods. Such attractions might be more long lasting and addictive than big safaris and wildebeest migrations.

My observation seems to indicate that our cultures are a goldmine we have ignored; yet they are diverse, rich and long lasting. Do we have data on what really attract visitors to Kenya? The media highlights our cultural differences without indentifying their economic potential.

So, where do we go from here?

One, we need to give our tourists more choices, beyond the big five. The 42 tribes of Kenya, and their cultures, are one of our greatest resources. But too often we let other people define us, in the wrong ways.

Economically speaking, our cultures are our greatest asset, because they cannot be replicated, and we can make money out of them without any competition.

Two, more visitors, both local and international, might be more interested in experiencing our cultures and ceremonies, learning about our myths and legends than being driven around the country in closed vans.

Three, where is the heroes’ corner? When shall we erect monuments across the country for all the heroes’ different tribes are proud of? Our cultures are not going anywhere any time soon; we better put them into economic use.

Four, after achieving our material things, it might be cool to connect to our roots, why else are "joints’ so popular in Nairobi?

And last, but not least, when shall visitors to Kenya drive themselves freely as they spend freely, and why do we still train and employ tour guides when GPS navigation system can do all that with one click of a button?

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Economics and succession: An analysis of Kenya’s achilles’ heel

XN Iraki

We all dream that one day we shall start businesses, and become rich and famous. But only a few realise such dreams. And we know them by their names; from Bill Gates to Njenga Karume, and other Kenyans who count their money in large denominations.

Majority have deferred their dreams, while some have put them on hold indefinitely. It will remain a mystery why so many dream of becoming rich, but never become rich.
Some blame themselves, others blame their genes, and a few others blame dark satanic forces.

And even after years studying entrepreneurship, it is unlikely we shall ever have get a formula that ensures we get rich.

For those who prosper, they earn lots of respect, and hopefully, live a happy life. However, psychologists contest that argument, saying once we get something we want it no longer motivates us.

As the "lucky" prosper, they share the benefits with the society through taxes, and for some through philanthropic activities. But that great prosperity is eventually threatened by the specter of succession, when one generation must take over from the previous one.

Some entrepreneurs manage their succession well, while others refuse to do so, leaving it to the forces of nature, when they finally find make their exit, leaving chaos in their wake.

**Big issue**

It is no doubt that in Kenya, succession is a big issue, from the State House to our homes. In fact, one of the drivers of the constitution debate is succession in 2012, when the house on the hill will get a new tenant.

But succession is one of the biggest challenges facing Kenyans everywhere.

In our homes, men fear writing a will is planning an early exit from this planet. In businesses, particularly private ones, owners find it hard to let go, setting off a conflict between the founders and the next generation, who either feel energetic enough to take over, or impatient enough to squander wealth whose origins are a mystery to them.

In the public sector, the expiry of every big job’s contract is always surrounded by succession controversy, with old CEOs trying to influence the successor, or at times, extend their tenure.

In the private sector, anxieties over the end of a CEOs tenure often affect the share prices. For example, in Kenya, we would want uninterrupted success in Safaricom after Michael Joseph, or Equity Bank after James Mwangi.

The two firms are Kenya’s success stories, and they must not be allowed at any time to fall victim to unmanaged succession.

**Manage succession**

Frankly, just like great empires, no great corporation can be built without paying attention to succession.
Few can contest that all successful families, nations and firms manage succession well. Think of the Ford in the USA, Quandt in Germany, or Ndegwa’s in Kenya.

Some have observed that the success of Asian entrepreneurs in Kenya hinges more on their focus on succession among other factors, specialising in one line of business.

Great nations become so by managing their succession well, vis-à-vis all the firms we admire in the Fortune 500. So, why then do we fear succession so much, and what can we do about it?

Our failure to manage succession is driven by our cultures. Many fear that managing your succession is managing your early death. We are still prisoners of our cultures, despite going to school.

Ask your friend if she or he has a will, and let him explain why he has none.

But our cultures had very strong succession plans even at political level, with one generation successfully handing over the baton to the next when it was time for a change of guard.

Moreover, we teach a lot about successful businesses in school, but rarely about their eventual fate when founders exit. Even awards like the Company Of the Year Awards (COYA) do not fete great succession.

Some boldly argue that we fail to plan for succession because a majority of us never come to terms with the hard reality that we are all mortal after all, and some day nature must have its way. Why else are we so reluctant to reveal our dates of birth or age?

Where do we go from here?

In the political arena, we need to institutionalise succession. Keen observers will admit that one of Moi’s greatest legacies is managing his succession and ensuring there was no bloodshed.

He did it so well, that he has remained relevant to date, with his political utterances carrying lots of weight. While the constitution contains statutes on succession, making succession part of our political culture is better way to deal with the ghosts of succession.

This battle is also being fought in the public sector, where boardroom wars over the picking of the next CEOs are common.

But there is nothing wrong with grooming the next CEO. In fact, in some firms, being appointed to certain positions signals to the market that you are heir apparent. Some CEOs however, fight bright stars, who end up leaving and making the succession harder.
In private firms, we can manage our succession by roping in the next generation into business early, giving them a stake so that they can understand the business, and remove the threat that they will ‘steal’.

Great nations are built through great institutions, which are ‘people invariant”, ours is no exception.

We must build our political institutions; our business systems should be institutionalised to outlive individuals.

In our homes, we must ensure that the next generation is made responsible early enough.

Our lifelong sweat should not be wasted by failure to plan succession. Instead, it can be leveraged several times by careful succession. After all, longevity is one of our dreams, but too often deferred by nature, as obituary pages remind us every day.

That reality is not about to change, but nothing is more satisfying than ensuring our immortalisation by equipping the next generation. Your progeny will always pay tribute to you.

It is only by managing succession that we shall achieve our Vision 2030, and build Kenyan multinational corporations that are in short supply.

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**Should we embrace soccernomics… Or Golfnomics?**

**Published on 13/04/2010**

By XN IRAKI

Football in Kenya, just like in South Americans, is slowly becoming a semi-cult. We know more about football players than many other personalities. In fact, football players are the new celebrities in town, edging out musicians and preachers.

Even the coolest joints nowadays feature flats screens, strategically placed to allow patrons to watch the game, yell, and support their favorite teams, in far away in foreign countries.

There could be several reasons why football has grown so popular in the last few years. Some argue it is cheap entertainment, because all you need is a TV set, and some time to kill.
But the media has also contributed significantly, with main channels competing to show the most popular games.

More importantly, football is a profitable game, with companies all around the world using it to advertise their products. Business drives football even more than our liking of the game.

Some pundits have argued that in UK, the game has replaced car manufacturing, as the advertising product of choice.

**Love money**

Is it not interesting that while we no longer hear of Bedford, Morris, or Leyland, we hear more of Rooney, Beckham and other famous English players?

Football is just like any other business, where profit attracts entrepreneurs. That is why Russians and American have bought into English clubs. Its not because they love the game; they just love the money more.

Which begs the question why we have not tried to make money out of football, just like English teams. Many ask what happened to the legendary Gor Mahia and AFC Leopards.

Are there no entrepreneurs in Kenya who can develop football?

The problem might be that we have not realised that games, like football, can be big business that sells the country at the same time. Just look at our athletes, and how much fame they have brought to Kenya, even as they bank millions into their bank accounts.

Games are also an economic stimulus. Think about it. Aren’t you more productive on the day your team’s wins?

Imagine how many young men are kept away from mischief because of they were busy following a game on TV?

Football could be that drug that keeps us away from evil.

But enough about football. What of Golf?

Golf is probably the most mystical game in the country, fueled by the belief that only the rich can play it.

But the belief is not empty. You need to be a member of a club, have a golf kit (which costs a tidy sum), and have a caddy to play golf; unlike football, where you only need a ball, which can be improvised easily using plastics papers or pieces of clothes.
And any field can also be a football field. It is this simplicity that makes the game easy to celebrate. Golf is a bit harder to understand with pars, boogies, eagles, bunkers and handicaps.

More importantly, golf has not been as publicised as football, ensuring its mystery remains. While football fields are found everywhere, from primary schools to estates, golf courses are rare, and new ones are rarely built. Some argue that this "scarcity " is what adds value to golf, making it appear "cool" in the eyes of the public.

**Not popular**

Ordinary folks give interesting explanations on why golf is not popular.

Jeff Githinji, a graduate student, argues that golf is a slow game, where balls take "too long" to land into the holes. And there are no real opponents because all balls move in one direction. (Do not laugh).

So, should the Kenyan economy be golf like or football like?

Those who support *soccernomics* suggest it should be more simple, and less exclusive. We should build an economy that does not leave any one behind. Because, inherently, we are all the same. Our differences are artificial. We all have red blood, are born and will die.

Moreover, football represents the best of human virtues, chanelling our extra energy to productive uses.

Those who support *golfnomics* suggest it represents our aspirations, to reach our dreams, to be better than others, but not at the expense of others.

They further argue that golf-nomics has a wider perspective, just like the wide-open spaces in golf courses.

And Golf forces us to think big. Compare a golf course and a football field, which is too small to fit a single hole.

If we can think like golf, we shall be less constrained, enjoying more freedom. Those who play golf know the freedom to hit the ball as far as the eye can see.

But there another important reason why an economy fashioned on golf would be better is that there is no best score in golf. You improve throughout your life. In soccer, you can win by a single goal.

More interestingly, golf has no referee; you referee yourself with cheaters earning themselves lots ostracisation.
Should that not be what the nation should aspire to be? Self-disciplined, without waiting for outsiders to referee over us because we cannot solve our domestic affairs?

And golf takes longer to play than football; about 4 hours against soccer’s 1.5 hours. That calls for endurance, which we can use to solve our national problems.

Some keen observers note that golfers have a smaller hole to score through, unlike soccer players with their huge goal posts. That demands accuracy and focus, the ingredients needed for faster economic growth.

Moreover, golfers stay in form until late in life, unlike soccer players whose window closes quite early, before 40’s. Should we not aspire to be productive most of our lives?

Lots of creativity

Economies expand and grow driven by the creativity and innovations of their people. Contrary to what some believe, there is lots of creativity in golf; even more, I bet, than football.

You need to coordinate every part of the body, balance the ball and be conscious of the green in the distance, all at the same time. A golfnomy would spawn more creativity leading to economic growth.

Moving from soccernomics to golfnomics would be a transformation; a paradigm shift accompanied by the new constitution, making Kenya a new nation.

After all who does not want to be rich and live well?

As we aspire to achieve Vision 2030, we shall need new thinking, broader, unconstrained by our traditions and conventions.

Golf-nomics might be closer to that thinking than football-nomics.

Finally, here’s some food for thought. Why haven’t we tapped into golf tourism, yet we have sunshine all year long?

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Let’s embrace creative destruction for progress

Published on 30/03/2010

By XN Iraki
It is not clear whether Joseph Schumpeter visited Kenya before he left us more than half a century ago. By visiting this beautiful land, his spirit may have remained, influencing the founding fathers, the current generation of policy makers and even the ordinary people, the hooloi polloi.

Schumpeter taught at Harvard after emigrating from Austria, once the citadel of intellectuals in Europe. He wrote prolifically on entrepreneurship and economic growth. More specifically he spoke on innovation, where people come up with a new product or idea (invention), extend the idea, duplicate it or synthesise many ideas into a novel one; the stuff chemists and writers love.

Schumpeter’s lasting influence was indemnified, after The Economist named a column after him. But he will be remembered most for coining the phrase "creative destruction."

Simply put, Schumpeter argued that by being innovative, it was possible to spawn new products or services that "destroy" the existing ones. The genius of his thinking was combining destruction and creativity.

There are many examples of creative destruction. The gramophone was destroyed by cassette player, which was replaced by CD player, and later usurped by the I-pod and I-pad. Feudalism and monarchies were destroyed by democracy.

There are other examples; the car destroyed the horse carriage, while the exercise book will some day be destroyed by the laptop.

best manifested

Fashion industry is notorious for creative destruction. New design clothes are destroyed by newer and "cooler" ones.

It is, however, in hairstyles that creative destruction is best manifested. I believe some of the most creative people must be hairstylists. How do they come up with so many hairstyles, for just one head and same hair!

What is not debatable is that though we witness creative destruction every day, Kenyans are rarely the destroyers, the innovators who make money and grow the economy.

Few Kenyans can claim patents for new ideas, and even fewer have caused any creative destruction that is anywhere close to the laptop, the car, the internet or the cellular phone.

At times, we seem to prefer real destruction to creative destruction, as 2008-post poll chaos clearly showed.

Politics is our staple diet in Kenya, but apparently with little creative destruction. Parties come and die, but their ideologies seem to remain constant,
undestroyed.

Why else did we finally settle on the presidential system after 20 years of debates, fights and lots of money down the drain? Some observers even suggest the lack of creative destruction in the political arena is evidence by the existence of political dynasties.

How, then, can we start the gale of creative destruction?

Let us give credit where it is due. There are some gales of creative destruction, particularly in the service sector, but they have not blown hard enough to be felt beyond the shores.

threatened to destroy

Equity Bank, by being creative, threatened to destroy established banks, which had to copy her to survive. M-Pesa could one day destroy not only the banking sector as we know it, but the payment system too. It could even "destroy" the currency system, saving the Government the need to print expensive notes and coins.

There are, however, some paradoxes in the creative destruction.

How did Post Office fail to see the threat of email? How did Postbank fail to build on one of its greatest strengths, networked banking, long before computer networks allowed us to bank in any branch?

Ushindi, a software that can help us locate disaster hot spots is one of the hottest things from Kenya, from a Kenyan. It could creatively destroy other existing software and models on disaster management, but it is not being utilized.

In the core of the economy, there has not been a critical mass of creative destruction. Roundabouts have not been destroyed by interchanges. Diesel locomotives are yet to be replaced by electric trains, the Shinkanzen.

We import most of our products, and apart from repairing them, make no effort to come up with new ones, always blaming lack of capital for our complacency. Look around your home, office, and identify how many products need to be creatively destroyed.

In services, where no huge capital investments are necessary, we are yet to develop a homegrown software industry.

Where do we go from here?

Creative destruction is a culture, a way of thinking. We can teach people to be creative, but we must start early, in our schools. Incidentally, we stop creative destruction too early, by demanding order from kids, stopping them from being creative. We flood them
with inert ideas, rarely letting them construct their own knowledge, preferring to lecture them. This mode of educating the next generation goes all the way to the university.

The reported cases of cheating in national exams are a clear indicator that the culture of creativity, having the urge to solve problems is waning. That is not the recipe for global competitiveness.

It is not any better in our national discourse, where politics rules the day at the expense of other issues.

Does the word innovation appear in the draft constitution? Nations that have deliberately focused on innovations can creatively destroy moribund ideas, even in politics. How do you explain the fact that Singapore owns 32 per cent of Bharti Airtel, the new owners of Zain?

Why, for example, don’t we have national prizes every year for innovations beyond science congress? How big is our national budget on research and developments, the seedbeds of creative destruction?

In Kenya, we love sharing what is created, why else is devolution so popular?

That is why corruption is so rife. We love being given, never bothering to know who created what you are getting freely.

If we must achieve Vision 2030, we must be willing to be innovative, creatively destroying the old ideas and replacing them. Innovation is engine of economic growth.

Schumpeter may be gone, lying peacefully under the sod. But his ideas have outlasted him, and may transform our young nation and its progeny.

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The economic benefit of making education an export commodity

By XN Iraki

In 2007, education overtook tourism as the leading services export in Australia, only ahead of coal and iron ore in overall ranking. In the USA, education and training ranks fifth in terms export of services.

Data from UNESCO shows that the USA, UK, France, Germany. Japan, Australia, Canada, South Africa, Russia and Italy are the top hosts to mobile students (a better term than foreign student), while sub-Saharan Africa, Central Asia and Arab states are leaders in "exporting" students. Most of the students pursue bachelors and masters degrees, with business administration emerging as the most popular course.
Closer home, Kenyans have been flocking to Uganda to pursue higher education. But very few Ugandans and Tanzanians have been coming to Kenya, despite our pride, as the economic engine of East Africa. This may be historical, with the pioneering spirit of Makerere still alive. Newer Ugandan universities may be benefiting from this positive spill over, and should probably pay Makerere a "loyalty" fee.

**Important industry**

So, if Education is such an important industry, why have we ignored it?

We only talk about the number of tourists arriving in the country, but never about the number of foreign or guest students coming. Other countries, including our neighbour Uganda, realised the strategic importance of education as an export a long time ago. Students coming to Uganda or any other country have to pay fees and spend money. That money is not always generated from within the host country. Parents, and guardians or sponsors send the money, hence the use of the term export.

The export is invisible, because we rarely think about it, the same way we think of the bales of cotton or iron ore.

Education as an export commodity has many advantages. The most obvious one is that the mobile students stimulate the economy the same way location of universities in Nairobi’s CBD has created demand for real estate.

The students consume goods and services, which creates jobs. But this stimulation is catalysed by the fact that students are usually and energetic. The host country benefits from all this energy, without paying the "rearing Cost“ of bringing them up.

Some countries make it easier for students to work to exploit this energy.

Youngsters can work odd hours and on odd jobs. Others make it easier for graduating students to stay on, leading to "brain gain". This gain is also evident in entrepreneurship, with the newcomers creating a disproportionate numbers of new enterprises as compared with the indigenous.

Retention of such students makes lots of economic sense, since there are no rearing costs. The country just starts reaping the fruits of other countries’ labour. Curiously, as this happens, the home countries of the students may not mind, since the new employee sends home much needed remittances.

**Influence consumption**

The long-term benefit of making education an export commodity is that you get a chance to influence the consumption patterns of the next generation. You are more likely to drive a sports utility vehicle (SUV) or sport utility truck (SUT) if you schooled in USA than say Uganda.
The host nation creates a future market for her goods and services and even political ideas. Some observers have noted that colonial powers retained economic and political interests in their former colonies. They would have been less successful without "creating their own image" through educating the pioneer policy makers.

Jomo Kenyatta and Mwai Kibaki went to London School of Economics (LSE). Would Kenya be different if we were colonised by say Mongolians? Does it surprise you that despite changing from 7.4.2.3 system to 8.4.4, UK is still a popular destination for Kenyan students?

Investing in services like education may be easier than in products. We can argue that we do not have the massive capital to build factories but we have the brains that drive education and software engineering. We even have surplus brains. Services are also harder to replicate, which makes it attractive in the long run.

Think about it. Why is it so hard to replicate Harvard or Alliance, yet most modern cars look very similar? US long realised that and focused more on services where they have a surplus. IBM’s reinvention from computers makers to service provider is a classic case of insightful thinking.

Where do we go from here?

Our institutions focus too much on the local clientele, the Kenyan students, a complete contrast with the other leading sector, tourism, which focuses on the foreign clientele.

Yet, we can catalyse our economic growth by building schools and institutions that cater for the global community. Do we have five star universities and colleges the same way we have five star hotels? It seems that as tourism shifts the focus to local markets, education should focus on global market, since the local market is already guaranteed.

Though entrepreneurs have invested a lot in education, they may not always be long sighted particularly in a country with such a high proportion of young people. We need to deliberately promote education as a leading export the same way we promote coffee or tourism. Australia has shown that it can be done.

**New ideas**

Making education an export will bring money, generate new ideas and new thinking to dilute our deeply entrenched ‘local thinking’, espoused by tribalism.

Exporting education can also dilute the effects of the quota system, which has made our children narrow-minded.

Our national problems were not confronted when they were few and unripe. But now they have ripened and they need new thinking. The solution to our economic problems
may lie in sectors we take for granted like education. This new thinking is what is needed beyond the new constitution.

As a start, we need to build quality schools, boosting our content and curriculum. Such quality and branded schools should be like magnets, attracting students from all over the world creating a new export that we have long ignored.

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The threat to quota system poses on our institutions and economy

XN Iraki

What do Sergey Brin and Andy Grove have in common? The quick answer might be they are innovators and entrepreneurs. Sergey co-founded Google, while Andy Grove built Intel into the giant it is today.

However, their similarity goes beyond that. Both are immigrants who left the comfort of their country to start life afresh. Sergey from Russia and Grove from Hungary.

We may come closer home; the most celebrated entrepreneurs in your village or hamlet are unlikely to have been born there.

Why does Nairobi contribute close to 50 per cent of the GDP, yet it has only about 10 per cent of the national population?

The reason is not far from what made Brin and Grove prosper, building business empires that span the globe. It is about diversity.

Nairobi acts like a giant sieve, extracting the risk takers (including thugs) from all corners of the country.

It attracts the ambitious, the brightest, who, after going through school, settle in Nairobi. And they bring with them new ideas, new thinking, and innovations as they cross-pollinate their traditional cultures with capitalism.

Let’s encourage diversity in our schools to promote competition and innovation Photo: courtesy
Attracts diversity

The US attracts diversity in the same way, with most diverse states like New York and California being the most vibrant, culturally and economically.

If the case for diversity is so obvious, why then does the quota system thrive in our schools? If cities and nations thrive because of their diversity, why then do we allow the quota system in our schools — and some fear it may soon happen in the work places?

The traditional argument has been that such a system ensure the marginalised are looped into the economic system through the schooling system.

A better argument would be that the quota system should diversify our best schools, or to borrow a curious phrase from our draft constitution "reflect the face of Kenya". The reality is that though individuals may benefit from the quota system, the whole country could lose.

What is not debatable is that diversity has made national schools remain centres of excellence.

When Njiris, Shimo la Tewa, St. Patricks, Iten among others disappeared from the radar, the Alliance’s, Strathmore’s and Starehe’s remained. Curiously, most of these formerly top schools did so well when they had A-levels, when diversity was at its highest. With the advent of 8-4-4 and quota system, they became pale shadows of themselves.

The thinking behind quota system was that the communities should benefit from their schools. Politically speaking, this makes sense.

But economically speaking, it is an investment with diminishing returns. Students from the same community will often suffer from "intellectual incest", which is buttressed on common culture and uniformity of thought.

Some argue that is why district or even location-based associations thrive within universities, as students seek uniformity of thought and ‘protecting’ each other from cultural and economic dissonances, which are the best raw materials of entrepreneurship.

The short-term advantage of the quota system are out-weighed by long-term social and economic costs, which include lack of innovations, and political and social disharmony.

Where do we go from here?

The fragmentation of the country into several districts is deepening the negative effects of the quota system.

Take for example, a provincial school in Mahuti-ini district, which has been split into six districts, with one called Githaka-ini.
If the school is now in Githaka-ini, which was previously a division, it will take 60 per cent of the students from there. The remaining 40 per cent will be shared among the other "new" districts and older districts. This reduces diversity, and it is no wonder some schools have long disappeared from academic radar.

Can this fragmentation be political and leave academic districts intact?

The post poll violence made us fearful of venturing too far away from our homes. Yet, great schools, institutions and nations have always been diverse.

**Private schools**

Harvard for example boasts of its international-ness, let alone nationalness. The diversity in such institutions, both in studentship and teaching staff makes them very efficient in producing innovations.

In developed countries, markets may have long realised that entrenched bureaucrats may not enhance diversity. That is why leading schools are private or semi-private. Look at University rankings worldwide.

In Kenya, the same pattern may be emerging. Parents are realising that private schools, at whatever level, tend to do better, not because of better equipments, but because of diversity, which creates competition since they are free from the quota systems.

National schools perform so well because of their diversity, which, curiously is enhanced by quota system. Why can’t we replicate this to other schools?

As a part of the free education, why can’t the Government pay "diversity allowance" to students admitted far away from home?

It is not lost that some most successful companies are also the most diverse, attracting talents from all over the world. That includes even football clubs.

Some argue, almost to the point of conviction, that the diversity of players in the Kenyan economy makes it the most competitive in this region.

If we do not deliberately change our policies to encourage diversity, starting with young minds, we risk ossifying, losing our innovativeness.

The uncompetitive-ness of our schools and other institutions soon translates into an uncompetitive economy. The effects of "inward" looking, takes long to be felt, hence the slow death, like a slow puncture.

Though market system could mitigate the slow death by paying a premium for diversity, it may need deliberate policy shift. Too many young Kenyans are growing up thinking their mother is the best cook.
Such thinking is not a catalyst for economic growth, achievement of Vision 2030.

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**Education system: Let’s leave no one behind if we want progress**

By XN Iraki

Every year, the release of the KCPE and KCSE results captures national psyche, momentarily shifting our attention from the hassles of ordinary life.

The recent tradition has been to list the top 100 students, take their photos, ask them of their career aspirations, visit their homes, occasionally narrate how they made it to the top, through either adversity, or social engineering.

One rarely asked question is, who were the last 100 in each province. Any serious society should focus on the most disadvantaged, not the most advantaged.

The hallmark of civilisation has never been how it pampers the elite, those already advantaged by nature or social networks, but how it deals with those in the lowest echelons of the social ladder, the holloi polloi.

And there are convincing reasons both economic and social why the disadvantaged matter.

First and foremost, they are the majority, forming a critical mass of consumers, producers. They are important because they are young and energetic, with long lives ahead of them. In Kenya, the most idle people are not the retired people, whose energy has been used to build the country, but the youth the most energetic and promising.

**Portrayed as failures**

When KCPE and KCSE results are released, most of the students find themselves unable to pursue further education, with the media portraying them as failures. And a majority fall under the spell and become failures.

Neglecting this group is retarding economic growth, because they fail to contribute to economic growth as both producers and consumers.

This group is often stigmatised, which dampens their spirits further. While top performers are motivated to pursue their dreams, ‘non performers’ wallow in self-pity, often cut off from the formal economic system.
They find themselves in the unglamorous informal sector, which, despite supporting a critical mass of Kenyans, is neglected, marginalised, and treated as a social dustbin. Yet, this sector should be the seedbed of economic growth and industrialisation. In fact, it should be called viwanda kali, not jua kali.

The second reason why the disadvantaged matter is because we have misunderstood capitalism from the get-go. Capitalism is not about individualism. It is not about owning as much as possible. It is about the society. About harnessing the power, the talents, the motivations of the individuals to make the society better, because as the individuals make the society better, they become better. After all, they are part of the society.

Those who have lived in the West or East know capitalism is about the whole society. And our emphasis on individualism has spawned the current wave of corruption; individuals killing the society as they build themselves.

Third, capitalism is about institutions. By ranking individual students, we are de-emphasising the institutions that we put lots of resources to build.

I think we should rank schools. The reasoning is simple; ranking individuals will force schools to focus on the top performers to appear on the list of the top 100. Ranking schools will force them to focus on everyone, because the mean grade is about everyone.

The Ministry of Education should use class registers to ensure that no kids fall through the cracks to ‘improve the mean’. Failure to rank schools might have ‘killed’ some giant schools, from Shimo-la-tewa to Njiri’s, St. Patrick’s Iten, among others. Quota system is, however, a more efficient killer. And by focusing on institutions, we can harness the power of competition to build them.

Moreover, economists could argue that ranking signals to the market, which schools are good.

For the last 100 years, we have failed to build strong institutions, and the consequences are obvious. Maybe that is why we emphasise individualism, reflecting our thinking.

Yet, capitalism stands on the pedestals of institutions, from parliaments to schools and families. The only reason why capitalism is called a market system is because institutions are often the markets, where goods, services, and ideas are exchanged.

So, where do we go from here?

Keen observers will note that education in Kenya has become a zero sum game.

Those who pass well have their future guaranteed, from good jobs to living in leafy areas. The ‘failures’ are condemned to a break future. But we need to close this gap for social harmony and economic growth.
How do we do that?

We need to promote meritocracy beyond the schools, but it should not be selective, just based on our ability to pass exams. This will create competition in the society raising the bar, and ensuring that the best minds and brains are harnessed for the common good. Can we also rank students also on special skills like music and sports?

**Missing middle**

We need to fill the "missing middle." The case for middle level colleges has been made repeatedly. What is often not publicly acknowledged, is that the strength of USA education system is not in the top ranked Universities, like Harvard or MIT where the elite go, but in the community colleges, the equivalent to our middle level colleges. It is in the colleges where the great majority hone their life skills, from fire-fighting, to mortuary science.

The beauty about community colleges is that they allow students to seamlessly transfer to university. For those not interested in pursuing higher education, they can go to work, because they have marketable skills. Many Kenyans in the USA follow the community colleges route to universities. We need rethinking on our education model.

Finally, we must deliberately loop the disadvantaged, the "failures", into the economic system. They are our children, forming an integral part of the economy. And they are not going anywhere. Focusing on the few elite is old thinking.

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**Will Uganda and Tanzania’s rebounding economies soon overtake Kenya’s?**

By XN Iraki

In the last 10 years, economic growth in Kenya has averaged 3.8 per cent, Tanzania 6.1 per cent, Uganda 7.2 percent, Rwanda 7.5 per cent and Burundi 2.5 per cent. The correspondent Gross Domestic Products (GDPs) in billions of dollars were as follows in 2008: Kenya 62.4, Tanzania 55, Uganda 41, Rwanda 9.9 and Burundi 3.2, according to data from the World Bank.

Clearly, excluding Burundi, the other three East African countries have grown at almost double Kenya’s rate. Looking at the size of the GDPs, Tanzania (TZ) is not far. It might not therefore be an exaggeration to suggest that some of these countries will soon catch up with Kenya economically, particularly Uganda and Tanzania.

But what can Kenya do to maintain her lead, her competitive edge?
A simple back of the envelope calculation shows that if things remain as they are, TZ will catch up with Kenya in about 6 years, UG in 14 years, Rwanda in about 50 years and Burundi much longer.

Some could argue that is not an issue since Tanzania and Uganda are part of the East African Community (EAC) and any growth there will trickle down to Kenya because of demand for her exports. Others point out that part of these two countries’ growth is Kenya’s efforts through investment there. Whatever the truth, Kenya cannot afford to blunt her competitive edge.

How are the other nations’ competitiveness compared to Kenya?

For Uganda (UG), the prospects of oil will buoy up her economic prospects, and, some suggest, self-confidence. She has more arable land and has learnt the hard lessons of misgovernance. The revival of Kingdoms was an ingenious way to disperse political emotions from the centre. Those who have been to Uganda appreciate it as a welcoming nation, unencumbered by attitudes. The country seems to appreciate the role of investors and entrepreneurs quite well.

There are lots of parallels between the welcoming nature of Uganda and the US. American welcome is based on capitalism and economic prospects, Uganda’s is more cultural; an "invisible force" makes you feel at home. Uganda’s soft underbelly is political, the uncertainty beyond President Museveni whose longevity in power could coalesce the political dynamism needed to spur economic growth.

For Tanzania, it is her mineral resources, availability of land and its strategic coastline. Most of Tanzanian resources are unexploited, and a huge potential remains. The legacy of ujamaa is a handicap in Tanzania’s quest to grow her economy. However, Dr Julius Nyerere’s ujamaa policy has a positive part. It unified the country and killed any political problem, a position that led to peace and stability and lots of respect in the international circles. So, TZ has only an economic problem to solve.

While TZ has lots of economic potential, she must set herself free to be at ease with her neighbours particularly Kenya.

I find myself more at home in UG than in TZ, though geographically TZ is closer.

**What of Kenya?**

Our advantage emanates from services, where Kenya seems to make up for her lack of minerals. This is based on her westernised, well-educated and confident workforce. Our neighbours interpret that confidence as arrogance.

Our location with a coastline is also a strength, which we have not fully exploited. Despite our head start in services and position in the international arena, Kenya has not...
fully defined her economic and political strategic objectives, since we are too mired in our internal contradictions.

While UG and TZ seem to have its "core owners," Kenya has none, with nationalism diluted by tribalism. This lack of nationalism has disallowed Kenya from taking advantage of her strategic location. Internecine quarrels among the elites have dampened national optimism, leading to the current political squabbles that help no one. Maybe a new order will end the political paralysis that holds the nation hostage to economic progress. Our dependency on the international community to sort out our domestic matters is injurious to the national psyche and self-confidence.

Kenya is rich in ideas and skepticism, but poor in doers. We are sceptical about achieving a growth rate of 10 per cent towards achieving Vision 2030, yet at early 1970s, we reached a growth rate of 17 per cent.

**Where do we go from here?**

The revival of the East African Community was the best thing that has happened to the region in the last 50 years. We can always ask where we would be if the East African Community (EAC) had not collapsed. Through it, we can bargain better in international trade, and attract more investors and tourists.

However, my position is that the EAC would be more vibrant and progressive if we start focusing on our common strengths, which are regional based.

Regions have competitive advantages that need to be reinforced. If we try to do everything, we end up doing nothing.

The EAC should move together, united by her common heritage from Swahili to low standards of living. Why can’t EAC finally become the Swahili Republic? EAC needs some branding.

By allowing free movement of people, goods and services, we can unlock the economic potential of East Africans, before calling outsiders to supplement us. Domestic investors might have a bigger stake and deeper roots than foreign investors.

By roping in Rwanda and Burundi, the EAC showed the world they are serious.

They should bring in more countries. I have DR Congo, Somali and Ethiopia. Maybe that could pacify Somali faster?

We cannot afford to be left behind as the rest of the World forms trading blocs and economic communities that could lock us out of great fortunes. Kenya should lead the way, by being more global in her economic and political perspectives, and not injuring herself with age-old tribal feuds that belong to a bygone age.
Kenya should prove her economic leadership in this region by growing faster, and pulling her EAC partners along. That is what it means to be an engine of economic growth. Clearly, the 130 million citizens of the EAC deserve better economic prospects-in their lifetime.

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Central Kenya’s economic prospects may dim if action is not taken soon

By XN Iraki

Which Kenyan region will be leading economically by 2030?

That question is hard to answer because most of our data is aggregated at national level, making it hard for investors, and even academics, to get regional details.

Perhaps Kenya’s National Bureau of Statistics (KNBS) should start providing disaggregated data.

But maybe the more relevant question might be: Which region might decline by 2030? My bet is Central Kenya.

In the last 100 years, the region has had its ups and downs. It received the first missionaries, getting a head start in education, health and sanitation that led to an early surge in population, overcrowding, and subsequent migration to Rift Valley and other parts of the country.

Producing two of the three Kenyan presidents, the region is cited as an example to others. However, this is now working against it, as it is now perceived as getting more than its share of national leadership.

Some have even argued that the region’s entrepreneurship benefited from the Government, and is not necessarily innate.

The truth may never be known. In those 100 years, Central Kenya’s fortunes have been tied to agriculture, the only reason land is so dear to people from this region.

However, observers note, with great concern, that the economic fortunes of this region might be on decline.

For starters, leaders in this region never prepared for the post agrarian period, when land would be gone, and brains would become the most important resource.
Some argue, and do so convincingly, that foreseeing the post agrarian period, the Luos, pioneered by Odera Akango, built the intellectual arsenal that is proving handy in trying to dismantle Central Kenya’s strangled hood on power.

Too much obsession with land was the first cause of decline in this region, where in some schools, drop out rates are almost directly proportional to the price of agricultural commodities, like potatoes.

Now the arable land has been subdivided as the older generation passes on, leading to fall in productivity.

**Political chaos**

The problem is further accentuated by the failure of these children in school, which leaves land as the sole means of livelihood.

The misfortunes of Central Kenya have been worsened by the political chaos, which brought back "home" some of those who had left many years ago, some as early as the 1890’s. These returnees created a new social dynamic, leading to the rise of traditionally oriented Mungiki, which, some argue, is a check on the region’s extreme westernisation.

This underclass, created by the region’s leader’s acceptance of capitalism without a human face, has caused the region to decline even further.

Moreover, Central Kenya is the only part of the country where girls outnumber boys in school enrolment.

Where are the boys, you ask? They are out of school taking illicit brews or joining proscribed groups.

Keen observers say this is the greatest threat to the region, as the workforce wastes away in chang’aa dens. It is very curious why such brews are allowed at all, and why most are sold by women. Some suggest it is an ingenious, but evil way, to "finish off" the region.

Some are more candid on the evil plot; if men do not go to school and economic and political power now depends on education, then this region will soon be ruled by women, either directly or indirectly. It becomes "softer" for others to rule Central Kenya, they say, citing the sad case of Afro-Americans, where more men are jail than in college.

The disfranchisement of men begins a destructive cycle, as angry pseudo or uneducated men use violence and other anti-social behaviours to prove they are "men."

A more ominous sign is that men and women are dropping out of school earlier to marry, have more children, and are more likely to be sucked into poverty.
Some cranks have suggested that the "decline of man" in Central Kenya is already being felt, and the evidence is there for all to see; the high number of Central Kenya girls marrying "outside."

**Way forward**

Quick fixers suggest the first solution to the region’s economic woes is to willingly give up the remaining political power. However, this proposal feeds into the deeply ingrained fear that an exit from power would lead to their "punishment" for past misdeeds; perhaps the reason 2007 polls had to be won.

Giving up power, or exercising it through alliances or proxies, may deflect the deep sentiments other communities have towards Central Kenya. Building bridges to other communities, and toning down the political temperatures, would be an investment in economic future of the region.

Observers argue that the region’s claim to political leadership stemmed from their deep involvement in the struggle for independence, a claim that has been weakened by time and history "revisionists."

A better solution would be emphasise education as the new route to upward mobility. However, although the region has many good public and private schools, their effect does not trickle down to the grassroots, because the schools are set aside for the national elite, courtesy of the quota system. It would need concerted efforts to uplift the standards of schools in this region.

The political leaders from this region, despite being presidents, never focused on education. Just compare their efforts to Moi’s in the Rift Valley.

The region could focus on other services. Can the region’s success in private education be replicated in other sectors such as tourism and Information Technology? Being so near Nairobi, this region can leverage on tourism and its rich history.

They have Treetops, where the Queen of England was visiting when she ascended to the throne, Gatundu, where Jomo Kenyatta was born. The Happy (Wanjohi) Valley and the scenic Aberdares are some of the rich attractions, not forgetting Mt Kenya, and its cultural and ecological significance.

The region can also focus on technology-based agriculture, borrowing from Naivasha’s flower farms. This would increase productivity, leading to more food to feed the high population and for export.

More importantly, leaders from this region must wake up to the reality that you cannot progress when a few people get richer as the majority wallow in misery. Leaders are voted to take care of community’s interests, not their own. Central Kenya leaders have a morbid fear of being labelled ‘tribalists’ for championing their interests.
Without this realisation, the region might suffer an economic winter that could take years to thaw, the dying with a whimper, slowly.

Central Kenya leaders have a chance to reverse this decline—now.

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Economics and emotions: A post mortem of Valentine’s Day

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By XN Iraki

By the time you read this article the lovely flowers will have withered, emotions fizzled and reality dawned.
The red colour will have faded from the streets of Nairobi and remained with the original owners, the Maasai. With some patience, disappointment, and expectations we shall wait for another Valentine’s day, if nature does not have its way.

The emotions behind this day easily mask the economic forces that drive a seemingly emotional issue. Behind the flowers, the red colour and the candle dinners are the innocent economic forces.

Can we distil the emotional part of the day, and lay bare the economic secrets?

**Gospel of rationality**

For hundreds of years, economists have preached the gospel of rationality. But on closer observation, they seem to contradict themselves.

Think of the most recent economic decisions you made. How rational or logical were you?

In fact, the world may be driven more by irrationality than rationality. How often have you regretted buying a dress, car or even paying dowry?

What has emerged recently is that there is lots of money in irrationality.

Frankly, how else would you explain PhD holders taking their money to pyramid schemes? Which business can you run to double the investment in a few weeks, except drug dealing? Beyond the ponzi schemes, which gnaw on our irrationality, there are more common and mundane issues that still defy logic.

Valentine’s and other para-holidays are based on our irrationality. Why do we put on red on that day? Does it make sense to claim that you love someone on a single day?

Why should we carry flowers on a single day, when we are the same people who swap them for sukuma wiki in our backyard? Why do we exchange a thorny flower? Does that mean love is painful?

It might be peculiar, but a lot of money has been made by appeasing our emotions. The media thrives partly on emotions, appealing to our base instincts.

Look at the adverts. Why do we use "white" mannequins to advertise clothes for "black" people in boutiques? By appealing to our emotions, we pay a premium for goods and services, ostensibly to feel 'cool'.

In schools, youngsters waste precious time through irrationality. For example, the number of girls whose ambition is to be air-hostesses is not driven by reality, and number of planes available, and neither is the boys’ affinity for piloting.
Too many high school students want to be movie stars and musicians, a reaction to media blitz that often irrationally portray such characters as forever young and happy.

One reason why science is not popular, both in media and as a career, is because it demands rationality and logic, not emotions.

And in our homes and streets, many say emotionally that love is blind, another way of saying that love is irrational, and that too much reasoning is not good for love. Yet the truth, is that love is not blind, it has eyes and needs no spectacles or contact lenses, it can see money, wealth, and even future potential.

It is in the working place, in the business arena, where irrationality and emotions reign supreme.

Holidays provide the perfect opportunity to exploit our affinity for irrationality. Many companies make more than 50 per cent of their profits during the festive Christmas season. Illicit businesses from conmanship, to commercial sex, also thrive on emotions.

Economic booms

Nearer home, sports and politics have their roots in emotions. We can name all Man-U players, but none for Sofapaka or Gor Mahia.

Enough said; where do we go from here?

As strange as it may sound, emotions drive our economics; what John Keynes called, "the animal instincts."

That is why despite all the advances in technology, we are unable to predict economic recessions despite the jobs lost and emotional suffering resulting from it.

Our emotions often lead to economic booms, when a "feel good" effect equals more consumption. Why else did our economy grow so fast after Narc name to power? Some would say confidently that our emotions were fired.

In most countries, leaders, history and the media fire the emotions leading to new consumption patterns and possibly economic growth.

emotional component

One way to make the economic stimulus packages more effective is to give them an emotional component, so that recipients can think beyond the obvious. Such emotions energise us to stay focused on the goals.

Great economic and political empires were built on emotions. Is that not what patriotism is all about?
Emotions might be the lacking component in firing up the Vision 2030.

By the time you read this article, Valentine’s will be behind us. But it will have reminded us that emotions and their cousin, irrationality, are the salient drivers of change and economic growth.

Maybe that is why economic growth has eluded us. We are too rational.

A bit of irrationality, like salt or any other spice might be good for us and our economy. Just ask those who did not spend Valentine day alone.

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Why Kenya should emulate India in handling the Diaspora

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By XN Iraki

In 2005, the Indian made it easier for its sons and daughters living abroad to visit home, but did not allow dual citizenship. In fact, contrary to the popular belief, Indian constitution does not allow dual citizenship.

The overseas citizen of India (OCI) categorisation allows Indians living abroad multiple entries to India, but does not allow them to vote, hold an Indian passport, be an elected member of either the state and national parliaments, hold constitutional offices, or hold jobs in Government.

The introduction of OCI may have been motivated by the economic power Indians abroad hold, particularly in the USA, where they drive the Silicon Valley, and hold other important positions particularly in science and technology.

India’s Government saw the strategic importance of this group, and gave them a window to contribute to economic growth. But it ensured there is a prize to pay for being a non-citizen, as the political restrictions are myriad.

Is this the position envisaged in the draft constitution? Why is dual citizenship so popular among the Kenyan elite? Is it driven by economics or politics?

Clearly there is a critical mass of Kenyans abroad who have an attachment to the country. Some of these Kenyans left when political situation was intolerant to dissents. They changed citizenship, but the flowering of democracy and freedom now attracts them back; except that the law works against them.

Other Kenyans abroad are sons and daughters of influential or ordinary Kenyans. They automatically became citizens of the countries where they were born, but for cultural reasons, they feel alien in their adopted homes. Lured by the power and influence their parents hold in Kenya, they want access to citizenship and possibly power.

I have no statistics on where Kenyans work abroad, but I doubt whether Kenyans abroad are as influential as Indians, and if they work in areas as strategic.

So, it may be safe to conclude that the call for dual citizenship is driven more by politics, not economics.

That, however, does not stop us from finding out just how much Kenyans abroad, the Diaspora, can contribute and catalyse our economy.

According to the Central Bank, remittances are on upward trend, amounting to $600 million (about Sh47 billion) last year.

This is not pocket change. It is about 6 per cent of the annual budget, or about half of the budget deficit.
Two questions arise from this. Where does the money come from? And what is it used for?

Some 80 per cent of this money comes from USA and Europe, traditional work places for Kenyans, because of language and cultural affinity.

Twenty per cent comes from the rest of the world from Australia to Dubai, Qatar and other destinations.

So, if they sent home Sh47 billion, how much do they use in their adopted countries. It must be more since they send money after eating, paying for utilities, rent and other needs. On average the Kenyans abroad contribute more to their adopted country than Kenyans themselves.

Some people would argue they would be unemployed here if they never left. But that is a just sideshow.

This is why India is made it easier for Indians abroad to come home. So they can spend that money at home, and transfer their know-how to India.

These citizens go beyond sending money home; they come home, and are behind India’s rise into computing super power, with clusters in Bangalore and

**Research labs**

What is more interesting is how big multinationals, like Microsoft and IBM, are following Indians back home, setting research labs that shame the call centers we are so eager to start he in Kenya.

We have a lot to learn from Indians, beyond their focus on one line of business in Kenya.

While Indians put their money in setting up global firms like Invesys and Winpro, most of our money is used in consumption, from paying school fees (investment) to paying for food, and in a few cases dowry.

Lots of Kenyans abroad yearn to invest at home and have tried, going mostly into real estate. But the local partners are often a let down, lacking integrity and appreciation of the hard times Kenyans abroad go through to earn their money.

An average Indians has a higher paying job than a Kenyan, works less hours because they focus on high-end jobs that require more skills, and are “insulated” from competition, by higher barriers to entry.

The areas include medicine, engineering, computer science, sciences and any academic area that is number friendly.
What is next?

Without investing this colossal amount of money remitted from abroad; it is dispersed and its effects fizzle away without much impact. This money could make a big difference if it was pooled.

I am sure our banks can come up pooling investment vehicles tailored for Kenyans in the Diaspora.

Such vehicles would be better than unreliable relatives who waste money sent for investments.

The Government can also go the Indian route, by coming up with Kenyan citizens overseas (KCO) categorisation. The people shall get unfettered access to Kenya to bring home their know how and money.

Kenyans living abroad are a self-elected group, risk-takers, motivated and ambitious. Like Indians we should loop them into our economic system.

After all, some of the countries whose economic growth we admire today, such as Japan, Singapore or Taiwan, got their impetus from their citizens abroad who returned with new ideas, new thinking and entrepreneurial opportunities, going beyond the need to be allowed to vie for parliamentary seats as carpetbaggers or enjoy the best of both countries without responsibilities. And we should emulate them to take our economy forward.

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For the sake of progress, let us demystify our public institutions

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By XN Iraki

By crossing the gulf of "mutual incomprehensibility" between the two major political parties and hammering a compromise draft constitution, the Parliamentary Select Committee (PSC) demystified constitution making. Never mind that they regressed to the mean, towards what is familiar to us; a strong presidential system modelled on America and spiced with our own homegrown systems.

One would loudly wonder why we needed 20 years to arrive at what is so familiar. It is another matter to speculate why the two parties’ suddenly converged in opinions. Some say it is a gamble, each party hopes it will take the juicy presidential system. Others argue, the parties came to realisation that an alternative system would not hold this diverse country together, after experimenting with the national accord. Other still argue, it was forced by "outsiders".

The truth may never be known.

Could we use the same approach to demystify the rest of the country’s subsystems so that we can make economic progress?

Despite education and religion being around for over a 100 years, this country is still shrouded in mysteries.

The average Kenyan is baffled by how our institutions and systems are run, from the State House to schools, hospitals, even churches. Most of our institutions are opaque, and only a few insiders know what happens there. It is no wonder corruption thrives, from the smallest primary school to the biggest parastastals and ministries.

Why the mysteries? What can we do about them?

Mysteries fill the void left when information is not provided. And we are not very good in providing information, even when it is free.
But, information is the oil that runs an economy. Fast growing economies tend to be more open.

Why are census results withheld? Information is like gospel, the more it is shared, the more precious it becomes.

Some argue that our high propensity to hoard information from others has origins in our traditional cultures, which thrived on mysticism, taboos, and secrets.

We fight each other because we are mysterious to each other. We know nothing about other ethnic groups beyond the popular stereotypes.

South Africa is trying to break this yoke by making kids learn another local languages beyond English and their mother-tongue. Why do we learn English, but we cannot learn the language of our neighbour next door? Why can’t I learn Dholuo or Taita in school?

Advanced countries go out of their way to demystify things; to make things simple and easy.

Visit the US Supreme Court website and try to read any legal opinion. They use plain English. Try our legal opinions. Ask a Kenyan living in USA or Australia how many times he has queued with leaders in the supermarkets. Ask him when he was ever caught in a jam because someone big was passing through the city.

We have mystified power and leadership and therefore made it impotent.

You cannot be an effective leader if your followers cannot reach you. As we write a constitution let us demystify leadership, which impacts heavily on the country’s economic growth.

The economy is the other mystery. Few Kenyans really understand how an economy works, how we make money. They do not understand why the Government cannot give jobs to all Kenyans.

Moreover, we still believe that you cannot make it rich by working honestly. We still do not understand how to become entrepreneurs; how to reinvest money; how to build multinational corporations, and how to stand on our own, away from over dependency on the Government.

We have even mystified social life, from weddings to dating and family life. We refuse to make things plain and simple.

Where do we go from here?

Though residues from our age-old cultures are still with us, they should not hold us prisoner to progress. What is needed is demystification of our socio-political systems.
Let us make them more efficient and effective, by opening them to public scrutiny, so that useful ideas can thrive and moribund ideas die. This can be done through a vibrant media, in numbers and diversity of ideas. Our curriculum must be made more open to new ideas.

After demystification, we need to take another bold step and demystify the country. And the demystification of political system, through the new constitution order, is a great start to demystifying our nation; let us proceed to other institutions from the grassroots to the highest offices.

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The folly of having the Government as Kenya’s greatest natural resource

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By XN Iraki

We recently asked a group of primary school kids to name Kenya’s greatest natural resource. Some named soda ash, others forests, others the Kenyan people, while a few were more creative, naming the coastline.

But none named the Government, Kenya’s greatest natural resource.

The tensions arising from the current debate over the proposed constitution have more to do with this fact than any other.

**Easy access**

Both sides want a Government where it is easy to get resources in the form of salaries, perks and even privileges. Both are calculating what kind of Government will be easier to control and "extract" resources easily. Really, which firm in Kenya has a budget of Sh800 billion, except the Government, Kenya Inc?

What makes the Government such an attractive resource is how easy it is to get control of it. All you need to do is get voted in by the taxpayers, who then give you control of the resources they worked so hard for, without scrutinising how it is allocated.

In Kenya, unlike Nigeria, where there is oil, or Guinea with Bauxite, we have no major mineral.

That makes our only major resource the Government. This explains why the moment everyone was accommodated in the Government through the National Accord, the lines that led people to the post-election violence quickly become blurred.

However, the biggest challenge for the Government, and constitution writers, is to ensure everyone gets part of this natural resource. That is why words like ‘equality’, ‘equity’, ‘affirmative action’ and ‘the face of Kenya’, are very common in the draft constitution.

**Lock claim**

Frankly, it would have been easier to write the constitution when the nation was young and had more natural resources, like land. Now Kenyans want to lock their claim on the Government, our greatest natural resource through the Constitution.

The easiest way to circumvent the evils of a single natural resource is to make it bigger, so that everyone has a share.

That might have been the thinking behind the hybrid system.

But a big Government defeats the purpose of having a Government in the first place, since there are too many vested interests. And economically speaking, a big Government
is a huge expense to the same taxpayers who want it. The current coalition government provides us with a free experiment.

Moreover, a big Government breeds rent seekers, who take advantage of bureaucracy to make money freely, without taking risks.

**So, where do we go from here?**

We had a close shave in 2008. Most of our leaders see a constitution as the solution to our political tensions, which have economic origins.

The constitution will state how resources should be shared, including the Government itself with her jobs, positions and privileges.

But should we not be emphasising how these resources should be generated first?

What comes into your mind when we mention Germany, USA, Japan or UK?

It is not their systems of Governments, but what they manufacture and sell to the world, from movies to cars and electronics.

That is why they can be ruled by shaky coalitions; their governments are not their greatest natural resource.

Instead, other resources, particularly big corporations that create employment, and give these countries pride, overshadow it.

If we have to countervail the position the Government holds as our greatest natural resources, we must create other resources that citizens can share.

If the Government creates a conducive environment for investors and entrepreneurs to work, we could create our own multinational corporations that would employ many Kenyans.

In advanced countries, unemployment benefits are available because the "other" natural resources, beyond the Government, generate enough taxes to pay for those who are disadvantaged.

Beyond incentives like peace, infrastructure and other pubic goods, we should create institutions that eclipse the predominance of the Government.

On this front we have tried, through privatisation and liberalisation of the market. Goods and services that were once preserve of the Government, and its affiliates, can now be supplied by private sector.
But the mentality that only the Government can solve our problems, because it has all the money, is still very much alive in this country.

But once we create new resources and institutions to supplement the Government, we can turn our national pessimism into optimism.

That will take time and demand our brains and brawn, the main inputs in economic growth.

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Who will join Kenya’s next generation of the affluent and wealthy?

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If truth be told, Kenya’s ‘old money’ generation will not die, but is protected by time and assets diversification. The only threat to this second generation is their children’s irresponsibility, and an elected Government. Have you ever wondered why there are so many tycoons in our Parliament?

The emergence of the next generation of the wealthy will be delayed by the second generation, which is cloning itself politically. Dynasties in our politics are not accidental. They are an ingenious way to protect wealth and power.

The third generation or third wave may surprise you.

**Small people**

It may belong to the small people, who, through sheer work, or luck, got through the education system and learnt to be creative and innovative. They had no choice. History and genealogy were against them.

They are now in their 40s, and in well-educated professions. They are self-made, though a few still live in the shadow of their parents. This group can be the greatest catalyst to economic growth.

Like the second generation, their children could be their Achilles’ heel. They are likely to have been overprotected, as the second generation adopts "social engineering" to natural growth.

This is the generation that takes their sons and daughters to university on the opening day and monitors their progress. Most members of this generation were the first in the families and villages to access higher education. This generation includes members of the second generation who were educated abroad, but remain there either because it is considered prestigious. Who is targeted by the clause on dual citizenship in the draft constitution?

Some sons and daughters of the second generation return to Kenya, and get jobs that protect them the stresses of dysfunctional political and economic system, at high levels in the Government or corporations. This generation also includes Kenyans in the Diaspora, who left the discomfort of home to try their luck elsewhere.

The greatest asset for this new generation of the affluent is their ability to discern patterns inherent in the global political and economic system, not necessary by using financial engineering but being economical. How did Equity, for example, become one of Kenya’s biggest banks, ahead of 300-year old Barclays?

It used the "bottom of the pyramid" concept. This is a very thrifty concept, compared with niche marketing, the focus of some multinational corporations. The reason Equity exploited this concept so well is because many of her employees passed through the bottom of the pyramid, before becoming members of the third generation.
As the three generations prosper, accumulating wealth, the vast majority of the Kenyans will remain prisoners to the vicious cycle of poverty, unable to emancipate themselves from jaws of hopelessness and economic stagnation.

**Silent majority**

Independence and multipartism did not yield any dividends for them, and most are now betting on the new constitution.

The second and the third generation fear this silent majority, which George Orwell called the “proletariat” or working class. This majority is easily provoked, as witnessed in the 2008 post election violence. The two groups fear that all their investment might be destroyed overnight, by the anger of this majority.

They have tried to "tame" them, by coming up with goals that seem to shift often. These include industrialisation by 2015, Vision 2030, new constitution and at times tokenisms like small pieces of land in forests.

Another ingenious method has been shifting blame to "others", mostly members of different ethnic groups. This thinking has rhymed well with the majority: You are poor because someone is rich.

In the background, two groups of affluent Kenyans have prospered. They include the Asians and Britons who remained behind and became Kenyans. They enjoy living standards that rival developed countries. Different theories have been advanced to explain their prosperity. One is that they are "protected" by the "mother countries", and are close to the Government. Others suggest their mastery of the supply chain makes them astute businessmen. They focus on businesses where there is less competition and are backed by their accumulated wealth. Their public distaste of politics may also be an asset to them.

Where do we go from here?

The next generation is probably in school or just started working. It is maturing when all the high valuable land is gone, and all the easy paths to wealth closed or narrowed, courtesy of population explosion and competition.

But if one can satisfy the physical and emotional desires of the large Kenyan population, estimated to be 40 million, joining the fourth generation might not be hard.

A few people will make money by focusing on the affluent few and their needs, which range from massages to exotic holidays. But there is more money at the bottom, where the margins are low but volumes high - thriftiness again.

Land may be in short supply, but there will never be a shortage of creativity, innovations. The next generation of wealthy and affluent include thinkers, who can think without the box; those who can see what others can’t.
How many opportunities can you see in the cyberspace, resulting from wiring the country with optic fibres? To spawn this new generation of affluent, we need a radical change in our education and in our thinking. Rote learning and recycling ideas will be replaced by creativity, imagination and innovations.

The next affluence and wealth frontier will not be land. It is will be in our heads and our thinking.

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Getting rich: Understanding Kenya’s wealth distribution after independence

By XN Iraki

It is possible to identify Kenya’s affluent groups in the last 100 years by their sources of wealth and then predict without the hindsight of a prophet who will join Kenya’s next affluent club, and what it will take to join it.

Our fast journey through the last hundred years, will start from the Happy Valley and end in the cyberspace.

Kenya’s first generation of affluent and wealthy was made of Britons, who came to Kenya seeking wealth and adventure. They found "empty land" which they easily occupied by replacing the traditional legal system with their own.

Superior weaponry was a factor in their acquisition of land. They already knew the value of land and had technology to exploit it, very much unlike the peasants who subdivided that land after independence in 1963 into uneconomical pieces.

Were these Britons (and others) affluent? They made profits, and had time to engage in the excesses of the happy valley. They built magnificent houses, which should be acquired by the national museums, constructed airstrips and golf courses. Their affluence has made many ask if we were really progressing.

However, it would be incorrect to argue that Kenya had no wealthy and affluent people before Britons came. We had our wealth in terms of land, livestock, and some traditionalists would even include wives to the list. Britons only gave us a new perspective to what is to be affluent.

The first generation of the affluent, using the modern perspective, made their money the old fashioned way, from land, exploiting it. Keen observers will note that these pioneers are still with us. Independence merely forced them to sell land and re-invested their
money in alternative investment vehicles. They live among us disguised as tourists. Some retreated into marginal areas where there is less competition for land.

Second generation

The 1963 independence spawned the second generation of the wealthy. They had learned the skills of wealth acquisition from colonists through education. A select few had twin advantage of education and access to political power, which they easily got after independence. Many in this generation made their money through rent seeking, not entrepreneurship, because of their access to state power and lack of competition. They were further aided in their pursuit of wealth by the command economy, which left few avenues to make money except your proximity to state. Even in politics, they had virtual monopoly.

This generation had the hindsight of setting up "private land banks." They are making lots of money today either by selling this land or developing it. With high population growth, they did not gamble. Some observers could call this second generation of the wealthy Kenyans the ‘robber barons’.

This generation transcended a regime change in 1978, getting co-opted, trading off their ambition for power for continued opportunity to accumulate wealth. This generation might be the luckiest generation in Kenya’s history.

They still wield power today buttressed on their wealth. Like their colonial predecessors, they are secluded making appearing during election time. They may have their own Happy Valleys, which I leave it to you to name.

This generation was lucky again as they took advantage of the State’s privatisation drive in the 1990s. With access to power and accumulated wealth, they easily acquired former state assets, And it does not matter if it was through the stock exchange. How many "small people" were bothered about the stock exchange till the Safaricom blitz? Kenya’s shift to market system was very much like Russia’s pioneered by the late Yegor Gaidar’s shock therapy, which tried to turn a command economy into a market system overnight and ended up spawning the oligarchs. I leave it to you to name our oligarchs.

Cold war

This generation’s grip on power and wealth was threatened in 1990s after the end of cold war. They reacted in unexpected ways. Kanu, their powerbase for example gave out almost every available land when it became evidence they could lose power in 1992. It was argued crudely that an "elephant does not die with its tusks." They went farther and raided state coffers leading to Goldenberg, whose aftermath still haunts us today.
In the same year 1992, the first politically instigated land clashes occurred. This was a defining moment, as it marked the end of "easy land", no wonder forests were excise after that as this generation tried all the tricks to stay in power, both economic and political. They used land as the bait to hit against their political enemies; they knew the position land holds in our national psyche.

Mau forest settlements are echoes of this generation, which had been joined by new comers who never benefited from post independent land deals, but wanted a piece of action.

Enough digression, who will belong to the third and fourth waves, the next two generations of the wealthy and affluent? Find our next week

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**Land and wealth: An allegory of two countries**

By XN Iraki

One family in America owns 600,000 acres of land, which is the size of Rhode Island, one of the states. In fact, most prominent Americans own ranches, big swathes of land, some in beautiful mountainous Montana, while others are in the semi-arid New Mexico.

Surprisingly, I rarely heard anyone talk about land in the US. A drive through most American states, including the outskirts of large cities like New York, indicates land is plentiful there.

One of the surprising things in America is how the country has managed to remain that sparsely populated after the first white settlement 400 years ago.

But is land abundance the only reason no one talks about land in America? Maybe. Why talk about what is plentiful?

But there is another reason. No one in America wants to buy land and keep it.

Not only will it be taxed, there are more and better opportunities to put your money. You can take your money to the stock exchange, to the mutual funds. You can even gamble it out in riverboat casinos on the Mississippi River or in derivatives markets.

Another reason no one talks about land is because the policies on land are very clear. Zoning is enforced, so certain areas are set aside for certain uses. People don’t do whatever they want with land just because they own it.
In US, people don’t use land for economic security. However, in Kenya, people who steal or launder money, or those who get money through their own effort, will quickly buy land to hedge their money against fall in value.

In the US Social Security Administration’s mandatory savings ensures that people will not suffer in old age. People, therefore, don’t need to rush to accumulate, or steal, property.

But more importantly Americans have realised that land is just one of the many factors of production.

**Obsession with land**

In Kenya we seem to believe it is the only factor, hence the obsession with it.

However, even this is beginning to change as entrepreneurship takes over. Think of the gentleman making so money from mobile toilets or preserving dead bodies?

So, why is land such a big issue in Kenya? Why is it so critical that it is a security threat and holds us a prisoner to progress?

For one, in a country where alternative occupations are rare, and most people have cultural and spiritual attachment to the land, emotions over land are likely to run high. In the US, they will not even bury you in your own land.

In Kenya, owning land has become a matter of life and death. People need land to get their livelihood. In the US, you don’t need land, the returns are higher elsewhere.

**Population has ballooned**

Most land in Kenya is not arable, so the competition for prime land is intense. By independence, most of the land "just sat there." Anyone could have easily gotten land. Since then, the population has ballooned, and any attempts to tame the population were half hearted, at best.

**So, where do we go from here?**

We must start by being realistic. Let us not imagine that getting land will solve our problems and make us rich. Lets realise that demand for land is driven by lack of alternative occupations. We all know that most people do not genuinely want to be farmers. Even those who grew up in the farms want to leave it as soon as possible. One therefore wonders why a clause on leasehold reduction got into the draft constitution.

If we are to grow the economy, this obsession with land has to end. It is the economy stupid.
Giving people land will not solve their problems. Rain may still fail and they will still produce more children who will demand more land. Worse, they will subdivide into little sub-plots that make it unproductive.

We should set up a land bank and sell land or lease it to entrepreneurs who are ready to start industries or other money-making ventures, which create employment.

And though people may not like me for saying this, I believe giving land to people not interested in farming will just start another vicious cycle of poverty.

Should we not be opening economic opportunities, which are boundless, as compared with land which is finite?

In fact, the leading theories in economics today suggest new ideas have made the term "diminishing returns" redundant.

We also need to change the national psyche so that we have alternatives to wealth and land, which includes honouring achievers, such as great actors, scientists, writers, doctors. This way, people can be satisfied without owning land.

In our envisaged land reforms, land should remain a factor of production, not a cultural curiosity, or a source of civil strife. Fighting over land, where we shall eventually be buried, is a national shame.

We should start by taxing idle land and should set a limit to how much land one can legally own. We must also set a legal limit to which land can be subdivided.

I wish all Kenyans, wherever they are on this small planet, a very merry Christmas.

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Final thoughts on the harmonised draft constitution

By XN Iraki

The price of petrol has hit Sh90, but no one is raising a finger because we are all intoxicated with the draft constitution, and more specifically the political system we should adopt; presidential or parliamentary.

In the animated discussion dominated by the elite and special interest groups, truth is likely to be lost, deliberately distorted or masked by national emotions.
If we are not careful, we could end up with a constitution that suits the minority and not the majority. In fact, many Kenyans may not have a say on the draft, and many more may not read it. They have more pressing needs.

However, they hope the proposed constitution will solve their problems and hopefully liberate them from the jaws of hard life and hopelessness.

The elite understand that the constitution is not just about political system, but about privileges, resource sharing and power.

Is anyone surprised that the civil societies got their way into the constitution? Why are land leases being reduced to 99 years? And why is parliament left to decide on the maximum acreage one can own?

They understand that once the document is written, it may take another generation to change and the benefactors will enjoy their privileges for a long time, just like post independent leaders enjoyed the privileges of the current constitution.

30 days

More importantly, why was the debate limited to 30 days with statutes?

University students get four months to study a course. So, why the 30 days for ordinary Kenyans? Was there a deliberate effort to hurry up the document?

If a two-hour exam is extended by another hour the pass rate increases substantially. Given the short time and intoxication with presidential and parliamentary system, the debate is not likely to be conclusive.

And more curiously, why do we have only one draft? Can you imagine a multiple choice exam with only one choice? You would either pass with flying colors or fail completely.

Economists will tell you that one of the beauties of modernism is availability of choice. Supermarkets thrive over traditional shops because customers get a chance to make choices by walking up and down the aisles. We make choices in life, even about the most critical issues like careers and wives. So why are Kenyans not getting choices? I think NCCK have a point in asking for more than one draft.

And isn’t it surprising that while Kenyans are complaining about a shortage of copies of the draft constitution, no one complained about copies of Vision 2030, the economic blue print that aims at making Kenya a middle income and prosperous nation by 2030? Does this mean that the constitution is more important than the Vision 2030?

The Vision 2030 is about working, sweating, generating resources, expanding the national cake, while the draft constitution is about sharing the resources; and not
necessarily commensurate with your efforts to generate them. That is why the issue is so emotional.

My hunch tells me the 30 days may not be extended, and the draft will move to the next stage. MPs will most likely band together to safeguard their interests, and those of their communities.

Economically speaking, two things might be lost and should not be lost, efficiency and effectiveness.

The adopted political system must be effective, able to attain the national goals, and it must have efficiency, able to achieve the goals with the minimum resources. Entrepreneurs and businessmen are familiar with these words, and no wonder they are calling for a clear delineation of who is the chief executive of the country. Successful corporations, which are both effective and efficient, they have an outright CEO. Power may be like sunshine, if focused using a lens you can drill a hole through diamond. Left unfocused, sunshine is there just to be enjoyed.

I share the sentiments over the imperial presidency and its excesses, which has been the selling point against the presidential system and the need to share the executive power. But just because criminals use pangas to kill people, does not mean that farmers should be banned from using them.

**Solve our problems**

The reality about draft will only emerge when it is implemented, hence the need to rigorously debate it. Do you recall the somersault over provincial administration during the 2005 referendum?

Let Kenyans ventilate now, not during the referendum and the aftermath. Unlike the exams, we may not a supplementary exam in the constitution making.

Moreover, let us not have any illusions that the constitution will solve all our problems. We shall still have to be innovative, creating new solutions to new problems.

The misdeeds of the last 45 years will not be undone by passing of the constitution. But it will be a start.

The new constitution should not open new or old political fissures. Instead it should be the political rebirth of our nation.

And just like a baby, it must be nurtured, by our collective and personal responsibility.

Finally, did political thinkers run out of ideas? How come no one talks of any other type of political system beyond presidential, parliamentary or hybrid?
invisible wealth, and its role in determining fate of our economy

By XN Iraki

Astronomers shocked the world in the 1930s when they said that 90 per cent of the universe is invisible, despite the countless stars you at night. And this invisible material, which they called "dark matter", holds the key to the eventual fate of the Universe, whether it will end in a whimper, or with a bang, to quote Poet T.S Elliot… or was it Robert Frost?

Bold economists might follow the same logic, and declare that 90 per cent of the country’s wealth is invisible, but it holds the key to the eventual fate of the economy; whether it will grow, stagnate or collapse.

Too many people think of the visible wealth, money in terms of notes, bank accounts. However, most of the wealth in this country, and indeed worldwide, is invisible. It is not tied in the land we fight for, and finally get buried in once nature finally wins over us.

The greatest inefficiencies in our economic system are those that affect invisible wealth. The best example is traffic jams, which are worsened by life-giving rains. It also includes the policeman who stops you to waste your time, to the civil servant who makes you wait while they talk on the phone.

Thinking boldly and broadly, most of the wealth is not tangible. It is invisible, supported by our faith and expectations of the future. For example, why does the value of stocks fall overnight wiping lots of wealth from our portfolios? Isn’t the wealth in the stock exchange, "invisible" like the "dark matter" in deep space? What of the money or wealth held in derivatives? How much wealth is held by our faith in future and institutions?

Dark matter

Let us quickly go through the invisible or "dark matter" of wealth, how wealth can be created and held invisibly.

Reputation is one "dark matter". How much money do people make from their reputations, from entertainers to writers, preachers, and actors? Don’t reputable schools, medical, and law firms charge a premium for their goods and services? Once you have a good reputation, it becomes easier to make money. And once that reputation is destroyed, your wealth is destroyed too.

Reputation is often a matter of perception, earned over a long period of time, making it priceless, and a powerful source of economic leverage.
Quality is another invisible matter. If you produce quality goods and services, you will charge a premium. Typically, customers cannot see the quality, they can only believe in it. People often believe something is of high quality, even when they have not used competing products. We buy certain cars and products because we believe they are of higher quality, often without evidence, relying strictly on reputation.

Firms have realised this, and now segment their markets, and make money out of giving the segments quality products and services. Banks extend hours and charge you for that. Even Mercedes have started producing a Vitz-like car, highly priced because people equate Mercedes to quality.

Honesty is another "dark matter". Honesty breeds good reputation, which in turn lead to trust in you. This again can lead to premium charges for products and services. You will rarely feel the pain of paying for honest services. Think of your mechanic and his honesty in fixing your car when what happens below the bonnet is a mystery to you.

**Swings in the economy**

Brand is another "invisible wealth". Think of great brands, from Coca Cola to Kenya Inc. Think of the premium we pay for imported brands, and feel good about it! Think of the high rent you pay staying in a tiny house in well known residential areas of Nairobi. You can pay Sh50,000 for a two bed roomed flat in Lavington (brand), but pay Sh30,000 for a five bed roomed house in a nameless estate.

Expectations are perhaps the greatest type "dark matter". The swings in the economy are often driven by our expectations, including emotions. It is no wonder that the frontiers of economics and finance are in behaviour, from behavioural economics, to behavioural finance.

Our economy is suffering because too many of us focus on what can be seen, money, land, forgetting the invisible, from reputation to honesty and value system; which is more long lasting and will outlive all of us. Successful entrepreneurs are those that focus on the "dark matter" of the wealth creation, making lots of wealth.

Money in form of coins and notes like visible matter well in the universe is only a small percentage of national and personal wealth. And just like "galactic dark matter", invisible wealth may determine the fate of our economic growth.

—The writer (xniraki@aol.com) is a lecturer at the University of Nairobi, School of Business.

Is enshrining affirmative action in the draft constitution really the best option?
The draft constitution has the requirement that no one gender should constitute more than two-thirds of any elective or appointed body.

We know this is an ingenious way of "forcing" women to be representatives. I highly doubt if the two-thirds rule was targeting any positions where women are over represented.

Women are already making inroads into traditional male roles. I occasionally find my barber and caddy are female. In Central Kenya, girls have out enrolled boys in schools. The thinking behind this clause might be driven by the popular belief that women have traditionally been marginalised, and it is the time to bring them into the mainstream.

But I highly doubt if this is best way forward. Isn’t it better to empower them economically?

Economically speaking, women in Africa have never had a fair deal. They work longer hours (think of your house girl), and are often under paid (house girl again), and often never compensated for doing some of the world’s most sensitive and delicate jobs like child –bearing and weaning.

National statistics often ignore their economic contribution. Anyone who has ever ran a home would be surprised to hear the claim that housewives are unemployed, yet they do more than many CEOs.

We know that we all react to incentives, making us more productive. Salary increments and other perks, ought to make employees more productive, playing a greater role in a firm’s growth, and by extension national economic growth.

Fail to motivate

By not recognising the work that women do, from taking care of lazy husbands to running homes, we fail to motivate half of the population to be more productive and play their role in turning the wheels of economic progress.

There is overwhelming evidence that in most developed countries or any country that has made economic strides in recent past, women have been a major contributing factor.

It has also been observed that women from countries that have been at war at one time or the other like Uganda, Nigeria or Sierra Leone have very progressive women.
Could this imply that empowering women leads to peace and economic growth?

Long before the two-thirds rule got into the draft constitution, women in Kenya enjoyed affirmative action. They get admitted into Universities with lower cut off points.

The point of contention is whether this affirmative action will succeed. And whether it could work better if it’s done legislatively, instead of enshrining it in the constitution?

More often the affirmative benefits those already advantaged. A girl from Kenya High School is more likely to benefit from lower cut off points than one from Turkana Girls school.

So, what is the best forward?

The best option would be to improve women along the economic supply chain, from the elementary education to university.

We need to change our cultural stereotypes on women, which is reinforced every day through the media, schooling and our cultural practices. Such improvements will ensure there is no need of two-thirds rule.

We do not want jokes where women are looked down upon in senior positions because they got jobs based on two-thirds rule.

**Disincentive to men**

Moreover affirmative action would be a disincentive to men, who might be more qualified, but might be left out because of their gender. Some argue this disincentive could lead to frustration, and anger, which might be directed into society through crime, and other vices.

However, while the two-thirds rule appears to be a high threshold, it is reachable.

In some American schools, women constitute two-thirds of the population. Among the Afro-American community the crisis is now reversed, with the political and economic systems trying to increase the number of men in most institutions and firms. We hope that shall not be our next problem.

We have no doubt that women have been marginalised, but the best way to right this marginalisation should not be politically, it should be economic, but never at the expense of men.

Psychologists, and behavioural scientists, say goals stop being a motivator once they are achieved. Shall "forcing" women to represent us fall under this rule?
Is it also possible that this representation will be a victim of the "lemon" problem, where women likely to be leaders under the affirmative action are the most aggressive ones, not in terms of their ability to work and bring change, but in pursuing their self interest, the same way owners of bad lemons or bad cars are most aggressive in the market?

Truthfully, the economic potential of women in this country has been underexploited, but it should not be forced through the constitution. Let us educate women, and fight our cultural stereotypes.

Then, the women will naturally get into the mainstream, and make their economic contribution to making this country, and this world, a better home in our lifetime.

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The Draft constitution is not about power but on best living standards for all

Published on 24/11/2009

By XN Iraki

A quick content analysis through the draft constitution shows that the term Prime Minister appears 108 times, State President 328 times. This means the president is more powerful in terms of the count.

Other terms appearing and used frequently include: economic (39 times), economic growth once, economic development twice, technology once, science (seven), marriage (14), innovation once, honesty twice, trust (seven). Kenyan (seven) and International (31).

It is surprising the word entrepreneurship does not appear anywhere in the document.

But, why content analysis? It gives a preview of the thinkers, the men and women who, away from the limelight have fronted a draft constitution that captures the national psyche.

They should confess they did a lot of borrowing from India and other parliamentary systems. The pre-occupation with some terms is a testimony to our obsession with power and its wielders. We indirectly associate with powerful men even when they cannot recognise us on the streets.

They make us feel secure either against our inadequacies, or other people or communities. We are even willing to die so that the powerful can live. Some could argue
the constitution is about power and how it is wielded. But I disagree. The constitution is about the best living standards, for the majority of the people.

**Side shows**

To me the contentious issues in the draft are sideshows. We are not getting into the core our national problems. There is a deeply ingrained local thinking that the problem with the country is the Constitution, and once fixed all will be well. This might be wishful thinking, just as we all thought independence and multi-party system would solve national problems.

However, it keeps us hoping, that a golden future will come, when all our problems will be over. This said, the majority will never see that day. Be sure our political leaders would invent another issue to keep us busy after the constitution.

I am not harsh on the draft. After all, it is harmonised, but I am being realistic. My hunch tells me the draft will go through because after last year’s post poll chaos, we are too tired and social harmony is welcome. Future analysts could soon say Kenya needed a shock therapy to move forward.

The draft should go through the referendum and be implemented to quickly make us realise the problem was never the constitution but ourselves, our deeply ingrained cultures, stereotypes, and idiosyncrasies and our software.

Back to the content analysis. What happens after the draft goes through? The terms mentioned sparingly will now become more important. Economic growth and development will take centre-stage. We shall realise voting for a draft is easier than economic growth. Science and technology will be the new tools to expand the economic frontiers. We need an internet economy, driven by innovations in the key sector, agriculture since fertile land is scarce. We must make the Arid and Semi Arid areas blossom to avoid fighting over scarce resources as we did last year. We shall need entrepreneurs to solve the problems that have accumulated over the last 50 years.

**Resource commission**

The Region governments will raise taxes just as the Government does. But what is not being debated is who will generate this money.

The Committee of Experts was bold enough to propose a resource sharing commission. Why not a resource generation commission? Performing economies grew after facilitating entrepreneurs. How will different regions make themselves more conducive to entrepreneurs who will generate revenues for the three-tier Government? Taxation should be toned by the incentives for the payers to generate more revenue. Have you noted how
other towns have followed Nairobi’s aggressiveness in collecting parking fee even when you are parked on a pothole? Who and what will the new devolved governments tax?

Interestingly, how will the regions solve economic problems that have eluded the Government for so long? How will they create new jobs? Since the new evolved units seem to have some ethnic homogeneity, who will they blame now if there is no economic progress? Can the central government match the collections of the regions to avoid the "hand out" mentality? More interesting, what economic structures shall be devolved? Shall there be local stock and commodity exchanges? Will the devolution lead to dilution of traditional belief system and supplement them with new thinking based on cause and effect relationships, and capitalism with a human face?

Keen observers may fear that devolution may become a threat to economic vibrancy and dynamism created by free movement of people. For example shall people outside the regions be 'discriminated" in issuance of licenses and jobs? Shall the quota system be taken to another level? An alarm has been raised over the return of "native sons’ to head universities in their localities.

Beyond the new constitution, the reality becomes familiar. I believe we shall still look for scapegoats if a new constitution does not detoxicate us from endless politics and blame games over poor economic progress. We have started, let us proceed, realistically.

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**What future awaits our grandchildren beyond 2030?**

*Published on 17/11/2009*

By XN Iraki

We have all focused our attention on Vision 2030, when Kenya will become a middle-income country.

But what about beyond 2030, what will happen to our grandchildren? Will we have achieved the status of a developed country by then? Will they be happier, healthier? What will they say about us?

Let us boldly stretch our imaginations.

First, why do we want to develop? And what does it take to develop? We all hope to one day emancipate ourselves from the jaws of labour, so that we can work only when necessary. To most people, development means having more leisure time to focus on
what you like. But the economic reality is that unless you have invested or inherited enough, you will always need to work to take care of your basic needs.

Paradoxically, the more an economy grows, the less leisure time we have. We thought, for example that with cars and mobile phones, we would never be late for appointments, and rarely would we get tired. The reality is different.

Development encompasses several facets. Physically, we must be healthy. Healthy people are more productive, and have time to enjoy leisure.

Yet as we develop, unhealthy lifestyles seem to plague us, from obesity to disease of development, such as diabetes, hypertension and heart diseases.

It seems that nature is a great equaliser. The happiness we get from working less is neutralised by the spectre of diseases that we cannot develop a vaccine for; except by improving our lifestyles. We hope our grandchildren will learn from us, and from other countries we consider developed, that our health is our wealth.

**Unhealthy lifestyle**

But I fear they may not escape these diseases. Our developments do not take care of our physical wellbeing. Few new housing estates have any playgrounds; bars and other "joints" that encourage unhealthy lifestyles are the norm. When did you last see someone jogging in the city? Children play in school. But what of after graduation, where they spend most of their life?

Our physical environment is not life-friendly; the concrete jungles and "lifeless" residences do not provide good prospects for our grandchildren.

We need more leafy suburbs. Can zoning be enforced in both urban and rural areas? Can we use less concrete in buildings? What will happen when we get tired of all these concrete buildings? Development also involves your social life. We cannot live a good life alone. It is other people who enrich our lives.

That includes our families, neighbours, co-workers, and service providers, from the policemen to the garbage collectors. Advanced economies, contrary to conventional wisdom, have a great sense of community. People think of society first, and how they can enhance it.

Beyond 2030, we hope our grandchildren will live in harmony with each other, avoiding the rat race and zero sum game. By 2050, we hope our grandchildren will have finally realised no man is an island, and other people enrich our lives.

Truthfully, we have let individualism replace the community. Why else is grabbing of public open spaces so popular? Even the most hardnosed economists now accept that individualism has its limits.
Development involves culture from religion to belief. Shall our grandchildren have a solid culture that will be their anchor?

Most of the countries that have done very well economically, also have very solid cultures. We can talk of the English, Chinese, Danish, American and other national cultures. Kenya’s culture is still fluid, torn between the old order and an influx of foreign subcultures. Solid cultures are ethical, emphasizing on fairness, reward for the hard workers and often a belief in higher powers.

**National culture**

Why is the Queen the Head of the Church of England? Why do seemingly very advanced economies such as Japan and Sweden still retain kings and emperors? Any society without a solid culture soon drifts into the meaningless, a pattern starting to emerge in Kenya, espoused by gangs, drug abuse and apathy.

That should not be the prospects for our grandchildren. It is my belief that a national culture can be forged deliberately without waiting for it to evolve.

Another facet of development is the intellectual. Economic growth is driven by new ideas, spawned by our creative genius, through innovations, which raise the economic output and expand the national cake, so that we have more to share without fighting.

Development is multi-faceted, and will remain so beyond 2030. The future arrives prematurely; it will not be long before our grandchildren are old enough. We have a chance to improve their economic prospects today.

Through Vision 2030, and our own ingenuity, we can ensure that our grandchildren will not see us as the generation that dimmed their prospects. It is time to be bold.

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**Published on 17/11/2009**

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**Passat or Mercedes: The economics of car ownership**

**Published on 03/11/2009**

By XN Iraki

The raging debate over the model of cars our leaders should driver is diversionary. Whether it is a Passat or a Mercedes, does not matter. The two models are not made in Kenya anyway. They are imports from Germany. Should we not be making a choice between two Kenyan models—Nyayo Pioneer and Nyayo Mallo?
What is clear from the debate is that a car is not a means of transport, but a status symbol. When I drove a Vitz, a friend asked me why I was joining "baby class."

Curious, most Kenyans know about cars outwards, their shape, model, speed and so on. But, to most people, what happens below the bonnet is a mystery.

**Public approval**

We know the cars that people drive but we do not where they live or what else they own.

What is worrying the Ministers may not be the terrain in their constituencies, but the ‘lowering’ of status. Many fear their voters, friends and admirers will not take them seriously if they drive a Passat.

American economist of Norwegian descent Thorstein Veblen wrote more than a century ago about conspicuous consumption. Veblen may have realised that most of the goods and services we buy are not for ourselves but for "other people."

This is the silent audience that we think care about what we consume.

If you buy a new car, you assume that everyone sees it and talks about it. Some suggest even wives are for public approval, otherwise why do we hold elegant public weddings yet love is a matter of the heart?

We even make bold attempts to force the audience to notice us and our cars, by buying loud music systems and other luxuries.

Observers could argue that our obsession with cars is a sign of our inadequacy. It is a reflection of our emptiness and longing for recognition. Aren’t there more long lasting status symbols like how well you have educated and disciplined your children?

Or how long people will remember you for the contribution you made to the society? Do you know the car Mahatma Gandhi and Nelson Mandela drove or drive? Where do we go from here?

Should we not be thinking of how to make a Kenyan car instead of making choices among imported cars?

Those versed with auto engineering will tell you that though modern cars are more advanced in terms of dynamics and electronics from EFI to VVTi, the fundamental engine design has remained the same in the last 100 years and that technology is easy to replicate.

By the time we got tired of laughing at Nyayo Pioneer in 1980, Hyundai had launched The Pony, which disappeared from Kenyan roads to reappear more upgraded as Excel,
Sonata, Vera Cruz, Tucson and other models. Hyundai is now giving Toyota a run for their money.

How many jobs would we have created through Kenyan made cars? Think of the multiplier effect?

Think of national "feel good" effect from owning a car model. Imagine a lively debate in German Bundestag (Parliament) as coalition partners fight over what car model to buy for their Ministers, Nyayo Pioneer or Nyayo Mallo or whichever model would be "ours"?

Why are no ministers suggesting that we develop a Kenyan car, an idea abandoned 30 years ago?

That is why last week called for psychologists to help explain why we love pessimism. Yet a big component of economic growth is about our feelings. We buy goods and services because we have faith in future.

Need rethinking

A huge part of market capitalisation is made of faith in ourselves, our economy and future. Why can’t we be a country of doers?

How comes the constitution which require no raw materials, except our brains has been debated for two decades?

How comes when other nations are debating interplanetary journeys we are obsessed with the choice of car models to buy not to make?

Back to psychologists, why are the Japanese so successful in whatever they make from cars to electronics yet if you look at curriculum of most universities worldwide including ours they are not so different?

Beyond oil

What is the missing link in our quest to be doers and not talkers, proposal writers and conference conveners?

Why do we still believe that economic growth is a black box? Does our economic model need rethinking?

Look at the Arab countries like Dubai, or Qatar. They are thinking beyond oil, setting up airlines and service centres they will rely on when oil runs out. What have oil rich African countries set up from the revenues?
Let us go beyond consumption; it is time we looked at the supply side of the economy. We need to start making our own products.

They may not necessarily be cars, but I believe there is something we can sell to the world beyond hakuna matata, kikoi and the wild animals that nature has already created.

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The answer to our economic woes lies with psychologists

Published on 27/10/2009

By XN Iraki

No job is more admirable and coveted than being the President. One of the expectations of the President is to create jobs, and ensure the standards of living are raised. Yet, we rarely bother about the Presidents qualifications save his ethnic identity.

In the past 46 years we have tried experts in different areas. All have not confronted our economic problems head on, and if they have, a lot is yet to be done. Should we not try a person with a new qualification?

I choose a psychologist, someone who may understand and explain our peculiar thinking.

Three psychological issues plague our country and if resolved we could see us achieve Vision 2030 sooner than expected. One is learnt helplessness.

Economists assume that we are driven by self-interest. What of those who have learnt that they cannot do anything and someone must do it for them? What of those who have learnt it "does not matter", they fell helpless against the world, the economic system and themselves? What of those interested in nothing?

A famous experiment in psychology involves administering shocks to a dog. After several shocks the dog will learn it is helpless and will just look at you.

Economists and our policy makers have failed to focus on Kenyans (the majority) who feel that their efforts are not recognised and cannot make a difference. How can we raise their spirits, loop them into the economic system so that their contribution can be enhanced, the same way unmotivated students can be made to believe in themselves?

We can borrow from preachers who make their disciples roll on the ground after the message.
Can we have a leader who will make us so annoyed or happy with ourselves to shed off the veil of helplessness and focus more on our chosen economic interests? Who can make farmers feel so proud of themselves and double the harvest next season?

Our thinking

Who will make teachers so proud or annoyed that we shall soon spawn our Einstein’s and Henry Fords? Who can make civil servants so proud that they refuse to shake hand with anyone know to be corrupt?

Psychologists can probably do that, because our thinking is the problem. This country suffers from institutionalised pessimism, which psychologists can repackage as optimism. Is that not what they do through advertisement and branding?

Who can make us proud of our past, present and future? Who will make us feel that we matter, not only to ourselves, but to the community and universe?

Economic breakthroughs have always been accompanied by transforming the national thinking into "can do it".

This learnt helplessness is reflected in our obsession with donors, sponsors, relatives or "big people."

The second psychological issue is projection, we always have someone to blame or direct our anger and failure. We can blame anyone and anything else except ourselves. Why you were late for work. It was traffic jam? Why didn’t you perform well in KCSE, it was swine flu. Our most popular "dustbin" has always been the Government, blamed even by ministers.

Before that, it was colonialism. In the run up to the post poll chaos, it was certain communities. Wives unable to fight husbands often kick the cat.

Historically, we have always looked for someone or something to blame. The devil has been the popular victim.

Our traditional communities, had scapegoats. Nations make economic progress only after accepting their weaknesses and strengths and building on them. The countries we admire from — US to Singapore — stopped blaming others and confronted their national problems.

The recent move towards performance contracts is about individuals taking responsibility for their success or failure.

The final psychological issue, among many others, is ‘national learning.’ Who can make us learn from our past? From others? Most of the national leaders have spent time abroad studying, working or visiting.
Why it is so hard to learn from advanced economic systems or at least copy what is relevant to our context?

Only psychologists can help us understand how Japanese quickly copied the best of the West and build on their greatest strength, themselves. How comes most Japanese and Koreans never got ‘English names”?

**Imitation**

Psychologists can make us understand why we imitate "useless things" like accents, or peculiar behaviors like sagging trousers. We love singing western lyrics and not trying their science.

We love Eastern or Western technology but we are not interested in building our own, remember the skepticism over Nyayo car? Only a psychologist can make us understand why national learning is so hard.

They could explain why after a 100 years, science and religion co-exist with witchcraft.

A psychologist will communicate with us instead of talking us, hopefully make us understand ourselves better and transform our thinking and this economy.

Is it surprising that cutting-edge research in economics is on the edge, bordering psychology, the so-called behavioral economics? Where are the psychologists?

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**We must be more broadminded and liberal to win the Nobel Prize**

**Published on 20/10/2009**

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By XN Iraki

Nine of the 13 Nobel laureates this year are Americans. That includes President Obama who won the peace prize. Why are Americans and not Kenyans winning Nobel Prizes? What does it take to bag this coveted prize?

Are there any economic benefits in winning such prizes beyond fame, money and recognition? Why can’t we have our own Nobel prizes?

First, let us appreciate our Noble Laureate, Wangari Maathai and other winners associated with Kenya.

Those who have lived and schooled in the US should not be surprised by the prizes. The US system is tuned towards achievement in one’s chosen area of endeavor. Americans seems to focus on a narrow area and become experts in it.

**Americans love ideas**

This is contrasted with most Kenyans who want to do everything, including placing a photocopier in a butchery.

Kenyans think Americans are narrow-minded because they may not know their Southern neighbour is Mexico. But what does it benefit you to know that the capital of Azerbaijan is Yerevan?

In schools and in business Americans are pragmatic; they look for ideas that work and quickly jettison any moribund ideas. We could trace the American success in winning Nobel Prizes from homes, where children are encouraged to think independently even having their own bedrooms early in life.
The relatively small families ensure parents give more attention to their kids. Unknown to many most American mothers leave jobs to look after young kids but return to work once they are old enough.

In some homes, the father stops working. It appears old fashioned, but the long-term benefits of self-parenting are enormous. Some could argue that nannies are expensive in the US, but it is more than that.

Parental nurturing within nuclear families greatly contributes to children’s intellectual growth and self-confidence. In school, students are given an enriched curriculum that ensures broadness.

For example, a university student majoring in business administration must take courses in sciences or philosophy. Such broad mindedness is a great catalyst to intellectual growth because discoveries that can earn you a Nobel usually occur on the "edges of disciplines," where they intersect with each other.

Did you notice that this year’s economics Nobel Prize winners are political scientists, while the new frontiers of finance and economics are at the intersection with psychology (behavioral finance and economics)?

Kenyans are up in arms against the broadness of 8-4-4 education system, yet too much narrow mindedness is bad for our intellectual health. Curiously enough, Kenyans copied the system from US/Canadian system, but failed to cut the umbilical cord to the British system.

In addition to making students broadminded and liberal, American system of education allows them to pursue courses we might dismiss. Such variety ensures students interests are taken care off. You are more likely to succeed in your chosen course than forced on you.

‘Short-termism’

The American success in winning Nobel Prizes goes beyond school and home. Protestant work ethics are deeply ingrained in American psyche. Work is respected and godly. Americans blame themselves, not the Government, for failure to thrive.

They are also patient and think long-term, obsessed with the big question, how future generations will remember them. For many of us, the future ends today.

‘Short-termism’ is our soft underbelly. Research and development are an integral part of American higher education.

Corporations and government devote large amounts money for this.
In Kenya it is less than one per cent of our GDP. When this research and development is shared between industry and universities, great ideas and innovations are spawned.

Universities in the US also go another step further; they are specialised and focused, channeling grants and talents to disciplines with highest returns.

In addition to availability of money, the environment is more conducive to the search for new ideas, with a reward system for achievers at every level.

Communities celebrate their heroes. For example, Kentucky claim Lincoln was born there and so will Illinois. In Kenya, we envy achievers and take every opportunity to disparage and belittle them. How many of us took pride in Wangari Maathai’s achievement?

How many talked in private and claimed it was a favour? We need a culture of rewards, institutionalisation of sports and company of the year awards and presidential awards.

But perhaps the greatest impetus to American winning of Nobel prizes is immigration, the sucking in of new people with diversity of ideas.

America has always been welcoming to immigrants, particularly those with something to offer, from labour to ideas.

In Kenya, we have made moving from one part of the country to another difficult. Yet, the best entrepreneurs and thinkers are those who leave the safety of their homes.

That is why Nairobi is ahead of the rest of the country.

Diversity in the US will continue being a catalyst in spawning Nobel prizes. Such prizes raise the spirit of the nation, acting as a motivation that with long-term economic benefits.

In fact the call for reforms should go beyond the constitution but also focus on our homes, schools and all other systems progress.

Kenya has rich people like Alfred Nobel. Why can’t they sponsor such prizes and immortalise their names?

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The economics of vested interests

Published on 13/10/2009
The gospel of free enterprise has been preached for generations as the perfect solution to our economic problems. This gospel got more credibility when communism came tumbling down in late 1980s. Even China could not resist, opting for communism in politics but free enterprise in economics.

The market system as the free enterprise is often called is supposed to allow individuals pursue their own interests within the constraints of laws, regulations, morality, space, and the little time we are guests on this small planet.

Academics preach this gospel with unusual conviction, offering each generation of students, a tonic for future problems. Some ask loudly why this system with all its power cannot solve some of the world’s biggest problems from joblessness to inflation.

downplay dark side
Why are so many economic problems still plaguing the world? Economists argue almost to the point of conviction that the alternatives to market system are worse and have been tried, from feudalism to communism. However, proponents of the market system either deliberately or by chance downplay one dark side of the system, vested interests.

As the market system evolved, so did the holy unholy alliance between politics and economics. Each group realised its interests could be best served by the other.

Countries are led by political parties. The party members have vested interests. In public, they want to make the society better. In reality they want to make themselves better, then the society. The entrepreneurs or businessmen as they often called have their interests too, to make profits, lots of it.

But they are often constrained by the politicians who set rules and regulations. To better each other’s interests the two groups come together. In Kenya, it is more interesting because they are often the same people.

If there were no vested interests, some argue there would be free entry and exit into every nascent industry, including politics.

But the reality is that this entry is often restricted, legally, with players having an illusion of competition. By restricting players in any industry, more profits can be made. Lobbying is about coming up with rules that cater for vested interests.

Look carefully at any proposed bill or by-laws and you will see the shades of vested interest. Politicians like MPs and regulators (appointed by politicians) often hide under public interest like safety, to pursue vested interests.

No idea

Few political and economic proposals are neutral, completely objective, even in developed countries.

The world of regulations, laws and their complexity is the domain of the chosen view. Majority of the people have no idea what happens. They just obey the rules and talk.

The vested interests make the rules and ensure they are followed. How else do you explain that in any democratic country, small elite monopolises wealth, and prestige, leaving the majority as spectators?

The vested interests in politics, espoused by political parties cascade to other institutions mostly through associations, which ensure that if there are any new rules or regulations, their interests are taken care of.

Neutral language
Why do you think every association want representation in the constitution review process?

Such associations (including NGOs) have held the economic and political systems hostage, ensuring that if there are any reforms, they are carried out in certain ways, to ensure their vested interests are taken care of. Most of the vested interests are economic in nature, but couched in neutral language.

The current call for reforms in Kenya is driven by vested interests, each political party, has interests to protect, including the international community.

Reforms, upset the current state of vested interests espoused in terms of jobs, supply contracts, and even prestige. Why else are reforms taking so long?

Where do we go from here? The nature of man is that he will always pursue his own interests. Political systems were invented to limit this self-interest.

But in countries like Kenya, where political systems have not evolved enough, the systems are used to further self-interests. Adam Smith’s ingenuity lies in his view that we can use this self-interest to further society’s interests.

Our economists, politicians and policy makers can do us a lot of good if they harness our self-interest (including greed) to improve the society.

Any reforms ought to benefit the greatest number of people. This view needs lots of creativity to implement, yet it holds the master key to our reform agenda. But few Kenyans can articulate reforms they need, beyond regime change and possibility of a member of his own community becoming the next head of State.

Few talk of the reforms they need to undertake in their own thinking and lives, where it might matter more than the political reforms.

Those who have lived in the West or East know the role the families play in transforming society.

Our obsession with political reforms may be our soft belly. Some of the most critical reforms cannot be legislated like the number of kids you have.

Reforms in addition to taming self-interest, has to uproot deeply entrenched cultures. Vested interests are often deeply entrenched with tentacles that at times span the globe.

Any reforms in Kenya will often touch someone economically somewhere on this small planet. Yet, we need to tame vested interests so that the vast majority can enjoy life. That is easier said than done as the 20 years journey to new constitution shows.
After weeks of intrigue, Justice Aaron Ringera finally bowed to pressure. To most observers, it was a triumph of Parliament over the Executive, and the start of a new era.

The last part of the previous sentence is contestable. Now that the dragon slayer has been slain, can we look through the political fog and give an economic interpretation to his exit? Why so much interest in his post? Would there have been this interest if his salary was Sh100,000 a month?

First, corruption has been our soft underbelly, it is a bigger problem if we bundle together the petty corruptions that mwananchi experience. Take the case of that policeman who collects Sh50 from matatu driver to that idler who insists you buy him tea in your village because you are from Nairobi.

Though we think corruption is a moral issue, the devil at work, it is more than that. Corruption represents our collective failure to understand the modern economics, how money is made, entrepreneurs work and wealth generated, accumulated and turned into economic growth.

It might therefore be easier to fight corruption my making Kenyans understand these simple issues instead of condemning corruption in churches and political meetings.

Money does not grow on trees, — businessmen or entrepreneurs make money because of the goods and services they provide, and the risks they take. But most ordinary people think they "collect" money from them, and would wish they were getting the goods and services free. The entrepreneurs who invest in time and resources to have the goods and services are rewarded through profit. If we never paid for this, no one would provide them.

We also think that the Government has an inexhaustible source of money, yet it us our taxes.

When someone gets money for doing nothing, you demoralise the person who does the real work, because he gets less profit. It is no wonder corruption thrives as economy declines. His option is to work less hard, because he is not a "fool" or passes the costs to the consumer, who uses more of his income on unexpected goods and services. This
stifles some sectors’ consumer demand, but in the long run every sector of the economy suffers because of interconnectedness. down the line, entrepreneurs leave less conducive locations; that is why there are disparities in economic growth among regions and nations.

In countries where citizens understand how money is made, entrepreneurs are given support and are celebrities; they make profits, expand their businesses and build the economy. Such countries spawn big corporations that dwarf some nations’ revenues.

The policeman or even pretender on the streets may not understand the issues. Our attitude towards money making has not been positive either, preferring to call great entrepreneurs devil worshippers or corrupt. The truth is that it is sweeter to make money through corruption than through hard work. But this sweetness is diluted by failure to enjoy the "loot," the illusion of prosperity and missing the fun involved in making money honestly.

"Take home"

Back to Ringera. The rising population and the number of Kenyans leaving schools have created a huge demand for jobs, yet there are only a few premium public jobs. That has made the competition very fierce with different arms of the Government attempting to be appointing body— that is power. Add in politics, where a member of Parliament can boast to his voters that he brought Ringera’s job "home" and you can see why the job is attracting so much interest. The incentives given, Sh2.5 million a month, is another source of interest. With no minerals, the Government is our leading natural resource, we want to own and control it hence the tensions generated by elections. Grand coalition reduced the tensions because more people have something to "take home."

Observers fear that in the long run, you may only get a top job if you have a "sponsor". That will go against meritocracy and our national interests. It is also possible that our MP could take another step in future, and go to the lower echelons of the civil service, influencing who gets hired, they could even demand affirmative action based on regions and tribes. Without economic growth, the few premium jobs will always be hotly contested; Ringera’s case may be a rehearsal.

But Ringera’s job could be attracting interest for a genuine reason; Kenyans now know the economic damage that results from corruption.

We however cannot rule out a cloak of hypocrisy, to most people corruption is only bad if they are not beneficiaries.

Truthfully, getting a [Kenya] Anti-Corruption Commission director and his assistants is the easier part, emancipating the country from the culture of corruption, disentangling the modern economic thinking from our traditional culture of "gifts" might be harder.
In fighting corruption, we should look at the whole "supply chain", focusing at the top is a national distraction. We should start from the content of our curriculum to what we preach in churches and in meetings. Don’t business schools, for example, focus too much on profit and its distribution and not how that money is made? We must relook at our economic incentives and reward systems to ensure they work.

It seems easier to make money through rent-seeking, corruption than genuine entrepreneurial activities. Ringera has exited the stage, another person will replace him as we wait in anticipation of the end of corruption, it might be a long wait, but that should not dissuade us from trying to slay the dragon identified.

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Unlocking power of the invisible hand

Published on 29/09/2009

By XN Iraki

In 1988, one former Member of Parliament found himself in jail after being found in possession of $12. In 1988, voting by secret ballot was replaced by queuing. By 1991, the monopoly enjoyed by Kanu was over; the political arena enjoyed a thaw leading to competition, which has intensified after every election.

By 1993, the economy started the long journey to deregulation, where most controls were removed.

Many observers ask why political and economic deregulation had to go together; the two are Siamese twins.

It is this realisation by politicians that makes politics so attractive, not serving mwananchi or being addressed by big titles.

What is not easily discerned by ordinary mwananchi, the holloi polloi is that our deregulation in politics and the economy were a part of a global paradigm shift.

The cold war was over and after 70 years, communism had lost the war, courtesy of lack of creativity and entrepreneurship.

Democracy now could ring; political observers are often surprised by how Kanu and any communism system were similar.
In academic circles, we suddenly rediscovered the invisible hand popularised by Adam Smith more than 200 years ago.

We just realised that competition could unlock the latent potential of any economy.

**Political risks**

This thinking was aided by bold and entrepreneurial politicians willing to experiment and take political risks. Bold politicians included Ronald Reagan and Margaret Thatcher who had once sacrosanct sectors like water and aviation deregulated, exposing them to competition and the invisible hand of the market.

Has deregulation lived to its expectations? First, let us admit that deregulation is not an exact science; we still do not know the optimal level of deregulation.

Too much of it not good for an economy, it could lead to chaos. Too little of it will stifle creativity and national entrepreneurship.

Deregulation becomes a political issue, vested interested would want to continue enjoying monopolies and keep off competitors, lobbying often leads to anticompetitive rules some clothed in self serving statements like "national or public interest".

Deregulation often has other consequences, like price rises if competition is not high enough.

This can be politically unpopular. A good example is petroleum sector, which though deregulated is not competitive enough leading to threats of price controls.

Business people, those on the supply side of the economy understand deregulation better than the consumers, who often think life would be better if everything was free.

This asymmetric information often leads to a few people making money after deregulation, while the vast majority think and wish the good old days could return. In US and UK, two countries that pioneered deregulation, success has been noticeable because deregulation was brought by economic realities and was not forced down the throat as was in Kenya.

Politicians in these countries did their part to ensure competition was encouraged leading to lower prices, greater consumption and possibly more jobs and economic growth.

In Kenya, we are yet to reap the tastier fruits of deregulation. Truthfully, a few people have benefited greatly from deregulation by supplying products and services in sectors that were heavily regulated earlier.

Some observers note, with disdain that deregulation ushered in the era of middle men, who make money by speculation and not taking entrepreneurial risks.
Such brokers, middlemen or plain conmen thrive in the deregulated economy by taking advantage of asymmetric information.

**New opportunities**

The failure to reform sectors that support deregulation such as the judiciary and regulatory bodies made the ground very fertile for such characters.

Our belief that the Government should supply everything made deregulation less successful.

Some sectors have benefited from deregulation. The power rationing has eased because Independent power producers can supplement the national grid.

In education new players both at tertiary and non-tertiary levels have opened new opportunities to entrepreneurs and consumers (students).

The financial sector though heavily regulated worldwide has seen more banks enter into the market and competition in provision of services such as foreign currencies.

**Financial supermarkets**

Some banks legally provide more services than was traditionally allowed; they want to turn into financial supermarkets.

Other observers suggest that deregulation can uplift some sectors like rail transport so that anyone can own train and put it on the tracks just as we do with the cars, buses and lorries. The same applies to airlines.

A deregulated economy is more open to innovations, creation of new firms and further economic growth.

But for this to work, the political decision makers must be converted, and belief that deregulation though threatening the interests of a few (including themselves), benefits the majority in the long run.

Some observers have noted the proliferation of regulatory bodies which could reverse the gains of deregulation. Such bodies should be created based on economic fundamentals not politics of appeasement.

In determining the optimal level deregulation, let us borrow from our mothers, they all seem to know how much salt is enough for each pot without using a weighing machine.

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Why we need to rethink affirmative action

Published on 22/09/2009

By XN Iraki

In 1986 a former headmaster of Alliance High School paid a courtesy call to the school and addressed the students in the chapel. He told the students he was in that school when "men were men and women were glad."

The Briton did not elaborate but students laughed. What exactly did he mean?

Does the current situation vindicate his comment? Worldwide, the average life expectancy of men is much lower than that of women. Men generally take more risks, some say with the sole intention of impressing women.

They are more likely to die from alcoholism, motor accidents, and other risky behaviours. Some say this is a hangover from out traditional societies that demanded a lot from man, he had to defend the society, be fearless and never shame the community.

But modernism has quickly diluted man’s pre-eminent role, he is no longer the sole breadwinner, which has further gnawed on his prestige. Modernism, building on technology has ensured that most of the jobs preserved for men can be done easily by women who can now fly fighter jets, neutralising man’s ability to throw a spear very far. Technology has made the kitchen man-friendly with piped water, piped gas, microwave ovens and other amenities, though not all homes have such privileges.

But it is not just modernism that has conspired to cut man to "size".

Politics has, with 30 per cent of the seats in high public appointments being reserved for women.

Affirmative action will deal the final blow on man’s prestige. Women are given access to education with lower points at the expense of men. The argument used that women have historically been disadvantaged is not supported by facts. For example any time the cut-off point to the university is lowered to allow extra women entry to higher education, it is not girls from Turkana or Wajir who are likely to benefit from this, it is the privileged, from Nairobi and in national or private schools, those likely to score near the cut-off point. No one has asked why among two siblings, the girl should go to school and the boy left out with same grade.

But poignantly is that there is a deep feeling in our society that the Kenyan man (particularly indigenous) is a monster that needs taming, with Non governmental
organisations (NGOs) formed to tame him. Who funds such NGOs with what long-term agenda?

**National psyche**

The media reports highlight this often any time a man is caught on the wrong side of the law. This has made the national psyche anti-man. Results? Look around, the number of private girls’ schools coming up is higher than for boys; even entrepreneurs prefer to deal with women, seen as humble and less likely to burn dorms or smoke the "leaf".

Enough digression, what are the economic costs of neglecting man? Some have argued that man’s precarious situation is tempting couples to sire girls instead of boys— I have no evidence to support that. Others say men have reacted violently to this neglect, turning to crime to proof their worth, but with no women getting glad.

In most parts of the country, men are turning to cheap liquor, to drown their sorrows, their neglect. We have seen women demonstrating because men in their jurisdiction, including their husbands have forgotten their conjugal duties. What is comical is that lots of this liquor is brewed by women. The economic cost of men’s idleness is enormous. The lost time and earnings as such men die younger is very high and no country should allow this.

**socio-imbalance**

Statistics show that in Central Kenya, enrollment of girls has surpassed that of boys. In the long run, more women will get into higher education and better paying jobs. This will further dilute man’s, image, brand. Already many well-educated ladies are complaining that there is a shortage of marriageable men—those of their class and status. I agree with them.

The many social occasions I have frequented from weddings to funerals seem to suggest that men of status are in short supply. The forecast is that the imbalance could get worse. Could this lead to more "fatherless children" and the adjoining economic and social consequences? Could this be the reason the issue of lab sperms is so exciting to our ladies?

The socio-imbalance resulting in brigades of women unable to marry could disturb our long-term economic stability. How will the few married men handle stress? Could that lead to more diseases like AIDS as the "privileged: men take advantage of their positions? Could the "neglected men" disturb social stability through more crime?

But where do we go from here? First, anyone who has lived in the US, particularly in the Deep South will quickly realise that a similar situation is common, and we should not replicate it in Kenya when we can avoid it.
We must stop discriminating against man, through affirmative action. We are all endowed with the same intellectual capabilities. Instead of affirmative action, why not improve on girls’ schools so that we can compete as equals?

When shall affirmative action be declared a success? Women get into our great institutions with lower points, then get favoured in job appointments, is that not double favour?

Affirmative action should not discriminate; women should demand representation in jobs they are underrepresented, including carpentry and mechanics, not just in big jobs. Don't we live in the age of meritocracy?

Finally, we must stop portraying Kenyan man as a beast out to cause havoc given the least provocation. We shall always need the physical and intellectual contribution of men in our quest to improve our economy and make this small planet a better home. People contribute more to an economy when they feel part of it.

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The diseconomies of "fatherless" children

Published on 15/09/2009

By XN Iraki

We hope the census results will give us the number and the percentage of children living with a single parent, mostly under the care of the mother. My hunch tells me the number has gone up substantially since our first census before ‘uhuru’.

Social entrepreneurs have focused narrowed on the social and moral issues surrounding single parenthood or ‘fatherless children.’ Religiously, that is seen as evil with most societies frowning upon children born out of wedlock. In some communities, they could not inherit anything.

It seems traditional societies had more respect for marriage than us.

Fatherless children are here with us, but what are the economic costs of fatherless children? What can we do about it? Or should we accept that it is an inevitable outcome of modernism, advancement?

Some have extreme views suggesting that children from single parents are often outliers. Some suggest they are more likely to win beauty contests because the mother had choices of who to father the child, in terms of height, complexion and so on.
Social views

Marriage couples have no such choices. Other observers suggest boldly, that such children are likely to be outliers on doing bad things, so that if they get involved in crime, they can be vicious, particularly if male.

"Why care about men who never cared about me", so the argument goes? These extreme views are subject for further research. Social views apart, is it fair to subject kids to a single parent when biologically speaking it took two to bring forth the kid? Why should one disappear as soon as the kid is born or conceived? Is that heroism or cowardice?

Why have we made single parenthood appear as normal?

Yet, despite their obsession with models and equations economists have accepted that the family is the most economical and efficient means of bringing up children.

The family unit ensures there are economies of scale with resources shared from housing to transport to food. Most people will accept that the marginal cost of having an extra person in the house (husband or wife) is low.

The cost goes down even lower if there are children, though too many may bring in diseconomies of scale. As a matter of fact, no economist has told us what the optimal number of kids a Kenyan should have. The economies of scale are however masked by nappies and diapers.

The economic advantage goes beyond lower costs, the family units brings in security, and a feel good effect that make its members more confident, and more focused.

Parents and kids have a 'purpose "to pursue in life, children have examples to follow (not always good). Some could argue that families feel good effect and confidence create demands in the economy for goods and services, and by extension create jobs.

Other observers have argued that families force people’s to think intergenerational, so that wealth is accumulated over time, though lack of succession plans often renders the sweat and ingenuity of previous generation useless.

If the family is such a critical unit, why have we been unfair to our economy by making single parenthood normal? Many will argue that we cannot legislate love and make marriage compulsory; it is a matter of the heart.

But we could set up economic incentives that favor marriages and penalise single parenthood.

Should we not do all we can to ensure children who involuntarily come to this world are given the best economic and social environment to grow up, reach their potential and finally make their contribution in making this small planet a better home?
Where do we go from here?

In developed countries reforms in the socio-legal system have tried to tame the emotions and passions that go with begetting babies. Men pay child support if they impregnate a woman, some say to ensure they pay for any "fun".

In the US failure to pay for child support is a Federal offence, perhaps an indication of how seriously the Government takes the issue. The State of Mississippi recently had an ingenious way of dealing with child support defaulters; they put up their photos and details on bill boards along the highways!

Incidentally, in our traditional societies child support was standard; loose men were fined with livestock as the unit of currency. Men in Kenya have always fought against child support or affiliation.

**Semi-family unit**

It is the time we revisited this issue, we cannot afford to deny the next generation the beauty and the comfort of the family or semi-family unit in the name of selfishness.

Another approach which would be highly controversial in Kenya is alimony, where a man is charged with the responsibility of maintaining his former wife’s economic status if they divorce.

Both approaches are seen as anti-man, and out to cut him to size. Observers however ask, if it does not make sense, lots of sense to use law if personal responsibility does not work.

What of a marriage tax rebate? That is long overdue. The family unit is the foundation of a strong and prosperous nation. If we do not protect and promote it, we shall all pay the price in form of dysfunctional society, where we spend more time worrying than enjoying life.

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**Dynasties are bad for the economy, all the time**

Published on 08/09/2009

By XN Iraki

Every generation hopes it will bequeath the next generation the wealth, the values and inspirations accumulated over time. They hope to jettison the bad values so that the next generation will rise above the previous one, in grandeur, and achievements.
The reality is often different; rarely does the environment remain the same, its keeps changing and constantly demand a new set of actors.

It often renders the ingenuity of the previous generation useless. It is the environment that has made many parents sad as they watch their progeny squander the wealth created over a generation, not because they are bad, but interests change; just because you sacrificed so much to build a business empire does not mean your children will be interested in it.

Without environmental changes, from technology to fashion and even demographics, dynasties would be welcome, ensuring smooth succession from one generation to the next.

However, the environment has constantly conspired to stop domination of societies by dynasties.

**Super genius**

Even biology is determined to deal with extremes with each succeeding generation regressing to the mean, the reason we have no super geniuses or super tall people.

It is not surprising that with time, monarchies lost their luster and democracies took charge ensuring that where possible, every citizen has a chance of leading, and making his or her contribution to the nation.

That however has not prevented some dynasties in politics and corporate world, at times in unusual countries like USA and India.

Biology and nature come together to deal a blow to dynasties by cutting short the grandest of our dreams, living forever, when tears are shed and we involuntarily find our way under the sod, where maggots deal with us at ease.

Enough digression; why are dynasties bad for our economy?

Apart from constantly changing environment, which like a drama needs a new set of actors, dynasties go against the laws of nature which reward diversity.

**Corporate leadership**

By protecting leadership against competition and ensuring sons and daughters take over — whether in politics or in corporate world — innovation and dynamism dies, threatening the long survival of the firm.

Like incest, which weakens the genetic pool, lack of diversity, dynastic domination in both political and corporate leadership, attenuates the motivation and inspirations of the leaders.
As stated earlier, democracy ensures diversity. It is no wonder that world-wide, despite the shortcomings of democracy, democratic countries seems to thrive, because diversity of thought is encouraged, which in long run leads to innovative government programmes that solve national problems.

A diverse parliament is likely to be more creative and realistic in handling national problems than a hereditary one, which would soon ossify. It might not be an exaggeration to suggest that the end of monarchies ushered in a new era of economic freedom and growth.

In the corporate world, diversity is even more valued, because unlike the government or most public sector firms, which are protected by statutes, private firms have to compete.

The invention of the stock exchange and the rules of disclosure that go with it dealt a blow to dynasties. The growth of the firm meant that with time a family cannot run it and must need outsiders, more objective and at time more motivated.

The stock exchange create diversity in ownership, diluting the dynastic tendencies of the founders and ensures that the innovative ideas of those most remotely connected with the firm except their urge to earn a living can be put intouse.

It has been argued loudly that some of the most successful Kenyan firms are privately owned, either about to be passed to the next generation or already in the second or third generation.

**Family business**

While this may be true, it might also be true that if these firms diluted the dynasties by floating in the stock exchange, they would be probably be multinationals.

Truthfully, the loss of control by the family in an IPO may be more than offset by growth that result from allowing carefully selected outsiders (managers) to run the firm they never founded.

The most successful family owned businesses seem to be those that long accepted that there can be more creativity, more innovations beyond the blood relationships.

Dynasties in both corporate and political realms also become victims of the law of economics, particularly the law of diminishing marginal utility.

Ever noted that when thirsty, the first glass of water is the sweetest?

Beer takers claim unconvincingly that does apply to them.

As families accumulate wealth, they start getting less satisfaction or utility from that wealth, so do the political leaders.
I suspect most MPs are most excited about politics during the first term, just as you were most excited about your job the first few months. You did not believe that one day you would fake sickness and even seek a new job, out of dissatisfaction.

Corporate dynasties

Others have argued that it is this law that eventually lead to divorce as couples derives less utility or satisfaction from each other.

Dynasties often ensure that "disinterested" people remain at the helm of nations and corporations. This is bad for the economy; it stifles creativity and keeps useful ideas at bay.

There is no better catalyst to economic growth than new ideas, which are generated by new people, unencumbered by traditions and cultures of the firm or nation; why else are immigrants so entrepreneurial worldwide?

Some observers have boldly argued that married people tend to be more successful in the long run because "new comers" — the wives, dilute dynastic tendencies of families.

Truthfully, like flowers that need cross pollination, so are nations and corporations. They will always benefit from dilution of dynasties, cross-pollination with newcomers and their innovative ideas. In economic and corporate realms blood may not be thicker than water.

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**Titles are a mere cover up for our incompetence**

**Published on 25/08/2009**

By XN Iraki

One of the unintended consequences of capitalism was the emergence of socio-economic classes, identified by property ownership, from the cars to residences, and even the places travelled or visited.

The property ownership generated privileges that in the past and even today involve meeting with the power wielders, membership to clubs that derive their status from "limiting the numbers.’

For curious reasons, the classes even had a spiritual dimension, with the highest socio-classes having unlimited access to the high priests. I have often wondered if it was
accidental that the State House and the House of the ACK archbishop are next to one another, perhaps a reflection of the close relationship between the Church of England, and the monarchy; a system the Britons tried hard to bequeath on us.

Enough digression.

In Kenya today, we are bored of the traditional status symbols, they have become too common and anyone, anybody can acquire them, through legal means like sheer hard work, luck, inheritance or even through corruption.

Economics 101 indicated that an increase in supply leads to a fall in price. In "class speak", if there are too many people in a social class, it gets diluted. That could be one reason membership fees in Kenya’s exclusive clubs are going up very often.

To keep the status of the class, legal means are also employed like restricting the height of buildings and acreage. If you read many of the local government by-laws, you will see several residues of the bygone era that had the sole purpose of maintaining the class system.

But lately there has been another subtle method of maintaining class. It involves the use of titles, another borrowing from the British system with its kings, dukes, earls, and barons. Most of these titles were hereditary, ensuring that only a few people ever got them. Some have noted that the American constitution ensured that this system of titles would have no place in the American society. In the USA, you will never find someone calling himself Sir even if knighted.

Have you noted that most televangelists are now Dr. so and so? By using such titles, they intend to raise their class status, away from the crowd.

They hope to stand out and increase their brand value. After all, few Kenyans have the time and the courage to question the origin of the titles; fewer would know if the title Dr. is honorary or earned through hard work and critical thinking.

Add the spiritual dimension and the audience is likely to be too mesmerised by the title to ask any questions. It is not just the televangelists who are after titles; it is almost a national obsession, the major impetus to the burgeoning education industry.

I highly suspect that probably 50% of those enrolling in higher education are driven by the insatiable desire to stand out from the crowd, perhaps the reason why a portrait in graduation gown adorn most graduates living room.

Many Kenyans would love to use titles to stand out from the crowd that includes former MPs who love to be called Mheshimiwa, even in their obituaries. Curiously, Arap Moi, Raila, Kalonzo and Kibaki are all Dr. But never use the titles.
Is this obsession likely to subside or not? What are the economic costs of this obsession with titles and salutation?

My hunch tells me it will eventually come under the laws of supply and demand. As people acquire a title, it loses its "magic" and another must replace it. The only problem is that once a title or a qualification loses it magic, those who had invested in it will lose their investment.

Some people have tried "cocktails" to enhance the power of titles, so that you can be Dr. Rev. Hon. etc.

The market system will eventually catch up with titles; it will differentiate the wheat from the chaff. Titles are supposed to confirm someone’s prowess in doing something for humanity, because it is the society that bestows the titles.

The major concern is that our market might not be very efficient to sort the titles. Some have argued that is why a thriving industry in fake documents including title deeds exist. Others have boldly argued that our obsession with titles both academic and others is nothing but our bold attempt to cover our in competences.

The greatest cost to the society is that obsession with titles runs contrary to one of the core ethos of capitalism, that the society should reward the best not depending on their background, but what they can do.

One reason why the US economy has remained vibrant and dynamic is its reward system, which to a large extent, is based on what one can do. Americans don’t feel guilty if they drop out of school to pursue a passion.

Our former colonialists, Britons are still tied with their titles and class system, which has made the society less dynamic both socially and economically.

A monarchy and a capitalism system are inconsistent. Yet we are becoming a nation of political dynasties, which in time will start taking a toll on our economic system. Would Japan be a more dynamic nation if it had no monarchy?

What of other many European nations that though professing democracy have a monarchy? Societies advance when access to economic and social opportunities is not restricted, when citizens get social privileges because of their natural endowment not their backgrounds.

A nation that puts emphasis on titles and not what one can do for humanity soon becomes a prisoner of its peculiar cultures. Such a nation should not be Kenya, our nation. Finally and out of curiosity, is it true that marrying across races; particularly different in colour is another emerging status symbol in Kenya?

**Does space exploration make economic sense?**
It is 40 years since we landed on the moon, our nearest celestial neighbour. It was hoped that after that landing, that spirit of adventure and exploration would continue and by now, we would have landed on another planet, either Mars or any other nearer planet.

Instead, we have focused more attention on our terrestrial problems, from global economic crisis to droughts, wars and global warming. It seems the stars and the heavens can wait.

Truly, the great excitement emanating from landing on the moon was replaced by the Vietnam War, which gnawed on America’s self-confidence. Few would say loudly that probably it was that war that hastened the scraping of the Apollo programme, which saw 24 Earthlians land on the moon.

JF Kennedy’s dream of landing the man on the moon was achieved within a decade as he had predicted, just as he predicted that a black man would one day become the US President.

Apart from the Manhattan Project, which led to the atomic bomb, few other projects had such a sense of purpose and national focus.

Just like other major achievements, a sense of what next sets in and unless one gets another goal, meaningless often set in, the reason the rich and other achievers like celebrities often turn to drugs, mysticism and other subnormal behaviour, in search of meaning, an attempt to fill the void left after achieving the ultimate goal.

This malice some argue also afflicts academics after attaining the highest degree (PhD) leading to disinterest and some say bizarre behaviour from drunkardness to other behaviours that border paranormal.

Former American President George tried to rally Americans about returning to the moon in a 2004 speech in which the moon would be a stepping stone onto onward journey to the planet Mars, the red planet.

The landing of space probes on this planet, which sent breathtaking photos and the unanswered questions about the contents of this planet has made us believe that a human walk would solve lots of the planet’s mysteries. What if we discovered some fossils there equivalent to Zinjanthropus?
Space exploration

To give credit where it is due, the Apollo programme continued but most of the space flights are unmanned depending on technology like robotics to explore the far flung celestial bodies, from planets to asteroids and comets.

The spacecrafts with exotic names like ‘Voyager’ (not that one!), ‘Magellan’ and ‘Kepler’ are still exploring the deep space as we worry about water, reforestation and black outs.

I have always wondered why our matatus never pick such names. There is still big debate among space enthusiasts on whether we should focus on manned or unmanned space exploration.

Enough digression. Does it make economic space to explore the space, far beyond the solar system, where the chances of finding life are still debatable?

Does it make sense to spend $25 billion to land man on a barren moon, where no crops can grow and no mineral resources are extractable for now?

Supporters of space exploration hinge on economics of ‘spillovers’. They argue that lots of technology used in the space exploration eventually spill into civilian use and we all benefit.

Even if you have never heard of Apollo or Sputnik, you have indirectly benefited from space exploration through technologies like Cellular phone, video and robots that paint your car on the assembly line.

Think of controlling a space craft through space millions of kilometres away. This technology can be used to control ships and aircraft nearer home.

Think of the Global Position system (GPS), fire resistant materials and water purification systems.

Greater productivity

The other economic benefit cited is that space exploration spawns competition, which leads to greater productivity in every sector of the economy, leading to higher economic growth in the long run. Americans could not have landed on the moon without the Russian competition.

The American dream of re-landing on the moon by 2020 and using it as a base to deeper space is a reaction to Chinese goal of landing on the moon.
In addition, space exploration is an ingredient of national pride and confidence, which translates into more creativity, innovation, consumption and greater economic growth. Imagine if it was Kenyan landing on the moon in 1969.

How would you have felt? How would that have affected the "Kenyan Brand"? Remember the ‘feel good’ after Narc victory in 2002?

Truthfully, Space exploration would be a convenient distraction from our obsession with this small planet from plots to tribalism and racism.

It is part of our psyche to seek more knowledge, and wonder; from the poor to the rich, nothing is more satisfying than surprises, the unexpected.

We spend time and money looking for new experiences, new adventures, till the ultimate adventure overtakes us, death.

So when we ask for volunteers to take a one way ticket to Planet Mars to save on energy for return journey, I hope we shall have a deluge of volunteers.

After all, would it not be cool and exotic to be buried on another planet, away from the crowded Langata or threatened Mau?

Finally, how comes no one ever talks of ‘our’ space station at Malindi? How comes none of our politicians ever talk about space exploration?

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The economic potential of our youth is unappreciated, unexploited

Published on 04/08/2009

By XN Iraki

Conventional wisdom seems to suggest that the Kenyan youth is a ticking time bomb. The main reason given is that they constitute a huge proportion of the population, yet suffer indisproportionally from unemployment and the subsequent vices from crime to drug abuse and teenage pregnancy.

The thinking is that soon the country will have a critical mass of idle youth to tip the balance of social harmony. While this view has awakened our political leaders to come up with programmes targeting the youth like Youth Enterprise Fund, and kazi kwa vijana, it is too gloomy for a country aspiring to achieve Vision 2030 and to join the first world in our lifetime.
Truthfully, we spend too much time portraying the youth in the negative light, yet, they constitute the heart and the soul of the nation. They do the most difficult and risky jobs, from mining underground to defending our borders.

Besides, we all hope to remain forever young using a disproportionate amount of money buying perfumes, going to the gym or undergoing cosmetic surgery. Most adverts are inundated with youthful faces.

The youth have certain characteristics that make them economically competitive vs. other age groups. Their numbers make them a huge market for goods and services.

They have lots of muscular and brain energy which entrepreneurs tap into and pay for either in wages or salaries.

Untied to specific ideologies and theories, the youth are very flexible, creative and innovative. Truthfully, we reach the apogee of our creativity in youth, after which the realities of life tie us up and interfere with creativity and idealism.

Bill Gates and other great entrepreneurs started their firms when young, as youths. Few successful enterprises are started by retirees, except political enterprises, which mostly end in failure.

The youth have another asset, idealism. The urge to see things and issues in their purest form. Contrary to popular belief, idealism is a great catalyst to creativity.

Continuous improvements from the cars we drive to the music we listen to are all products of our idealism, our relentless pursuit perfection.

**Greatest asset**

Another source of competitive advantage for the youth is mobility. They can seek opportunities wherever they can be found on this small planet. The average age of immigrants support this hypothesis.

But youth’s greatest asset is time, which they either invest in or squander. Most elderly men will confess to you that being young is the time to invest in the future, not to enjoy the present.

Few elderly men will fail to moan someday over the opportunities they lost when they were young and at times innocent.

Despite having all these competitive advantages, our youth are falling behind courtesy of irresponsibility.

The society has done its fair share in spawning this irresponsibility. Modern parents want to be branded "good" by their kids, doing everything for them or transferring
responsibility to the teachers whose control over youth has been severely limited by law or ‘modernism’

We started by banning the cane, replacing it with counseling. No one asked how or why a teacher, who may be unmarried, would be a more effective counselor than the kids’ biological parents.

I doubt if those advocating counseling have ever taught in high schools. They should provide non-academic evidence of counseling effectiveness.

Recently, the Ministry of education even made a bold attempt to stoke the embers of irresponsibility, by banning expulsion. The freedom we aspire to give our youth must be tempered with responsibility.

**Soft" alternatives**

We have extended our generosity by introducing "soft" alternatives for high school students. They can take a diluted form of mathematics and sciences called alternative B.

Why is there no alternative B for humanities like History or Geography? No wonder too many of our young girls aspire to be airhostesses and actors. Young men want to be pilots but would skip maths in high school.

Even politicians are not left behind in appeasing the youth, promising them jobs when we all know it is entrepreneurs and not politicians who create jobs. The media is not innocent either, saturating our screens with soap operas that simplify reality. Science and technology programmes are considered "too boring" for mass media.

While the Kenya national drama festival winners go to Statehouse to entertain the President, Science Congress winners never get a chance.

When are we not are celebrating 40 years since man walked on the moon? Would that not be a better headline than the death of a celebrity?

Where do we go from here?

The competitiveness of our country can be enhanced by imbibing our youth with the realities and demands of the modern world characterised by pervasive change, science, technology and innovations.

While most parents are appalled by the irresponsibility of the youth, they are helpless against "modernity."

Yet, if the next generation will live to our expectations, it must be made responsible for their actions, decisions and their own future, without apportioning blames.
Responsibility starts at home, through school into the world of work, where most employers would go for a responsible "C" student instead of an irresponsible ‘A" student.

Making our youth responsible should be a national duty. Only then shall we turn our youth into a national asset and neutralise the time bomb.

Only then shall we exploit and appreciate the potential of our youth, our greatest economic asset.

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From ‘Jomonomics’ to ‘Moinomics’ then ‘Kibakinomics’: A tale of three economic regimes

Published on 14/07/2009

By XN Iraki

Vision 2030 envisages that Kenya’s economic growth rate will average 10 per cent in the next several years if we are to attain the coveted status of a middle-income country by 2030.

To most Kenyans, this is farfetched. Yet, we have done better than that, far better. In 1966, our economic growth rate was 15 per cent, it was 22 per cent in 1971 and 17 per cent in 1972, World Bank Data shows.

It was also during Jomo Kenyatta’s era that we recorded the lowest growth since independence, -5 per cent in 1970. Was that the Mboya factor? Jomo’s economy, thereafter referred to as Jomonomics reached another low of 1 per cent in 1975. Was that the JM factor?

What were the characteristics of Jomonomics? This regime was torn between capitalism and socialism. While the elites were full-blown capitalists, the vast majority believed in the power of the Government, which provided free things from education to medical care.

The population and the competition for resources were low. Agriculture was Jomonomics mainstay, a carryover from the plantations and ranches of the colonial era, which were replaced by settlement schemes. Some observers argue that this over emphasis on agriculture planted the seeds of the current land problems.

Control was the other characteristic of Jomonomics. Foreign exchange was controlled; prices were controlled and so was thinking, the reason detentions without trial were
common. This probably bottled up the creative energy of the nation that should have been channeled to productive sectors.

The over centralisation in economics and politics, which led to the death of majimbo early in the regime was another defining characteristic of Jonomomics.

With the cold war at its apogee, Jonomomics was assured of lots of aid from the West. The political and economic umbilical cord to former colonial master, UK was never cut and British Multinationals played a big role in Kenya’s economy, they still do.

Some argue the control was important to forge the diverse interests into a nation. But few doubt it was overdone. It might also not be an exaggeration to add that this regime did not seem to understand the close relationship between politics and economics. Others argue they knew and exploited that to maximum, using state power to amass wealth and property.

Social Security

The seeds of the current inequality in the country were planted during this era. There were no concerted efforts to build social security programmes like unemployment or insurance. This regime had the freedom to lay the economic groundwork of the nation. It concentrated too much on power retention.

When Moinomics replaced Jonomomics in 1978, the control regime continued, with some going to jail for possession of US dollar notes. Detention continued. Though the economy did very well from 1986-1988, thereafter the general trend was a decline, hitting bottom low in 1992-1993 and 1997.

The 1982 coup attempt, the Ouoko murder and the land clashes are clearly captured by the data.

The regime came under lots of international pressure to reform.

Price Controls

The turning point in Moinomics was liberalisation of the economy in the early 1990s, when price controls on petrol, sugar and other commodities were relaxed.

The Goldenberg scandal led to inflation which when coupled with liberalisation sent prices through the roof. Foreign exchange liberalisation also followed with the shilling’s value being determined by the laws of supply and demand.

The stubborn economy, the international pressure for political reforms intertwined with the tribal clashes and increased competition in politics after introduction of multiparty further threatened Moinomics. Political opponents tapped on the anger generated by the bad economy to end Moinomics in 2002. That is why they promised 500,000 jobs a year.
Moinomics outlasted Jomonomics by a whole seven years. Inequality of Jomonomics continued into Moi era, with a new elite emerging under Moinomics.

Kibakinomics replaced Moinomics. Keen observers may argue Kibakinomics was a continuation of Jomonomics; Kibaki was for a long time Jomo Kenyatta’s Finance Minister. This regime has done only six years with the economy doing very well in the first five years, buoyed by optimism and our collective good will.

But the regime faces the twin challenge of high population, unmet expectations and destructive politics that led to bloody conflicts last year. None of the elites from all past regimes want to be irrelevant, a major catalyst in the endless political contests. As in Jomonomics and Moinomics, the Government still remains the invisible hand.

While Jomo and Moi had full control of both politics and economics, Kibaki political control is constrained since power sharing deal last year. Kibakinomics needs more time to crystallise, but it might be cross pollinated with Railanomics and Uhurunomics.

Which regime is or was better? Let us use numbers. The average economic growth in Jomo’s era was 7.06 per cent; it was 3.36 per cent for Moi and 5.4 per cent for Kibaki (till 2007).

However, we must be cautious because Moi was there for a longer time and the law of large numbers apply.

We probably should be asking who can do better than the three after 2012. Will it be Kalonzonomics, Saitotinomics, Mudavadonomics, Railanomics, Karuanomics or any other nomic?

What we all ask for from our political leaders is an economic regime that takes care of every Kenyan, providing opportunities for all, harnessing the creative energy of the nation to make this country a better home.

**The power of ideas: Exploring Kenya’s new economic frontier**

**Published on 07/07/2009**

By XN Iraki

The World Intellectual Property Office (Wipo), a part of the UN system keeps track of the world body of new ideas, which are protected by patents.

Wipo’s main objective is "to encourage creative activity and promote the protection of intellectual property throughout the world."
Through Wipo website, you can find how many patents are registered in each country each year by both residents and non-residents.

The data is a close approximation of a country’s propensity to generate new ideas, though several ideas are never registered or protected by patents, particularly in developing countries.

The Wipo data does not paint a very rosy image for Kenya in terms of new ideas generation.

In 2006, Kenya registered 24 patents, USA 173,770, Singapore 7,393, Japan 141,399 and South Korea 120,790. Singapore’s case is unique because her population is about a tenth of Kenya’s but the patents registered are 300 times more!

Why are we not generating new ideas, yet the modern post-industrial world runs on new ideas, the equivalent of oil in the industrial world?

**Demerits of piracy**

Why are we not registering patents that guarantee us monopolies to make money for almost two decades? Why are we not innovating?

Truthfully, ideas are profitable. A computer applications programme could cost you Sh10,000 but it can fit into a CD worth Sh30 and copied in ten minutes. This clearly shows why piracy is so popular. With piracy, the idea generators, the innovators will stop working. Except may be poets, people do not generate ideas for fun, they are driven by incentives. They pay off when the ideas are commercialised.

Some of the most profitable firms such as Microsoft and Oracle are driven by ideas, and so are major pharmaceutical firms that rely heavily on patented drugs before patent expiry and generics take over with the resultant fall in prices.

Economically speaking, ideas fall under entrepreneurship, the fourth factor of production, much talked about, but rarely practiced.

**intellectual property**

Enough digression. Our failure to generate new ideas and make money has a lot to do with our socio-cultural set up. We do not appreciate new ideas because traditionally, few Kenyans have made it big through generation of new ideas till recently when Cellulant and other small start-ups rode on the internet and mobile phone revolution to make lots of money.

Most Kenyans are tied up to the tangibles, land, buildings and cash. Serious economists in fact argue that instead of coming up with a land policy, we should have started with the intellectual property policy.
The power of ideas can be increased several fold by network. When you cite other people in the media, in journals and books, you help them strengthen their ideas making them more potent as brands that can be paid for, with a premium.

Students can pay to listen to Prof Michel Porter, but not Prof Githaka-ini, who may not have been cited in any book or journal.

Porter’s books will also be sold at a premium too. That Kenyans fear reinforcing each other is not in doubt.

We disparage other peoples’ ideas even when we do not offer substitutes.

We love imported products and ideas, check bibliographies of journals, dissertations and books written in Africa.

In the long run, our ideas wither and are replaced.

**Reward regurgitator**

Other observers argue our intellectual traditions do not emphasise innovations and creativity, they reward regurgitators.

Yet, you rarely make any money by repeating what others have done. Ever noted that every new product is always over priced before imitators enter leading to lower the prices?

Even new hairstyles are expensive! Our problems start early when we quarrel children for trying to switch on the radio or TV, instead of showing them how to. Why does a child learn to talk in two years only?

Enough lamentation, where do we go from here?

The post-industrial society based on services will continue to create demand for new ideas.

The nature of the Kenyan economy is that services might be a better way to go than smoke stacks. Competition will demand new ideas while the nature of human beings is such that we love new ideas in form of services and products. How often do you buy a new mobile phone because you want to appear "cool"?

**Curriculum reform**

We should start in our schools, reforming our curriculum to make creativity the backbone. It was through curriculum reform that US won the race to the moon.
The 1957 launch of Soviet spacecraft *Sputnik* forced Americans to reform their curriculum to force children to be more creative.

We must publicise innovative ideas beyond music. Why don’t we have annual awards for innovations in different fields? How many Kenyans have got HSC, MBS or OGW because of their innovations?

Finally, we must give incentives to idea generators, innovators. One option is to make the law tougher on pirates (not those ones!), those who steal ideas and reap from where they never sowed. How many Kenyans are in jail for photocopying books or DVDs?

In our quest to achieve vision 2030, we shall need new ideas, untested, practical and pragmatic.

**Why the new Bill may not slow down expansion of universities**

**Published on 28/06/2009**

By XN Iraki

A new Bill aimed at consolidating the various public universities Acts into one law, the increase in the number of private and public universities coupled with the many foreign universities is the best evidence that despite post-poll chaos and the economic meltdown, higher education is still a growing industry.

The growth is through vertical integration where institutions that used to offer secondary education have moved into higher education, establishing universities. The established universities have moved downstream offering diplomas and certificate courses, some say to fill the void created by lack of middle level colleges. The vertical integration model was once popular in the corporate sector; the current thinking is "stick to knitting", doing what you are best at. This new thinking has spawned the outsourcing industry.

Universities are now accepting non-traditional students, not just fresh high school graduates. Campuses are now vibrant after 5pm as workers stream into classrooms.

Universities have also spread out with most villages and hamlets boasting of campuses. Some towns like Nairobi are more popular with real estate owners reaping from this boom. The University Way is living by its name. Thika, the once industrial town has moved to the service industry, boasting two universities despite the big signboard welcoming us to "the Birmingham of Kenya".

It is also apparent that the spreading out of the universities is lopsided; humanities are the most popular courses in their new campuses. Few universities are offering medicine or engineering in their new locations. Yet, if the economy is to be competitive and Vision
2030 achieved, we must focus more on science and technology. The current thinking is that universities are bringing services closer to the people. This is definitely good for the country; an educated nation is likely to be more entrepreneurial, more self-confident and able to deal with internal and external changes.

The new Bill, if signed into law, may halt the duplication among the public universities, but I doubt if it would slow down the expansion. The demand for higher education is too high. Our transition rates are still low.

**Psychometric tests**

It is this demand that makes it imperative for the Government to bring in some regulation.

We have argued that in education, information asymmetry is rife. Students often do not know the quality of the education they are acquiring until after graduation. At times, the urge to acquire the degree certificate outweighs the quest for useful knowledge and skills. Students often wrongly hope the market is inefficient and will not detect their deficiencies. They are often wrong. Why are psychometric tests so popular with employers?

Where do we go from here?

Kenya has the chance to become like the US state of Massachusetts, where education is one of the leading industries. Is it accidental that Harvard and MIT are all there? But that education must be of the highest quality. We must not compromise quality despite the high demand. If we maintain quality, Kenya will become a magnet, attracting the curious and the ambitious into our institutions. We still have too few foreigners studying in Kenya, bringing in money.

Foreign graduates will not just carry away degree certificates, but our cultures and goodwill; they will be our voluntary ambassadors, and prospective markets. They will consume goods and services, playing a role in economic growth. Education is often counter cyclic, with most people going to school when the economy is bad.

How shall we ensure quality education, attractive to those outside our borders? Regulation is one way, what the new Bill is trying to do. But would self-regulation not even be a better option? Specialisation is the other option, so that our universities focus and develop specific academic fields and use them as their "anchors."

The market is another efficient regulator; it will sort out the universities if Government or self-regulation fails. Once every university has critical number of graduates, the shakeout will start, and we shall know the wheat from the chuff. That may happen sooner than we think.

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Is CDF model based on ‘voodoo’ economics?

Published on 23/06/2009

By XN Iraki

The architect of Constituency Development Fund (CDF), former MP Muriuki Karue lost his seat in the last general election. The gentleman must be very satisfied that his idea has been taken to the conclusive end if the latest Budget is anything to go by.

The Budget pushed more money to the grassroots, through CDF. The move was so popular that our MPs found it very hard to criticize it or see any errors. Increasing the money through CDF was a popular move, but does it make economic sense?

Is the CDF model based on solid economics or is it "voodoo" economics to quote a popular slogan in one of US presidential campaigns? Can it be improved?

Other observers have suggested that the popularity of CDF is as a result of the failure of the high economic growth from 2002-2007 to trickle to the grassroots with the Government getting lots of flak, with questions like, "if the economy has grown, where are the jobs?"

Truthfully, CDF is in its infancy, but it can be improved, to base it on sound economics. Here are some suggestions.

**measuring development**

First, the CDF is about development and the parameters and measures of that development should have been given. When do we say a constituency has developed?

The most popular measure nowadays is the Human Development Index (HDI), which is broader than the popular Gross National Product (GDP) growth rate.

The ranking of countries based on HDI yields very different results from GDP The index takes into consideration not just the increase in the goods and services produced in the economy, but how the citizen welfare is affected in terms of life expectancy, literacy, educational attainment, and GDP per capita.

United Nations Development Programme (UNDP), observes that development is about widening the options of persons, giving them greater opportunities for education, health care, income, employment.

**set targets**
The central Government in collaboration with the CDF stakeholders must allow the voters set targets for each of these measures of development. The targets could be certain percentage increments in HDI from one year to the next. Before the CDF is dispersed, the targets achievements are reviewed.

The central Government should then reward constituencies that have either achieved the target or exceeded them.

The rewards should be in terms of increment in CDF. Such an incentive will hopefully spur the leaders in each constituency to be more focused. Without such objective measures, the temptations to come up with ghost projects will remain high.

Once such targets are set, accountability will set in. More importantly, HDI is long-term; some variables like life expectancy are not achieved overnight. Use of HDI will force our leaders even at the grassroots level to think long-term. Two, we focus too much on how CDF goes to each constituency.

We forget on where that money comes from. We suggest that constituencies should also generate their money. The central Government should then match this money.

If we can merge constituencies, county councils and districts this would be very easy to implement.

An example. If Samburu district/constituency raises Sh100 million this year, the CDF can be matched say 1:1 and the central Government adds them another Sh100 million. This approach will discourage dependency and spur political entrepreneurship, where our leaders will think of how to raise funds beyond charging motorists for parking.

One ingenious method of raising money for districts or regions is to make them attractive to investors, both local and foreign. Districts or regions will be forced to make sure there are good schools, good roads and other amenities to attract investors.

attract investors

This will start a self-perpetuating cycle since investment will raise more money, government give you more money for making more money and so on. This approach would allow us to convert Vision 2030 to 2020 or earlier.

Three, the management of CDF is want ing. ICPAK observed that and so did the retired president Moi. The thinking behind CDF was that it would be a neutral fund, blind to voters’ political affiliation.

That was the ideal case. Recall that CDF was a political decision, and the proponents of CDF were unlikely to stop there. Truthfully there are some MPs who follow CDF money with altruistic motives, but a few others see it as a political tool, free money to seek re-election.
Without management structures to handle CDF, many Kenyans see it as windfall, a largesse from the central Government, after all more will come next year!

Four, some observers suggest that through CDF and other Government funds such as women enterprise fund and youth funds, the Government is crowding out the private sector, which should be the engine of economic growth.

Some have boldly asked if the CDF money would not be more effective in private hands through tax cuts at the grassroots. The previous sentence may contain lots of truth.

**change in thinking**

Five, it is wrong to assume that all that is missing at the grassroots is money.

A lot of change in thinking is needed to make citizens understand how their own actions affect their future without blaming witches, nature and neighbours.

More importantly, they must understand that the Government does not scoop money from a well, it is generated by our collective sweat through taxes.

Finally, CDF may be here to stay with some observers boldly suggesting that the Grand Coalition has brought economic devolution before political devolution.

The effectiveness of CDF can be increased if we focus more on the entrepreneurship side, how the money is generated and give incentives to those who generate it.

After all, solid economics focuses on how money is generated and efficiently utilised. Voodoo economics doesn’t, preferring its distribution without worrying about the sources.

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**Contentious issues in the proposed constitution can be resolved easily**

**Published on 21/06/2009**

XN IRAKI

The three contentious issues identified by the Committee of Experts on Constitutional Review should not derail our bold attempts to come up with a new document in the shortest time possible.
True, there are other national issues beyond the Constitution that we need to focus on. We also have many Kenyans who mask their failures and inadequacies with the Constitution, blaming it for everything gone wrong. The sooner we get the Constitution the sooner we learn the truth about our national problems.

We must be bold and confront the contentious issues head on. After all, we created the issues and fanned the embers that made them explosive, resulting in the blemish on our national reputation, last year. We shall be the beneficiaries of the solutions too.

First, the most preferable system of government is presidential, though admittedly the political pendulum has moved too far towards parliamentary. The reason is simple, a presidential system is a logical improvement of the parliamentary system.

France and US are best known for presidential systems. The US improved the British system by doing away with the unelected monarchy and reducing the level of centralisation. The French system is hybrid, with the prime minister and the president sharing power, though we rarely hear of French PM. Either way, a presidential system has worked so well in the US for more than 200 years. Why should we return to a system jettisoned by others 200 years ago? Why did the young South Africa choose a variant of presidential system?

In the last one year, we have learnt the perils of sharing power. What other evidence against the hybrid system do we need? Are we not the same people resisting hybrids in form of genetically modified crops (GMOs)? We can also adopt the American system where Cabinet members are not MPs. This gives the president unlimited leeway to tap the best brains to run the country. Such a Cabinet will ensure separation of powers and allow ministers to work without worrying about losing their parliamentary seats.

Two, it is contradictory that we are talking devolution while talking of African Union and East African Community at the same time. However, there is a consensus on devolution of power to the grassroots. The best unit of devolution would be the district. Their high numbers disperses power making it unlikely for any region to challenge the central government or attempt to secede. If we use provinces, political instability is very likely, since there will be too much regional concentration of power. Why do you think Rift Valley MPs are opposed to the division of the province?

We could make devolution even easier. Merge local government jurisdictions (county councils, municipalities) with districts and constituencies. This way, the current county councils will be converted into elected district assemblies. The MPs will represent the constituencies at national level and link the district and the Central Government. This approach will make devolution cheaper and practical. The Central Government should have powers to appoint a governor (DC) should a regional government fail to perform.

Three, transition. How can we yearn for a new constitution for 20 years then claim we do not know how to implement it? The solution here is simple. Why not use the lifetime of the Grand Coalition as the transition zone and implement the new constitution in 2012?
Constitutional office holders like the AG and auditor general should be allowed to continue in office unless there is evidence one is a threat to a new constitutional order. How do we make Parliament pass new laws resulting from the new constitution? This is where the voters, civic groups and international community need to stand up.

Finally, the three issues may be less contentious than our traditions, our ethnic stereotypes and our hardened feelings that cannot be legislated. This is what spawned the 2008 post poll chaos. Agenda Four in the National Accord and reality should be reference points in writing the new constitution.

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### The economics of immigration

By XN Iraki

Every year, millions risk their lives moving from one country to another.

Some drown while crossing the Mediterranean Sea to Europe; others die while crossing the desert from Mexico to USA. In [Kenya](#), cases of illegal immigrants are not uncommon.

The high number of refugees in Kenya masks other types of immigrants searching for economic opportunities and peace in an endless summer, where the [cost of living](#) is low and citizens hospitable.

Even when there is no civil strife, people are always moving. They have moved since time immemorial, driven by adventure, economics and the urge to dominate others. 190 million people moved in 2005.

However, the 21st century has given immigration a new meaning and significance.

Countries now see new immigrants as a tool for economic leverage and source of competitiveness.

Most immigrants tend to be more educated, more motivated and often a self-selected group.

With no deep roots in the society, they tend to be unencumbered by the ideologies, idiosyncrancies and other negative cultures of the host community.

This makes them very innovative. Look at the some of the most innovative businesses in Kenya today from Java to M-pesa. Is it surprising they have an immigrant connection?

**Strategic importance**

The strategic importance of immigration might have been behind the Immigration Minister's attempt to come up with a policy on this important issue. The debate on dual citizenship also shows the importance of immigration.
In coming up with Kenya’s new immigration policy, our Minister can borrow a leaf from USA. Congressional Budget office makes the policy goals very clear: reunite families, admit workers with specific skills to fill positions in occupations deemed to be experiencing labour shortages, provide a refuge for people who face the risk of political, racial or religious persecution in their country of origin. And finally, ensure diversity by providing admission to people from countries with historically low rates of immigration to the United States.

A closer look at the goals shows why an immigration policy is long overdue.

First, by putting lots of emphasis on family connections, the policy admits that the basic foundation of any society is the family.

**Family unit**

Even hardnosed economists have finally admitted the family cannot be ignored as the unit of economic analysis. The second goal clearly recognises that no country is self contained in skills.

The US immigration policy seems to recognise that talents are universally distributed and should be got wherever they can be found. This policy recognises the importance of HR in economic growth.

Deeper analysis of this goal gives interesting insights. Priority is given to workers with extraordinary ability in the arts, athletics, business, education or science, professionals holding advanced degrees or individuals of exceptional ability, workers in occupations deemed to be experiencing shortages, religious and other special workers and quite interesting people willing to invest at least $1 million (Sh78 million) in businesses located in the United States. This may be less if in rural areas or in economically depressed areas.

**social progress**

The third goal is humanitarian, while the last one is the cornerstone of the US economic and social progress.

While in Kenya tribalism holds us back, US values such diversity. In fact US has more tribes, more races than Kenya, but they rarely fight, because diversity is valued, encouraged and often rewarded. Diversity of thought is a catalyst of economic growth.

*Where do we go from here?*

In achieving Vision 2030, we seem to have made an assumption the Vision will be driven by Kenyans for Kenyans, yet it could be achieved faster if we had an immigration policy to leverage on. We could retain and attract highly experienced manpower. Do you recall Ugandan and Indian Science teachers in Kenya in high schools?

These men and women came to fill critical shortages in our labour market. An immigration policy would make it easier for highly skilled immigrants to work and if possible become citizens of Kenya. Counter arguments that there is high unemployment do not make economic sense.
Evidence shows immigrants; both from outside the country and within are better entrepreneurs and job creators.

Can we explicitly make it easier like in the US for serious entrepreneurs to become Kenyans?

But more importantly, the policy should not be just about those who come from outside the country, but those who move from one apart of the country to the other.

Such people are not body masses, they carry ideas with them. They are more willing to test them in a new environment, often spawning new firms and creating jobs.

As we seek ways to stimulate the economy, a new immigration policy would be in order, focusing on the key players in the economy, new people with new thinking, new ideas and innovators.

Admittedly, US is not a superpower because of nuclear weapons. It is because of new people, new ideas that enrich the national psyche leading to economic dynamism and competitiveness espoused by new firms such as Microsoft, Google, Yahoo! and others. We too can join the league-in our lifetime.

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The future arrives prematurely; we must be ready for the options

By XN Iraki

United Nations’ estimates show by 2050, the population of Uganda will be 91 million against Kenya’s 85 million, Tanzania’s 109 million, Ethiopia’s 146 million, Sudan’s 73 million and Somali’s 24 million. The gravity theory of trade predicts more trade among the East African neighbours because of increased market sizes and greater demand, just as the force of gravity between two planets is directly proportional to their sizes.

Our focus on this not too distant future should start with Uganda. This is necessitated by three reasons. First, it is our most important trading partner, taking 16 per cent of our exports in 2006 ahead of UK and US. Second, there have been historical ties between the two countries with intermarriages and cross-border migration during the good and bad times.

The coffee boom in late 1970s was about Uganda, while the country’s political instability sent many refugees streaming into Kenya as teachers and other professionals. Further, a number of our post-independence leaders, including President Kibaki, got their education in Uganda. We may never pay the intellectual debt to our Ugandan neighbours. Third, ties between Uganda and Kenya may change by 2050 or earlier. Why?

Trade between the two countries could get a jolt after Uganda starts producing and refining oil. Most of our exports to Uganda constitute oil or oil by-products. Could the flow reverse in near future with oil and oil-based products flowing to Kenya? That day of reckoning is inevitably coming. Could that reality be behind Parliament’s anger over Migingo Island? Needless to say, the envisaged population in 2050 will put a strain on our environment, resources and social order. Is Migingo not about fish?
Kenya could forestall that decline in exports by moving up the value chain. What of producing advanced technology that will power the Ugandan oil industry? What of software that will drive the oil industry? Is that not what Teams, Eassy and Seacom undersea cables are all about?

Today, many Kenyans and other foreigners work in Dubai and other oil producing Middle East countries. Shall there be another exodus to Uganda as Kenyans seek jobs and new opportunities in oil industry?

In Vision 2030, Nairobi is envisaged as a financial hub, the Hong Kong of East Africa. Ugandan oil could hasten the establishment of such a hub. Without oil or other minerals like our neighbours Uganda and Tanzania, we could leverage on services. But Ugandans and other neighbours will not bring their money here if we keep sabre-rattling.

Kenya could also forestall this decline by diversifying her market. Though we are told former President Kenyatta and Ethiopia’s Haile Selassie were politically close, the closeness never yielded much economic dividends. Yet, from a geo-economic point of view, Ethiopia should be one of our biggest trading partners. It has a huge population, about 70 million. That population will double by 2050.

Though everyone talks of Southern Sudan, the whole of Sudan will have only half of Ethiopia’s population by 2050. It is hard to explain why there is no rail link from Lamu to southern Ethiopia. It is even harder to explain why Addis Ababa and Nairobi are not interconnected by a superhighway. The future keeps arriving prematurely. 2050 is only 40 years away, 20 years after Vision 2030. It is nearer than we think. It is time to start dreaming about the reality of that future.

One ingenious way to confront that future is to band together like all other countries into trading blocs. We must start by resolving our internal contradictions and dissonance then reach out to our neighbours. Rampant tribalism stops us from taking advantage of geographical and historical locations to create new markets and influence our neighbours.

By 2050, the East African Community should have included the horn countries, Ethiopia, Eritrea, Djibouti and Somali. That might be the penultimate stage before the African Union becomes a reality. Like the European Union, our banding will create economic prosperity and peace, making our small planet a better home.

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General Motors and the paradox of capitalism

By XN Iraki

On Monday June 1, as we celebrated our 46th Madaraka Day, General Motors (GM), the icon of American innovation, capitalism and resilience was filing for bankruptcy in a New York court. Curiously, it was no other than US president Barack Obama who felt that through bankruptcy, GM will rise again, a leaner and more competitive firm.

In the aftermath of filing, which allows a firm to reorganise itself, the US and Canadian Government will own 72.5 per cent of GM. Few economists have attempted to use the ordnationalisation. It smacks communism and age old thinking. But is that not really nationalisation? Why was GM not auctioned to the highest bidder?
Truthfully, the fall of GM was an injury to the American economic and political pride. The President interest was political, the job losses resulting from GM’s failure is likely to hurt him politically. GM had plants in states that Obama carried last year from Michigan, to Indiana, Wisconsin and Tennessee.

GM has lasted for 100 years, surviving two world wars and the great depression. Some economic observers opine that the troubles plaguing GM show the seriousness of the current economic crisis. What really went wrong?

First, entrepreneurs could argue that GM problems are not unique. They reflect the life cycle, from birth to death, with firms closely mimicking our own life span. It is “creative destruction” at work, echoing the late Harvard don and Austrian ÉmigrÉ Joseph Schumpeter.

Two, other observers note that GM’s problems started with the bailout of Chrysler Motors by the Federal Government in the 1980s. This encouraged firms to be complacent, because Uncle Sam (Federal government) would rescue them.

For all the celebration about Lee Iacocca’s magic in turning around Chrysler, the firm is in deep trouble, in bankruptcy too and may be bought out by FIAT of Italy. Chrysler’s marriage to Daimler, makers of Mercedes model was short lived and ended in divorce.

less confidence

While the current global economic crisis played a great role in brewing trouble for the American car industry, it is one of the many causes. One American media house correctly observed that the failure of other American firms such as Lehman Brothers, greatly reduced confidence in the credit markets, reduced borrowing and heavily affected auto market.

Unlike in Kenya, few American buy cars by cash. They lease them or take loans.

Three, the American auto industry was too American, the industry missed in globalisation, continued making cars for the American market.

Though GM has been very successful in China, not elsewhere including in Kenya, where Chevrolet came in late 70s, disappearing to return recently.

The re-entry to Kenya was not driven by economic fundamentals. American car companies introduced the fuel guzzling Hummer (sold to Chinese) when prices of oil were on the upward spiral. Toyota was introducing the Vitz and Platz, which have very low appetite for fuel. Four, quality was an issue. Toyota won over American market by making cars that caused their owners few problems. Honda and other brands are winning the market by following suit. My own experience with American brands is not that memorable.

expensive contracts

Five, car workers through unions negotiated expensive contracts when the economy was doing well. As an important voting bloc, few politicians were willing to offend them. The GM competitors,
from Toyota to Nissan avoided this trap by building their plants in less unionised South, therefore avoiding legacy costs such as huge pensions and healthcare.

Toyota has a plant in Kentucky, Nissan in Mississippi and Hyundai in Alabama, where Mercedes has a plant too.

Six, American management style was too inward looking. Was it logical to put someone whose father worked at GM to try and turn GM round? Would an outsider not be bolder and more open minded? Why didn’t GM learn from IBM where Louis Gerstner, an "outside" reinvented the company whose troubles closely mirrored GM’s? Is it surprising that a Brazilian Carl Ghosn was instrumental in turning Nissan round? Would "outsiders" have done a better job in rescuing GM?

Are there lessons Kenya can learn from GM’s troubles?

Our laws on entrepreneurship need urgent revision. We need our own version of chapter 11 so that firms in trouble can get a second chance to reorganise themselves. Few Kenyan firms pull out of receivership.

Despite all the allure of capitalism, it has its failures, it’s an evolving system. Governments have tried to correct the "market failures", which is at times used as a perfect excuse to further political interests. There are times when political interests outweigh economic reasoning.

Far from perfect

Finally, Kenyans could wonder loudly how America’s federal government can takeover GM when we are busy privatising our state owned corporations.

Truthfully, GM’s failure and the Federal government reaction will create interesting debates all over the world. When our fascination with GM is over, we could now accept that economics is far from a perfect science, and contrary to the textbooks, the "invisible hand" can be the government backed by politicians and their interests.

That is the paradox of capitalism. It must often be saved from self-destruction. That is the fact that the global economic crisis and GM’s troubles uncovered.

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**Our hollowness could be a threat to national prosperity**

XN IRAKI

Recent global and local events have made observers suggest our great nation is being "hollowed out", leaving out a shell that would buckle under internal and external strains.

They further opine the manifestation of this "hollowing out" comes through increased pessimism, even under the best of the circumstances, indecision and glorification of misplaced heroism such as corruption.
At a personal level, drugs, crime and meaninglessness are manifestations of this hollowness. At the global level, it was Kenya’s delegation defending the Government against accusation of extra-judicial killings.

The row over Migingo Island with MPs calling for military action illustrates this hollowness. How do you attack your biggest trading partner? Can you imagine US attacking Canada?

To the East, Somalia, a failed state, stares us at us in the face. While US packed and left Somalia after the bloody intervention in 1993, we are not going anywhere. Somalia will always be our neighbour.

We all know a peaceful Somalia would be good for us. But we cannot pacify the region, posing a danger to our prosperity.

The belief that some piracy money is being sucked into Kenya may not be hollow talk. Freewheeling economy makes it easier for that to happen. Such events gnaw on our soul, on our self-confidence, creating hollowness.

Internally, post-poll chaos and Mungiki exposed our soft underbelly, our hollowness to the whole world. Now, with international community’s eyes on us, and endless political contest between PNU and ODM, we are constrained in hardening our belly, filling our hollowness.

The relocation of a chief in Eastleigh to a container, to give way to a private developer is a clear indication of our hollowness. We could go on.

Crime, militias and inter-tribal conflicts have further gnawed on our self-confidence. For once, Kenyans live in fear, not from a terrorist attack, but from each other; Kenyans want to be protected from themselves.

Some suggest our obsession with anything foreign from music to lifestyles, churches, and even names are clear indicators of our hollowness.

How did we find ourselves here?

It started with colonialism, which gnawed on our self-confidence, and our traditional value systems. Independence did not fill this void, which was quickly occupied by tribalism.

Capitalism came in without a human face. Why did US try to save General Motors? Now we face the forces of history, trying to reverse deeply entrenched cultures, thinking and paradigms. In Tanzania, former president the late Mwalimu Nyerere used Ujamaa to fill the void, the hollowness left by departing colonialists. In Kenya, no sustained effort was made to fill the void by our founding fathers. President Moi tried, but we were against his projects.

President Kibaki has attempted to fill this void with Najivuia Kuwa Kenya (I am proud to be Kenyan). Brand Kenya Board wants to fill that hollowness, trying to reach the heart and the soul of our nation. Vision 2030 is also about filling this hollowness, to give us a life and meaning.

We have not done enough. The new constitution is about filling our hollowness, giving meaning to Kenyanness. But while the constitution will fill the political void, more hollowness will remain and need our attention too.
Our families are being hollowed out with divorces becoming common. Jua kali and hawking have been trying to fill the hollowness in our economic system; why else do they so easily get customers?

In spiritual realm, foreign churches with big advertising budgets are filling the hollowness in our hearts. Some have even boldly suggested that the current expansion in higher education has all to do with some hollowness, a void in us.

Clearly, our country is experiencing hollowness that needs a filling. We are like teenagers unsure of themselves or middle-aged men going through mid-life crisis. We need a rebirth, far beyond a new constitution. If we do not fill this hollowness, others will at our detriment.

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**Many Kenyans mistook exit of Moi for the advent of democracy**

Kennedy Buhere

Columnist XN Iraki observed last Sunday Kenyans were frustrated by Narc government after realising that intellectuals do not make good leaders, contrary to widespread belief.

Intellectual idealism, sterile debates and grandstanding are the price we are paying under the guise of democracy since Moi left politics in 2002.

Many Kenyans mistook the exit of former President Moi as the end of authoritarianism and the advent of democracy. Their support for individual politicians and political parties is proportional to the belligerence they hold for Government policy initiatives.

The major flaw with this outlook on the management of public affairs is that it has given undue prominence to chatterboxes and silenced men and women of action — yet the latter are the ones who ultimately provide the leadership necessary to manage institutions and situations.

The basic challenge that faces executives in all institutions is to provide a continuous system of communication; maintain willingness of the members of those institutions to co-operate; and ensure integrity of organisation purposes, objectives and goals.

Narc government — with President Kibaki at the helm — had individuals with strong executive abilities. His first Cabinet had men and women with vision, superior communication skills and technical knowledge about the operations of Government. Most were agreeable, conscientious; they had the necessary poise and resilience to perform. With these capabilities, the First Kibaki Government registered impressive economic growth, reaching seven per cent in GDP annually by 2007.

This was despite the rumblings about the MoU; the fierce constitutional review debate and the attendant referendum. With less suspicion among politicians, the current leadership would have posted solid gains across the country than it has done. The Government can do this if Kenyans understood the true extent and limits of democracy.

Democracy doesn’t imply endless bickering, reckless defiance to authority and mutual suspicion.
Democracy provides an opportunity for free discussion of issues, ideas, policies, programmes, procedures and actions.

The discussion is not meant to obstruct policy formulation. Nor is it an end in itself. It should aim at finding the truth, finding the most feasible things to do and ways of doing them.

Kenyans measure the effectiveness of a leader by how frequent one graces pages of newspapers and airwaves. The more recalcitrance an individual is to the establishment, the more "charismatic" and attractive one becomes to the electorate.

Leadership goes beyond rhetoric. Executive competence is not confined to verbal skill or appearance in the mass media.

Kenyans should judge leaders by the fruits of their executive action and not listen to political owls who believe in hot politics.

PNU and ODM have enormous goodwill. They must ignore armchair politicians who have made careers sowing seeds of discord. This is not the time to look backward. Our stability and prosperity as a nation lie in the future, not the past.

Endless debating impeding Executive action

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Kennedy Buhere

Columnist XN Iraki observed last week that the Narc Government showed people intellectuals do not make good leaders, contrary to widespread belief.

"President Moi’s modest education may have made him realistic, seeing things as they are, without the intellectual idealism plaguing the Grand Coalition," Iraki observed. Idealism, sterile debates and grandstanding are what we got in the guise of democracy after Moi left politics in 2002.

Many mistook the exit of Moi as the end of authoritarianism or the advent of democracy. They initially believed that decisiveness, resolution and "the man on the horseback" were inconsistent with democracy. Consequently, they unthinkingly embraced bickering and reckless defiance of established authority as the hallmarks of democracy and, therefore, good for the country. Their support for individual politicians and parties is proportional to the belligerence they hold to Government policy initiatives.

The major flaw with this outlook is that it has given undue prominence to chatterboxes — those who are good with words. It has silenced men and women of action, yet these ultimately provide the leadership necessary to manage institutions and situations.

The Narc government had individuals with strong executive abilities. It registered impressive successes, with economic growth reaching seven per cent by 2007 despite the distractions of the MOU dispute, wrangles on the Bomas Constitution and despite the faction-ridden referendum. It
means that in a relatively temperate political climate, we would be spying ten per cent growth on the horizon.

Government can do more, if only Kenyans understood the limits of democracy. It doesn’t imply reckless defiance and mutual suspicion. It provides opportunity for free discussion of issues, ideas, policies, programmes, procedures and actions. Discussion is not meant to obstruct policy formulation. Nor is it an end in itself.

Kenyans should measure leaders by the fruits of their executive action, not be seduced by mere rhetoric.

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**Beyond Eassy and Teams: The economics of fibre optics**

By XN Iraki

Across the country, trenches are being dug as if there will be a war soon. The trenches are connecting cities, small towns and hamlets, they follow roads and highways.

Soon, they will all be filled with fibre optic cables. Our national network will then be connected to Middle East and the rest of the world through Eastern Africa Submarine Cable System (Eassy) and The East African Marine System (Teams) cables, which will soon land along our coast.

Teams connect us to the rest of the world through Fujairah in Middle East. Eassy is through Southern Africa. Once connected, we shall be a wired nation, technologically speaking, leaping into space age.

What is all this buss about optic fibres? Are all the trenches justified by solid economics?

First, some simple science from Columbia Encyclopedia and your high school physics. Fibre optic cables unlike the conventional copper cables transmit digitalised data by light pulses, which are internally reflected, and does not escape from the cables.

Do you recall total internal reflection from your high physics (if you did not sleep in class)? Such cables are lighter and thinner but carry more information. The cables are more immune to electromagnetic inference, and harder to tap into. They require fewer repeaters (boasters) to stop the signal from attenuation or deterioration.

The use of fibre optics will hopefully bring down the cost of phone calls, internet and communication. It is also hoped that fibre optic cables are not as marketable as copper cables and vandals will be disinterested in digging them up.

Observers suggest that communication costs will fall from about $7000 (Sh546,000) per megabit of bandwidth to about $500 (Sh39,000). This could fall farther if we encouraged more cable connections and competition.

Already, the fibre optic cables are having an effect long before they land. Why has Safaricom lowered the price of their Modern from Sh9,999 to the current Sh3,999?
affordable internet

Are they trying to lock us before Teams and Eassy make Internet affordable to all? Competition will always bring down prices and encourage innovations. Things will not be different in ICT, an industry that also obeys the laws of economics.

The Government through Vision 2030 envisages Kenya as a business outsourcing hub. That is one justification for Teams and Eassy to make the country more competitive.

Already, we have a well-educated workforce. What is missing is the infrastructure and, of course the supply of jobs to be outsourced. We cannot assume that jobs will just come because the cables are in place.

The big question we should be asking is: What will flow through the fibre optics? Is it sensible to assume that once you build a road people will buy cars? Who will develop the content? Who will make money out of Teams and Eassy? The media has been sensational about hackers, equivalents to focusing on road accidents and not the people who arrive home safely every day.

We could learn from others.

In 1989, Sony bought Columbia pictures, a US entertainment firm. Sony may have reasoned that with computers and TV becoming so common, the issue was no longer that of hardware but software, the content. They reasoned that acquiring a content developer was the way of the future.

With Sony’s hindsight, we need to focus on what will flow through the fibres. If we let only foreign content flow, we shall have lost an opportunity to leverage on this communication link. In other countries, TV, Internet and phone flow through such cables. Will our comedians and film-makers make money from this cable? We should think about how Kenyans will use the cable before “foreign investors”.

Cheap services

Two industries should take advantage of this cable. One is the Government through e-government. One way to bring services closer to the people is through the Internet, where we can fill the forms electronically and get information on government policies. We can file out taxes online, apply for IDs, passports, birth certificates, licenses, and so on.

It is interesting that while the fibre cables are supposed to reduce the number of administrators, we are getting more through more districts!

The other industry is education. If we can connect all the schools, our kids will get an opportunity to be on the digital fast lane, sourcing current information than is available in textbooks.

The question that arises is: Who will develop this digital content? There is a vast market, for content development in education from elementary school to University.

What of retailing? E-commerce should allow me to shop on my computer and do banking too?

Apart from content development, we must ask who will drive the industries around fibre optic cables.
Is it the private sector or the Government? The Mobile phone industry has grown so fast because the government has been at bay, only coming in when the industry has matured.

A similar model should be applied in the nascent fibre optic industry, let the private players exploit opportunities available, with the Government as a facilitator giving incentives to arouse the creative genius of the younger generation.

The fibre optic cable will compete with satellite and wireless technology. In the long run, this will spawn new innovations and make communication cheaper.

Hopefully, the money saved will be invested in other ventures. Whoever is ready for content development will reap from this technology, handsomely.

Think of the money being made from ringtones only! Pioneered by Cellulant, ringtone business appeared irresistible to Safaricom and Zain.

If we can leverage on this communication link, we can turn into Silicon Valley, the same way Indians turned Bangalore into mini-silicon valley.

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**Moi’s foresight keeps surprising us despite our many criticisms**

By XN Iraki

Recent events have left no doubt that President Moi’s 24 years reign is undergoing some serious revision and scrutiny, less emotional than in the period following his departure, when everyone thought he was the problem.

First, it was the reversal of renaming Nyayo Stadium to Coca Cola National Stadium. The Sports Minister was up in arms pointing out that renaming the stadium without "Nyayo" was an affront to our national heritage; an affirmation that inevitably Moi is a part of our heritage, which cannot be undone.

The issue surfaced in Parliament with some MPs supporting the minister’s position. Can you imagine New York’s Yankee Stadium being renamed Keroche Stadium?

The second event, less noticeable and less controversial, was inviting Moi as the guest of honour at Mt Kenya University’s inaugural graduation ceremony. Renaming Nyayo Stadium is a national issue while graduation at Mt Kenya University is a private affair. Both events suggest Moi is now being seen in a more positive light.

Why the change so soon after his humiliation in 2007 polls when all his sons lost and his advice on who the electorate should vote for in Rift Valley was flatly ignored?

It might have to do with the performance of the Grand Coalition Government. Many Kenyans, unhappy with its performance, inevitably contrast it with Moi’s reign which was characterised by decisiveness. For most of our history, we have been governed by "Strong men" just like Russia.
Currently, the country is led by "semi-strong men" whose strength is dispersed through infighting and indecision. Their strength is further constrained by the National Accord. Under such circumstances, Kenyans yearn for the good days, when Moi’s word was final. Others suggest that Migingo standoff may have increased our yearning for a strong man.

We may have realised since Narc came to power that intellectuals may not make as good leaders as they have made us to believe. How comes the Western educated intellectuals in Narc and Grand Coalition have not exceeded Moi’s performance?

Moi’s modest education may have made him realistic, seeing things as they are without using the intellectual idealism plaguing the Grand Coalition. This realism, tampered with pragmatism was the basis of his decisiveness. Some observers suggest Moi endeared himself to Kenyans because he was never afraid of using power. Some Kenyans are even suggesting that if it was Moi’s reign, Migingo would have been long settled.

Members of the Grand Coalition are far more schooled than Moi.

Before making any major decision, analysis must be made and references made to similar situations or cases (in legal matters) in other countries.

In addition, the intellectuals in Grand Coalition yearn to supplant Western thinking and ideas in our social political system. Moi knew the difficulties of trying to do that. He carefully balanced Western thinking and our "local" thinking. His other source of strength was loyalty. Did you see him drive to Kathiani to see his old friend General Jackson Mulinge? Moi had uncanny methods of ensuring loyalty. Ask former Cabinet Minister Joseph Kamotho.

Where do we go from here?

Observers silently wonder why Jomo Kenyatta’s legacy has been left intact and unscrutinised. Few movies or books about his reign are in the market. Do we still fear him? Truthfully, Kenyatta is Kenya’s best known brand abroad.

Is Brand Kenya Board leveraging on him in branding Kenya?

The current political events and the fact that Moi is still around will ensure further scrutiny of his legacy. His comments on political issues including Migingo will ensure he remains part of our political barometer.

Finally, ingeniously, Moi outdid Kenyatta and may out do President Kibaki in one aspect; he "cloned" himself by building institutions from primary school to university.

As we revise Moi’s legacy, his foresight may keep surprising us.

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Where is Esperanto? The Economics of language

By XN Iraki
What difference would it make if Kenyans spoke in the same language, the same way Americans talk English or the Japanese Nihongo?

Some suggest anthropologies and sociologists would be denied jobs because of cultural purity.

But Economists would probably rejoice, such homogeneity in language would create lots of efficiency in the economy and could increase productivity.

Think of the amount of money used each year in translating documents from one language to another say English to Swahili?

It costs £1,000 (Sh124,000) to hire an interpreter a day for the European parliament!

Think of the extra paper used, the interpreters hired, and the “inefficiency” resulting when you have to read something in two languages?

**big savings**

This may appear trivial, but in a large economy, it could mean saving lots of money.

Think about the size of Billboards if only one language was used?

From an operation point of view, it makes lots of sense to have only one language. It takes a shorter time to communicate with each other, without looking for interpreters or thinking much about the meaning.

An example, a friend of mine from Central Kenya, has confided to me that the word *maguta* means diesel, petrol, paraffin, cooking fat and perfume!

But it becomes more interesting. In the working place, instructions must be issued and followed.

In a country where only one language is used, it becomes easy to follow the instructions; they are in your local or native language and you have internalised the meaning.

Working becomes more natural, part of your life. From an economic point of view, which may appear strange, less educated people may now work on more advanced jobs, which is cheaper for the Economy.

**sense of belonging**

Could that explain why some expatriates appear less educated but still do the job?

A single language also creates a sense of belonging and ownership, which in the long run creates a “feel good effect” leading to greater social harmony.

Imagine going to Alaska and in the middle of nowhere somewhere someone says *jambo* to you. You develop instant rapport.

In the international trade and business, a single language would reduce a lot of costs incurred through negotiations and documentation which must be translated.

This might be what is driving English into the leading language of trade, internet and MBA.
Some will argue almost to the point of conviction that even in social interactions like dating, single language creates lots of efficiency, perhaps the reason the youth have been quick to create their own language, sheng.

Curiously, instant messages (sms) have also led the youth to create their own language. I have often asked some youngsters to translate their sms for me! If language can create so much efficiency in communication and lead to such savings, why have a single language evaded the world for so long a time?

Why did Esperanto, an artificial language that was deemed to be become the universal language not go far?

Language is more than a means of communication, it is a form of identity and few people or nations want to lose it.

That is why South Africa focused on traditional languages in their constitution and European Union uses large sums of money in translations.

**power of language**

Most heads of state even in foreign lands always talk in their language even when they may be conversant in another language.

Imperialists knew they would be more successful both in administration and business if they ensured one language was spoken in their colonies.

After the colonies got their independence, language remained a powerful sinew that tied the new states to the colonial power.

That may explain why Britain is still one of our leading trading partners and investor.

Except maybe Rwanda, few other countries have attempted to change their colonizers language.

Let us also be blunt, language is also a big business.

Think of the amount of money paid each year to study different languages? How often are you asked for TOEFL, which you pay for?

Where do we go from here? Truthfully, a single language will not be with us soon, we are too attached to our languages.

Strangely, globalisation has made us more aware of our differences and established a need to create identities.

How many new countries have been created in the last 20 years all because of differences in culture and languages?

**political stability**

Would Kenya be a more stable country if we all talked the same language like Tanzania?
So many would argue that Tanzania is behind economically because of their one language, which is not global like say English.

But that might be only in the short run. In the long run, Tanzania could leverage on the harmony created by the single language — Swahili — to become a regional power, where capitalism has a human face.

In Kenya, it appears English will one day dominate Swahili going by the number of families that are ensuring their kids learn English as the first language.

Some argue that will deny the kids cultural richness resulting from speaking more than one language.

Truthfully, that cycle may be hard to stop. After all, one language could be to our advantage.

We are part of the bigger world, which has more potential than the confines of our borders.

Balancing our identity and the demands of globalisation may become one of the biggest challenges of the next generation.

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Forget about China, India is the place to be

By XN Iraki

India and China are both nuclear powers each with a population of more than 1 billion. Economists will quickly point out that these are huge markets, only ignored by the economically naÔve.

But in our discourse and plans, India has been ignored, all roads lead to China. Yet, Indians have been here for more than a century, and trade across the Indian Ocean flourished from ancient times.

Why have we focused all our attention on China, which is further and newer? Doesn't the gravity theory in trade show closer countries are likely to trade more?

Why have we ignored India, nearer home and with a big market? Could it be the other way round that India has ignored us?

Think of it, Chinese, not Hindi is being taught at the University of Nairobi. The two huge nations seem to have their own ways of engaging with Kenya.

For India, it seems to be through commerce and trade. There seems to have been no concerted efforts to extend the Indian influence to the rest of Kenya, the way Britons came with their religion, legal system, language and culture.

Have you met any Black Kenyan converted into Hinduism? How many cross marriages are there between Africans and Indians?
While we look for the slightest opportunity to boast of how we schooled in UK or US universities, not to the Indian Universities though unknowingly some Indians go to Ivy League universities only after failing to get admission to top Indian Universities such as India Institute of Technology.

Lately, India has shifted gears investing big through firms such as Tata and Essar. But few Indian firms have made impressions in Kenya that can rival Microsoft, IBM or Coca Cola.

Our image of India is still dominated by small scale traders, dukawalla. China on the contrary is investing big through roads.

Some observers think Chinese approach is novel; they are endearing themselves to the masses, who use roads every day.

**mega projects**

Others boldly suggest roads need big money and decisions on such mega projects are decided at the highest level of government, giving Chinese strategists a chance to get into the heart of the government without raising any eyebrows.

Lately, India seems to have adopted the British Model, of going beyond the economics into some culture.

Indian movies have lately gained popularity and so are their dances. Has India finally realised it is time to reach into the heart and soul of Kenyans?

The Chinese and Indian Strategies to penetrate Kenya and Africa in general appear timid compared with UK or USA. Is it accidental that British Missionaries came before settlers?

When Cold War ended, waves of US missionaries landed in former Soviet Republics, while many students from these countries flew in the opposite direction, to study.

USA and UK seem to realise that economic success is about influencing the way people think, either through education or religion. Both India and China seems to have failed to grasp that simple fact, though both countries are encouraging Kenyans to study there.

While we can argue that Chinese are later arrivals and give them the benefit of doubt, not for the Indians who have been here for a long time. Why are Indians unmotivated to expand their economic influence? Why are there no Indian TV or radio Channels like CNN or Aljazeera? Perhaps they see the Kenyan market as too small.

Or maybe we are the problem, too tied to the West that we cannot see opportunities at our doorstep.

We fail to see the Indian market that is three times the US market or 20 times the UK market. We have failed to learn from Indians who are nearer home. Yet, there is so much we can learn from our giant neighbour, in addition being a market for our goods and services.

**science and technology**

India is a leader in science and technology. Ever met an Indian historian? Interestingly, I was taught maths, physics and chemistry by Indian teachers just the other day — I narrowly missed 8-4-4.
Indians are now reaping the fruits of their investment in science and technology. It boasts a number of Nobel Prize winners in sciences including Venkata Raman (1930), Subramaniam Chandrasekar (1983) both in physics, and Hargobind Khorana (1968) in medicine. Add Amartya Sen (1998) in Economic and Rabindranath Tagore (1913) in literature.

Indian scientists drive Silicon Valley while medicine has been turned into tourism India is a superpower in computer science, one of the few countries with supercomputers.

May be our deeply ingrained view of Indians as traders have failed us in seeing the potential of India as partner in progress.

We talk of Asian tigers' but forget the Asian elephant, India. Other countries have not failed to see the Indian potential; USA even signed a nuclear co-operation pact with India, a clear indication that India can no longer be ignored.

**Indian economy**

India’s economic growth driven by reforms has worked miracles; yet Indian economy was once as controlled as Kanu’s Kenya.

We also can learn about self-reliance; India does not accept foreign aid in case of a disaster. Interestingly, both India and China despite having vast interests in Kenya rarely comment on Kenyan politics, they probably prefer quiet diplomacy unlike European Union (EU) and the USA.

May be unlike Kenyans they long realised that politics without a strong economic base will not take you far.

Economic and political strategists have boldly suggested that the Pacific Century dominated by China, will not last indefinitely; the next theater of economic activity will be the Indian Ocean.

Engaging more closely with India will give us a head start in this theater. Truthfully, India is the place to be, we could gain a huge competitive advantage if we moved there before the rest-now.

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**If history is anything to go by, our next president could be a ‘coward’**

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XN IRAKI

Now that an electoral commission is in place, we can focus on its ultimate objective: getting us leaders. We can focus on the ultimate prize, Kenya’s fourth president who will take over from Mwai Kibaki in 2012 or earlier, depending on how the Grand Coalition works.
Some bold political strategists have suggested that Kibaki could end the current standoff between PNU and ODM by dissolving Parliament, therefore bringing an end to the National Accord. The strategists, however, observe that if he did that, he may not have control over the chain of events that would result.

The nightmare scenario for him and his confidants would be an ODM victory under the old Constitution and all powers held by the president.

That fear and the fact that many MPs would lose their seats may keep the coalition together until 2012 or nearby. Other observers note that this fear should drive him and PNU into embracing reforms. Was PNU’s recent shift on reforms driven by this fear?

Enough digression. Who is likely to be our fourth president and why? There are several Kenyans positioning themselves to take the mantle from Kibaki. Each will have a chance to sell his credentials to the public once the whistle is blown. Some have already declared their interest in occupying the house on the hill. A few others are bidding their time, hoping that declaring their intention as near the election day as possible would be advantageous.

Without dissolving Parliament, we can only use history to predict or at best speculate who will be our fourth president. Philosophers after all accept speculation is a legitimate source of knowledge. Albert Einstein asked at age 14 how it would feel to ride on a beam of light. From that speculation, he spawned the Theory of Relativity, which has stood the test of time. The historical pattern pointing on our next president is clear and startling. From USA to Kenya, ‘cowards’ seem to easily become presidents. If you think the previous sentence is absurd, read on.

Our first president was a ‘coward’ compared with, say, Dedan Kimathi, who died in the forest fighting for freedom. Jomo Kenyatta ruled for 15 years until nature had its say and he made his way under the sod.

Daniel Moi, whom critics considered a “coward”, succeeded him; he was humiliated but never revenged. Those who called for constitutional change and called him a “passing cloud” were brave, but the ‘coward’ ruled for 24 years. His legacy is currently undergoing revisionism with some boldly suggesting his high handedness was a virtue.

Another ‘coward’, Kibaki, succeeded Moi. When Charles Rubia and Kenneth Matiba were taking the bull by the horn, Kibaki was warning against cutting a Mugumo Tree with a razorblade. He even got a nickname, Kiguoya, yet he is on his second term.

Enough local examples: Let us visit another country we love to benchmark against, USA. George Bush did not go to Vietnam like John Kerry, but he easily won against him. John McCain spent five years as a prisoner of war in Vietnam. He could not win against Barack Obama, who never went to any war.

Some will accuse me of stretching the truth too far and give counter examples like General Kagame, Yoweri Museveni and Winston Churchill, who are ‘brave’ and still became presidents or premiers. But the Kenyan political landscape seems to have a destiny with ‘cowards’. To be truthful, these men who have led us for 45 years may not be cowards; we probably confuse humility with cowardice.

By extrapolating the historical pattern, bold observers suggest three Kenyans fit the description of ‘coward’ and therefore likely heirs to the throne.

They are Prof George Saitoti, Kalonzo Musyoka and Musalia Mudavadi.
Finally, it may be that by getting ‘cowards’ to lead us, nature has its own way of balancing things, ensuring our nation’s is never threatened by political extremism. Or what do you think?

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**Time to love the rich**

By XN Iraki

The truth, distilled from conventional wisdom is that we all aspire to be rich, live in the best suburbs, drive the best cars, go for a holiday abroad, marry in a much publicised wedding and go for a honey moon to an exotic island.

When the sun finally sets, we all hope to be buried in an expensive coffin, with dignitaries attending our funeral and obituaries appearing in local press with the title “celebrating life.”

Yet, the same truth is that we hate the rich and wish them ill. We gossip that so and so is rich because he is a devil worshipper or corrupt. It seems that there is a deeply entrenched belief in Kenya that you cannot become rich genuinely. This belief has spawned a thriving industry in conmanship, thuggery, gangsterism, cheating, counterfeits and all other illegal or quasi-illegal means of becoming rich.

The sad thing about this belief is that it has even touched on the corporate sector, where Stockbrokers have disappeared with clients’ money. I know of people who had problems with Nyaga Stockbrokers. Out of frustration, they went to Discount Securities! Several Kenyans are still licking their wounds after the much publicised pyramids schemes, which exposed our greed and desire to become rich. Even PhD holders were not left out in their quest to become rich overnight. Friends never told each about the pyramids scheme, they wanted to get rich alone, till they started chasing after their money.

**Created dissonance**

Why dislike the rich yet we all want to become rich? First, our religious upbringing constantly reminds us it is evil to be rich, and you must share your riches with others. This has created dissonance in our minds; on one side we want to be rich, but an ‘inner voice’ tells us not to go too far. Second, the political and cultural propaganda that has reinforced the zero-sum game thinking, “You are poor because someone else is rich.” Post-election chaos clearly brought out that thinking. We cannot rule out envy and jealousy.

However, there is the hard reality that getting rich is not easy. The rich rarely explain to us how they became rich. And even if they had a forum, they would not explain everything; some things like resilience, patience, commitment, thrift can only be experienced. Management theorists refer to “tacit knowledge” which cannot be codified. For example, it does not matter how many hours you spend with marriage counselors.

The best way to understand marriage is marry and learn through apprenticeship. More poignantly is that the rich became rich under different environments, which are in a state flux, forever changing. If you were well educated and foresighted at independence in 1963, becoming rich was not a problem. The population was low and opportunities were plenty. Graduates then spent several days agonising over the many job offers. Some Kenyans refused to be given or allocated land at Westlands because they felt the Government wanted them to keep off monkeys! I refused
a job offer at Form 3, yet I was born long after the Union Jack had been lowered. For those who slept through their history lessons or are too young, Union Jack is the British Flag.

**Black box**

We have tried to understand how the rich become rich in schools; we study entrepreneurship up to PhD level. But truthfully, there is still no algorithm or formula that can guarantee you richness. Though we can describe the characteristics of the rich, the process on how to become rich is still a black box, not only at the individual level, but also at the national level. There is still a lot of ongoing research trying to explain why some countries are rich and others poor. In fact, one reason Economics is such a popular area of study in universities is because students think by the end of the course they will explain how to become rich and possibly become rich!

Some observers have suggested that the best way to understand how and why we become rich is to talk to the people who have made money, the rich, the businessmen and entrepreneurs, not those who write or study about them.

**self-preservation**

Unable to reach the rich, to show us how to become rich, we turn against them, either through our attitudes or sometimes physically through robbery or stealing. Insecure, the rich run, barricading themselves behind walls, electric fences and big cars. The more they barricade themselves, the more they become mysterious to us, and the more our attitudes harden towards them. Some observers suggest through harambees, the rich were able to cool the tempers of the poor. What of today? Would philanthropy bridge the gap and change our attitudes towards the rich?

In developed countries, transfers such as unemployment benefits, bridges the gap between the rich and the poor. In Kenya, the poor are left to fend for themselves. They become bitter and annoyed unable to explain why someone drives a Range Rover Sport alone, while someone else is carrying a sick baby to hospital on her back.

How do we bridge the gap?

Let us start by understanding them, then emulate them. Our school curriculum must also focus more on how to become entrepreneurs, not on the end product, entrepreneurs and their money.

Since the rich the and poor rarely meet each other, except in buying and selling, the Government needs to bridge the gap by making sure taxation is put into the right use. That is one of the reforms envisaged in the Agenda Four. After all, there will always be those endowed by nature, risk takers and those who see opportunities others cannot see.

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**How new thinking in PNU can help in reforming institutions**

By XN Iraki

In the political game of wits, PNU has been a perennial loser to ODM. The Party of National Unity has been playing defensive, reacting to ODM’s political missiles, without any anti-missiles.
The attempt to gain the chairmanship of HBC was pre-empted by ODM’s political stealth leaving the blue party shaken and bruised. It seems that any time PNU is about to settle politically, ODM pulls a rug under its feet.

But after the party retreat in Nakuru, it seems to have suddenly become more politically astute. It seems to have suddenly seen the light of Damascenic kind. It was hard to believe it was PNU calling for such radical reforms in governance, including a Cabinet selected from ordinary citizens.

What has prompted a party more associated with conservatism and status quo to suddenly become pro-reform? Was that a smart move or politics as usual?

The failure to capture HBC chairman must have prompted PNU to try and control political events. One ingenious method of controlling political events is to move to the centre, balancing between being too radical and too conservative. You move to the centre by adopting new themes and ideas, often by stealing your opponents’ ideas and repackaging them as your own. By embracing reforms, PNU is trying to steal the wind from ODM’s political dhow, trying to cut an image of a reform minded party, even more than the orange party.

But it might be more than political harassment by ODM, the PNU’s future has never been bright; it behaves more like a polygamous family where wives cannot run away because the husband provides.

**Government structure**

The departure of Narc-Kenya chairperson Martha Karua might also have jolted PNU into new thinking. The hard reality is that with Kibaki’s constitutional mandate ending in 2012, the party fears finding itself in a political orphanage.

Embracing reforms might be a preparation for post-Kibaki era.

Politically speaking, this was a smart move, because ODM will either have to support the reforms espoused by PNU or come up with their own. If the reforms rhyme with the public mood, PNU will take the credit. It was smart because the suggested reforms makes a lot of political sense and will definitely change our structure of Government.

Suggesting the Cabinet should be selected from ordinary citizens is what the US political system has done for over 200 years. The British system was so ingrained in our national psyche that we find it hard to change.

Yet, it is a fact the US system was improvement of the UK system with its class system espoused by the monarchy and a retinue of sub-classes. Our political leaders still think it is cool to be British. They take their children there for schooling, after retaining the ‘A’ level despite the 8-4-4 system.

**New Cabinet**

If the PNU proposal sees the light of day, the President will have a chance to select the best brains to the Cabinet without being constrained by a pool of 220 MPs. As the Constitution is now, the quality of our Cabinet, our board of directors is as good as the MPs. The beauty about the PNU proposal is that the president or whoever will have the Executive power can select the Cabinet from 38 million Kenyans. Statistically speaking, this increases the chance of picking the best brains to run the country. The "new Cabinet" will be more efficient because it will owe its loyalty to the nation not their narrow constituents.

On the party with the highest number of MPs getting the premier post, this clearly dovetails with ODM thinking. My concern is that it would be politically prudent if we got either purely presidential system like
the US or parliamentary system like India or UK. A hybrid like the GMOs may not be the best political system. We hope the new thinking in PNU is a real renaissance and the party will join other reform minded Kenyans in changing our institutions so that the country can be a better home for all of us in our lifetime.

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**Why politics economics are twin brothers**

By XN Iraki

House Speaker Kenneth Marende’s ruling, which unlocked the supplementary budget is an indication that we now are starting to see the close link between economics, politics and our well being.

We seem to see that link only during polls, when the country is electrified by a general election where expectations and emotions rise, and common sense takes a break for a while. The country is hypnotised and everyone waits for a panacea to all our problems.

Truthfully, most ordinary Kenyans do not understand how politics and economy are intertwined. They do not understand how power is wielded in Kenya, and how political power has become the sure route to wealth.

Why would the whole country hold its breath awaiting the Speaker’s verdict? This for once indicated that we are slowly understanding the intricacies of politics and its effects on economics and our lives. President Moi’s famous statement *siasa mbaya, maisha mbaya* (bad politics, bad life) may not have been idle talk.

The starting point is that once politicians taste power, they do all they can to keep others from it, often by deliberately portraying politics as a dirty game. Yet, politicians live in the best estates, drive the best cars and enjoy lots of perks.

Since independence and before, the link between politics and economics has been masked by fear. President Kenyatta and Moi were so feared that the term *serikali* became synonymous to government. Kibaki shifted to the other extreme. There is so much freedom that few care to understand what the Government is. No wonder ministers appeal to the Government.

Our elites, from academics to priests, have not been very successful in explaining the link. Perhaps they grew up mystified by the Government or with time they realise letting the masses know too much could threaten their privileged positions.

The elites complicate matters further through their language. They study political science, which leaves the common man intimidated. Yet, there might not be that much science in this science. In schools, civics and history are taught, but rarely are real politicians brought to class.

**economic resources**

Incidentally, local governments are also a mystery. Despite sitting on some of the country’s prime economic resources, and affecting every Kenyan, they attract few well educated people, are poorly run and in our debates and discourse only the central Government predominates. Have you heard anyone talk about power sharing in the county councils?
Enough digression. What is the link? Government is a great consumer, without going to the supermarket like you and me. What doesn’t the Government buy from battle tanks to maize? Such consumption creates demand leading to job creation. This thinking was the heart of John Keynes argument that in times of economic crisis, government can help mitigate the effects.

That is why every government has become Keynesian, including USA. Most goods and services consumed by the Government (you and me) are supplied by private companies. The selection of these firms and the belief that government rarely runs out of money or defaults brings in lots of politics. Serious businessmen will tell you there is no better business partner than government!

To buy goods and services, government collects taxes and pools the money. It is politics again when it comes on how much to tax people and what to do after the money is pooled. Incidentally, it is this pooling that makes the government mysterious. Which company can get money for a supplementary budget of Sh25 billion, a budget of Sh700 billion or $3.6 for the US.

**accountability, innovations**

The permission to tax us and use that money is bestowed to the government by voters through frequent polls that ensure accountability and innovations, so that new thinkers are brought into parliament.

In countries like the US, the cabinet is not selected from the MPs; the president can select anyone into the cabinet, giving him a chance to get the best brains to the country’s board of directors. President Obama’s cabinet has Nobel Prize winners. We could not even make our Laureate a minister!

Governments deal with externalities where some people may benefit from services they do not pay for. For example, you employ a graduate you never educated, that is a positive externality. The government therefore subsidises education through taxes to ensure that “education supplies” do their work.

Governments settle disputes, and provide public goods like security, sewerage, roads, which would be very expensive if provided by individuals. They take care of the disadvantaged through transfers like unemployment benefits. Others suggest boldly that government through orders “creates jobs” (like cabinet slots) more easily than entrepreneurs.

Through our politicians’ behaviour, Government creates or destroys optimism, which in turn affects our desire to save or consume and economic growth.

The Government enjoys near monopoly, which privatisation has tried to break. The link between politics and economics is there to stay, that is why paying taxes and voting are civic responsibilities that ensures you own the Government and benefit from it despite the quarrels among MPs.

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**The economics of natural resources**

By XN Iraki

How much would you pay for the scent of freshly cut rose flowers?
How much would you pay to take a walk in a rain forest in Costa Rica? How much would you pay to scoop water from a spring up the mountains and drink it untreated?

How much would you pay to climb Mount Kilimanjaro? How much would you pay to keep riparian lands free from houses?

How much would you pay to visit a National Park in Alaska or Kamchatka Peninsula?

The answer to these questions will to a large extent depend on where you were born and brought up and the value you attach to natural resources, what man has not tampered with.

In most economics courses, the emphasis is usually on products and services, what we have already tampered with using our creativity and innovations.

You can go through a BCom or MBA course without mention of deserts, mountain glaciers and rain forests.

**Commodity derivatives**

That is the stuff for foresters, naturalists, geographers and ‘less sophisticated professionals,’ not the stuff for Wall Street bankers and financial analysts. The exception is commodity derivatives such as copper and coffee futures.

But the tide is changing; the study of natural resources, particularly its economics, has become a popular area of study.

The reason behind this shift in thinking is economics itself. The demand for natural resources has outstripped the supply, we are, therefore, experiencing shortages and price rises.

Most of the critical natural resources are exhaustible. They range from oil to titanium and diamonds.

Really? Who ever thought that one day you would buy water in supermarket and feel ‘cool’ about it? Who ever thought one day that we would put up houses on top of riverbeds?

Who thought that someday it would become cheaper to use stone blocks than timber to build houses?

Truthfully, nature has also contributed to the problem. The population growth has created demand for more spaces, for food, oil, and other natural resources that keep the cycle of life going.

**Short supply**

Some countries long realised that natural resources would be in short supply and took deliberate efforts to conserve them. We may be realising that too late.

Thirty years ago, at the apogee of his power, President Moi demanded that you get a letter from the chief to cut a tree, and that *ukikata moja, panda mbili* (if you cut one tree, plant two). We quickly came up with our political interpretations.

Any tree planted 30 years ago would be mature, and we would not be paying for timber through the nose.

Now that we know the economic value of natural resources and each of us has paid the price, where do we go from here?
There are definitely a few people benefiting from the shortage of natural resources, they happen to be political power wielders, who have even started wars to plunder the natural resources. The war in DRC is about natural resources.

Chinese presence in Africa is about natural resources. Ideally, we would want more people to benefit from our natural resources, which we should treat as public goods. We all benefit from forests and rivers even when you have never visited one.

**Rising prices**

Some economists suggest that we should not worry; the market will take care of the shortage of natural resources. The rising prices will quickly encourage more investment in natural resources. They cite the example of tree farming in Kenya as a reaction to timber shortage and higher prices.

That would be true if all the land and natural resources were privately owned. Most of the natural resources in Kenya fall under public land; they range from National Parks to beaches and rivers.

While I can easily plant trees in my shamba, not so for public owned land. The opposite is the norm under public land, clear the forests then mourn.

We can use the legal option. Worldwide, governments use their mandate to protect natural resources critical to the national wellbeing. But more often, the Government is an accomplice in destruction of natural resources. People do not build on riverbeds at night and neither are trees cut in forests using axes. All charcoal burning involve visible smoke.

Most natural resources involve externalities and the Government must come in. I may be helpless against my neighbour who plants eucalyptus trees that dries up the river.

We shall not preserve our natural resources when those entrusted with law are willing to break it with impunity.

Mau and other forests were plundered under the watchful eye of the Government. To who do we appeal?

**Vision 2030**

A better way to confront the looming shortage of natural resources is to think long-term. The future is far but predictable.

We know what resources will be needed to be achieve by Vision 2030, can we start generating them now? Far too many policy makers are detached from the reality of natural resources destruction.

How many Nairobians have ever been to Ndakaini or Sasumua Dams?

Finally, despite all the explorations we have done in space, we have not yet come across another habitable planet, though we have come across more than 300 so called exoplanets, away from the eight in the solar system after Pluto’s demotion.

This only home in the vast universe deserves our care; we should be co-creators, helping nature make this small planet a better home.

Wangari Maathai was ahead of her time. Let us now join her in droves.
Without new law, Kibaki legacy will be shattered and 2012 will explode

XN IRAKI

Political observers say the post-election chaos was a shock therapy that woke us up to the realities of our own inadequacies.

For once, we realised the wars we read about in history can be real. We found out that President Moi’s ‘island of peace’ could be breached by gales of political destruction.

The world rose to the occasion and through diplomacy, we are back to near normalcy, some think amazingly too soon perhaps confirming Prof Ali Mazrui’s observation that we all suffer from national amnesia.

It is when things seem normal that they are most likely to go wrong. Have you noted that most firms file for bankruptcy or go on receivership when to most casual observers they are doing well?

The failure of Kilaguni talks and threat to “return to the people,” are clear indicators that the national accord may have been an armistice. To realise lasting peace and prosperity, the coalition partners must do more before 2012 when elections will be held and the life of the accord will end.

Observers believe that is where the problem lies; upon expiry and with no new constitution, we shall be back to where we were after the 2005 referendum, the old constitution.

If the ambitious political leaders on both sides of the political divide can talk loudly, they would love to get power under the old constitution. The political genius is what to do to ensure that happens.

It is therefore not an exaggeration to suggest that President Kibaki’s legacy would be a new constitution. Without one, 2012 may be land mine. Now that things look normal, we should act. Most married people know that wives never run away after a quarrel, they run away when things are quiet.

What issues should the parties confront to sterilise the 2012 political landmine? We shall not tire; a new constitution is the first one. Clearly, despite the politicians’ appetite, we do not want to return to old constitution after two decades of agitation. But do not be surprised to see those who all through opposed the old constitution opening champagne bottles if they got power under the same old constitution.

Heroes are spawned by crisis like the one we had. Curious observers wonder how that crisis failed to spawn a new hero. Other observers say the failure to get a hero is a clear indicator that the crisis was not deep enough.
But who ever can confront the following issues before 2012, without obsession with power sharing and public appointments hold a higher chance of leading us after 2012.

One, land, starting with Mau Forest. If no one can take a decision on such a strategic resource that affects even Egyptians, why not turn it over to the military the way US army Corp of Engineers control the mighty waterways like the Mississippi?

Two, the economy. Where is our stimulus package? President Obama has one and so do the Chinese. Don’t we all believe that in times of economic crisis the Government can stimulate the economy through fiscal and monetary policies? When are we starting to feel the effect of the Sh18 billion raised through the infrastructure bond?

Three, jobs. Where are the jobs, quality jobs beyond the 600,000 in the civil service? No wonder appointments are always in the Party of National Unity (PNU)- Orange Democratic Movement (ODM) agenda. Seen the number of young men and very beautiful girls queuing to join the army?

Four, wealth distribution, beyond zero-sum game thinking. We cannot be equal like the horns of a cow, but the gap between the rich and poor is creating social tensions.

Five, corruption, it should never be anyone’s turn to eat.

Six, ethnic loyalties that come before the nation. Hiding behind the tribe has become an ingenious method of hiding your misdeeds.

And finally population growth, confronting the supply side of job seekers. The Government should not have a say in the number of kids you should sire, but it should provide them with jobs and services.

Can PNU and ODM meetings confront these issues and now?

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The economics of pollution

XN IRAKI

There is no doubt that global warming is a reality. The evidence is there for all to see from dry riverbeds, melting icecaps to persistent droughts and unpredictable rain patterns. Yet, despite overwhelming evidence, USA and Australia refused to sign the Kyoto Protocol, which came to force in 2005.

The protocol committed countries, particularly major industrial ones, to reduce greenhouse gases.

The countries ought to meet their targets primarily through three approaches: emissions trading known as the carbon market where those who pollute less can sell their excess pollution to polluters; clean development mechanism where developed countries can build less polluting plants in developing countries, giving themselves more flexibility in polluting at home; and joint implementation where a country can implement pollution reduction measures in similar countries (as grouped by UN) as a substitute to pollution in own country.
Developing countries were exempted from limits to give them a chance to catch up with the economic development of the industrialised world, an admission that pollution and economic growth are intertwined.

USA and Australia were probably unhappy with India and China being exempted from the reduction of greenhouse gases.

USA and Australia were not against pollution, they only understood the economic consequences of the protocol, which unlike a convention commits countries to act.

This is despite bold attempts to make pollution a business, using market mechanism to reduce pollution, even creating an exotic market in carbon trading, better called pollution trading, only that the traded commodity contains lots of carbon. This is a by-product of burning fossil fuels such as coal and oil.

The economic reasoning goes like this. More pollution means that it is cheaper to produce the goods and even services.

Looking at the profit equation, we reduce the cost and holding all factors constant increase the profits. This is an incentive for businessmen to produce more goods and services, which translates into more jobs.

High restrictions

Let us think globally; if one country allows more pollution, it can produce its goods cheaper than one with high restrictions on pollution. This acts like a tax act cut or a subsidy and undercuts 'well behaved’ countries in terms of pollution. Now it is clear why US and Australia opted out of the protocol.

It could be argued that the two countries’ action was guided by national interests. Truthfully, politicians are elected to pursue their countries’ strategic interests.

For the US, rejecting Kyoto protocol was followed by internal processes that were aimed at reducing the greenhouse gases. US probably feared putting her economy at the mercy of other countries.

The same way she has resisted international criminal court. She fears her citizens particularly soldiers would be tried in foreign lands.

Where do we fit in the Kyoto Protocol, in economics of pollution?

Lately, the National Environmental Authority (Nema) has started barring her fangs, clamping on polluters, and demanding licenses for those setting up new projects.

The thinking behind this is that there is a need to curb pollution and take care of our environment. Like Kyoto protocol, Nema is faced with the same economic choice, pollution or jobs. It is possible to strike a balance.

Companies incur costs in containing pollution either using more costly technology or simply abandoning its investment if they think it’s too expensive. If the firm starts a new plant, the customer must pay the extra cost of curbing pollution.

This will make our goods dearer and less competitive in the regional and international market. Such uncompetitiveness leads to loss of jobs, as drought and global economic crisis conspires to deepen our misery. Where do we go from there?
Standards of living

The end product of economic growth is high standards of living, gross national happiness, which involves having a pleasant environment.

If you have ever taken a walk inside a rain forest or a beach, you might appreciate that a pleasant environment is priceless. This is perhaps the reason why as we grow richer, we shift to leafy suburbs, look for beach plots, and play golf.

It is the Government’s obligation to ensure that citizens enjoy a pollution-free environment and that those who pollute pay for it. The Government comes in because polluters’ actions often cross borders.

A Kenyan factory’s polluting the river will affect those downstream and if the river crosses the borders, citizens of other countries.

If the factory pollutes the air, we have no control over the direction of the wind.

That is why the Government targets the polluter, the source. Ideally, the polluter should pay medical bills of anyone hospitalised because of his pollution. Perhaps it’s time for pollution insurance.

Pollution has long-term effects, often intergenerational, and Government has an obligation to forestall any suffering of the innocent.

Industrialised countries are taking concrete efforts to control pollution after almost two centuries of unabated pollution. We should not wait to see the obvious effects, we can learn from others’ mistakes. We should start by saving Mau forest, one of our largest carbon sinks.

As we aspire to industrialise and achieve Vision 2030, we should take cognisance of the resulting pollution.

Some argue, and I think they are right, that we should skip the smoke stacks and leap into the post-industrial age characterised by services and less pollution.

Finally, how much carbon trading is taking place in Kenya? When are we setting up a carbon credit exchange?

Should we relax because Kyoto Protocol is so lenient on us?

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Elections won’t heal rifts in the ailing Coalition Government

By XN Iraki

The rift in the Grand Coalition is a clear indicator the National Accord did not solve our national problems but just froze them.

Occasionally the freezer fails and problems ooze through the cracks.
The neighbours feel the stench and are demanding repair. The fridge is this nation and the key holders are President Kibaki and Prime Minister Raila Odinga.

The neighbours include diplomats, trading partners and foreign investors.

The contents of the fridge include mistrust, joblessness, poverty, broken dreams, national anger, tribalism, drought and dishonesty. The fridge is overloaded.

We have failed to confront our oozing problems for almost half a century. They ripened and rotted,

with the stench coming out last year.

Should we not fix the fridge? Who are we waiting for?

The rift between PNU and ODM is one of the oozing problems; it is not about the poll results. It is about control of scarce national resources.

The main natural resource is the Government. Why else are appointments such a contentious issue? If

some of our politicians would be sincere, they are not in Parliament because they are gifted in leadership, they want the goodies from the positions and would like to share them to shore up their support.

Our politicians made promises to voters that once in the Government, life would change. They did not tell

their voters the hard truth.

The voters are now demanding their share, squeezed by drought and joblessness. Politicians prefer to blame coalition partners instead of giving solutions to our national problems.

The frustrations within the Grand Coalition are real; our current problems will not be solved overnight.

They were not created overnight. The people settled in Mau and other forests will not melt away, and so are the hordes of young men and women flocking our cities seeking jobs. The solutions to our problems are not in a textbook. It is time to think without a

box. It is time for patience, return to reason.

**Karua’s resignation**

What is not being said loudly is that Agenda Four in the National Accord will take time to resolve, but we

can start somewhere, coming up with a constitution, a truth commission and other ventilation avenues. Needless to say, trust will not be built overnight.

Appealing to foreign powers only postpones the moment of truth.
The clergy’s solution is fresh polls. They are not explaining how fresh polls would solve our problems. They probably assume many present MPs will lose their jobs. Really? Half the Cabinet was once in Kanu! Call for fresh polls is a manifestation of national frustration with leaders. We lose control of them as soon as we vote them in. Karua’s resignation was also about frustration by the same leaders, but fighting within was a better alternative.

Where do we go from here? Not fresh polls. There is too much anger that needs to subside. May be after another year or two. Like a couple that stays together because of the children, PNU and ODM should continue cohabitation, they even have a "marriage certificate" – the National Accord.

Our politicians’ unbridled ambition; idealism and self-aggrandisement are threats to the country’s national security.

We know Grand Coalition Government was not the best form of government, but we had limited options when death and destruction hung over our beautiful land. We need to move on. There are better days ahead for this nation and we are all heirs to its future.

The two partners should patiently wait for 2012 or another two years, then let Kenyans decide who, between the two partners, holds the moral higher ground. In between, the PNU-ODM couple can fight, quarrel, or even deny each other conjugal rights.

We do not care as long as the children (innocent) Kenyans are safe.

We cannot ask for more from our leaders who all hold a Kenyan passport. This country is not theirs. It is for all of us.

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**Rivals should dismiss Karua quest for presidency at their own peril**

XN IRAKI

The censure Motion against Kipipiri MP Amos Kimunya easily sailed through. Some observers argue that was an initiation into the murky world of Kenyan politics. Kimunya lost his job as Finance Minister, until he was rehabilitated recently to the Ministry of Trade.

He is now a quieter man; perhaps the experience taught him a few political skills and lessons that may prove handy in coming days.
After Kimunya, it was Agriculture Minister William Ruto. The Eldoret North MP survived the Motion; some argue out of his own political acumen in deal making while others suggest his political enemies misread the sign of the times.

Censure Motions, like bell-bottoms, are getting out of fashion. The defeat of the Motion raised Ruto’s profile as a fighter neutralising the "political milk" metaphor.

Enough digression. The planned censure Motion against Ms Martha Karua might be a cropper; it may never see the inside of the Parliament. Why might Karua succeed where Kimunya and Ruto failed? Is that a sign of better things to come? Is her political future arriving prematurely?

Karua has no doubt mastered Kenyan political landscape. She knows one thing; politics is not for the cowards. By stating that being a minister is not what life is all about, she defanged her political enemies by implying that she would have nothing to lose if the censure Motion succeeded. Contrast that with "I better die than resign".

But what is enigmatic about Karua is that the censure Motion threat was a reaction to the wars she had opened in several fronts. With Ruto, with the Chief Justice, with Attorney General and with the PNU "owners" who felt she betrayed the party by heading Narc-Kenya, edging our Prof George Saitoti. Yet she might win, without a fight.

Bold political strategists claim that Karua is not careless; she is testing several strategies at the same time. She wants to see who can dare her. Even more enigmatic, is that her support is coming from unlikely quarter — ODM.

There have been claims she met with Ruto, the same person she threw some political bricks at.

Like any other astute politician, she did not disclose what they discussed. But they are unlikely to have discussed wheat growing in the Rift Valley or rice growing in Kimbimbi — assuming the meeting took place in the first place.

What is emerging clearly is that Karua has a long-term political strategy stretching to 2012. Does she have what it takes to occupy the House on the Hill? She took part in national accord negotiations, and if it is true PNU got more than its share, she got some credit. She is a self-made politician; contrast her with Uhuru Kenyatta or Saitoti, Raila Odinga, or Musalia Mudavadi. She has the intellect and courage in male dominated Kenya. Having been a magistrate, she knows Wanjiku better than most arm-chair politicians.

Will she succeed? Shall we one day have Madame President? Or even Madame C-in-C? No one thought Obama would be a president that soon. Her success will depend on her ability to build alliances.

Observers suggest she got the first mover advantage by announcing her ambition early, and was determined to fill the political vacuum created by Kibaki’s imminent departure in Central Kenya.

If she will not become the President, she could get many suitors enticing her with positions like PM, or even VP. You get suitors by standing out.

Karua might be betting on the fact that alliances or coalitions are likely to become a permanent feature of our politics, after expiry of national accord. She also might want other key political players to view her as the bridge to the Central Kenya.
Karua is a golfer and she probably knows that like politics, the game is unpredictable, but a good drive, when you hit the golf ball the first time in every hole is very important.

Politically speaking, she is now on the fairway, still deciding the right iron and woods to use. She is yet to chip into the green and ultimately putt.

The spectators and her competitors are watching.

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**Youth should overcome political naivety, take over from old guard**

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XN IRAKI

Every generation must boldly decide what to do with the idealism and the energy of the youth. Our generation is no exception. Our situation is made more urgent by the proportion of the youth in our population.

A comparison with Japan brings out the evidence more succinctly. In 2008, the age 0-14 made 13.7 per cent of the Japanese population, those aged over 65 years made 21.6 per cent. In Kenya, the equivalent proportions are 42.2 and 2.6 per cent. Clearly, Kenya is a young nation. Our population growth rate is 2.76 per cent. It is negative 0.14 for Japan.

Yet most of our political leaders, in both sides of the political divide are elderly, the pre-independence generation. Which age group should then lead us? Does the bold suggestion that leadership by 30s and 40s age group will usher in renaissance or rebirth hold water? Is this age group prepared for leadership or simply inspired by US President Barack Obama.

What are the characteristics of the 30s and 40s generation? Are they ready to carry the burden of leadership?

They were mostly born after independence, after Uhuru. They went to school in the 1970s and 1980s, leaving school when opportunities were plenty and optimism was at its apogee. They have less attachment to the past, they are well travelled, global in perspective.

If they are so prepared for leadership, why have they not taken the mantle?

They will quickly claim the older generation has refused them. That is an excuse. The truth may be that they fear the burden and responsibilities of leadership. Why else are they marrying late? Having bashed the leadership in their youth, they may now have realised that dealing with human beings is no exact science. Recall the fiery Young Turks? What happened to their fire in the belly?

This group does not want to play it dirty. While they are realistic economically speaking, they still suffer from the idealism of the youth in their political life. This dualism is this group’s soft underbelly. They can live in air-conditioned offices; practise the management of multinational corporations but drive on the potholed roads. Instead of confronting the political leaders, they
prefer buying four-wheel drive SUVs. We would all wish this age group translated their technical skills into political skills.

When hard decisions must be made, this group shies away leaving NGOs and rent seekers in charge. They prefer to discuss politics in the privacy of their thoughts making recommendations buttressed in idealism; perhaps the reason old guards ignore them. Others observe this group’s success in their economic life is greatly diluted by their many classmates who fell by the way side courtesy of a highly selective education system.

The current economic and political crisis will make them wake up to the realities of their political naivety. Post poll chaos was their shock therapy. They ought to have realised that politics and economics are twins.

Their global outlook will make them realise there is no safe place to hide on this small planet. This will probably galvanise them into action, demanding accountability from the leaders. But they would be more effective if they were the leaders themselves, making hard decisions. My concern is whether their nuclear family view dovetails with the mass thinking of a typical politician.

If this generation can handle politics with the same motivation they have handled their economic careers, they can make a difference to the political future of the country.

If the twin crisis of global economic meltdown and the current political paralysis in Grand Coalition Government does not jolt this generation into action, we could as well bypass them and give the mantle to 0-30 year old generation; tested by joblessness, hopelessness, idealism and institutionalised pessimism.

**Why water is Kenya’s most strategic resource**

By XN Iraki

Great civilisations have always flourished near water.

The Egyptians blossomed by the Nile. The Sumerians in the present day Iraq built their cuneiform civilisation by the Euphrates and Tigris. The Roman Empire was around and about the Mediterranean Sea. When Empires collapsed replaced by modern democracies, the same pattern persisted.

The World’s leading economies are all by the water. They include the US, UK, France, Germany, Japan, and the emerging economies from Asian Tigers (Singapore, Hong Kong, Taiwan and South Korea) to the Celtic Tiger (Ireland). In Africa, the leading Economies such as South Africa, Kenya, and Nigeria are also by the waters. We could argue Botswana is by the Okavango delta. In US, the leading states have a shoreline. They include California, Florida, New York, Texas and Michigan by the Great Lakes.

Mississippi, Louisiana and Alabama also hug the sea but their economic performance has not been spectacular. That could a story for another day.

In Kenya, the leading cities are also by the water; Nairobi is next to Nairobi River, Mombasa, Kisumu next to an Ocean and lake respectively.

**The spell of the sea**
Nakuru is next to a lake by the same name. It curiously resembles the city of Barcelona in Spain; take a photo on the 17th green in the Nakuru golf course and compare it with a photo from the upper side of Barcelona towards the Mediterranean Sea.

Eldoret is also next to a river. Modern technology like water piping has not attenuated the strategic advantage of proximity to water. Whether you look at things locally or globally, it seems, there is something magical about being next to the water. Though Biologists will quickly add that water is life, it is more than that. If you sit by the sea and watch the waves break, you will probably feel the spell of the sea, you will feel belittled by the might of the Ocean.

Could this feeling be the invisible force that has made countries by the sea so adventurous and entrepreneurial? How did tiny Britain build an empire where the sun never set? How did the tiny Asian Tigers build a growth momentum that defies conventions making some huge countries look like dummies?

**Obsession with beach plots**

Some bold observers have noted that for the last one century the theatre of economic activities in the world has been the Atlantic Ocean – water again.

For the next century, they argue, it will be the Pacific Ocean before finally moving closer home to the Indian Ocean.

Following this thread of reasoning, Kenya’s most strategic resource is not prime plots around Nairobi but our coastline, the Indian Ocean which should be renamed the Swahili Ocean.

In our economic and political discourse, we rarely pay much attention to the sea, may be it has been there for too long, too familiar to think about. Our politicians spend inordinate amount of time discussing maize and land, but forget the fulcrum on which the world’s greatest civilisations has revolved around, the sea.

Could this have to do with the fact that our presidents, opinions makers and distorters have mostly been "land" people?

Look at the current food shortages. How comes no one, except Karanja Kabage is talking about eating fish?

We have 200 nautical miles, about 400km of the ocean that is our exclusive economic zone. Multiply this area by 500km of shoreline and Kenya suddenly looks bigger and stronger, both politically and economically. The strategic significance of Migingo suddenly disappears. And without violating international treaties, we could fish beyond the economic exclusive zones. Other nations have floating fish factories that catch fish, process them and can them for export, all in the Ocean.

Our thinking about the sea may have been blinded by our obsession with beach plots. We rarely think about the bigger picture, what lays thousands of miles beyond the shoreline. The closing off of beaches by individuals and firms like hotels should be treated as a crime against humanity, no-one owns the sea, and it should be accessible to all. Even America’s most prime beach, along Manhattan Island is public.

**Transportation lanes**

The strategic significance of the sea is more than food. Oceans are the world’s great transportation lanes, despite the piracy. Water transport is the cheapest, no need to build the ocean like roads or airports, just build the ship.
The debate about the second port at Lamu is diversionary. We need to develop our coastline with entry ports into the great hinterland that includes Eastern Democratic Republic of Congo. Are you aware that Juba is nearer to Mombasa than Port Sudan by the Red Sea?

Forty five years after ‘uhuru’, we have not only failed to build the car, despite our bold attempt with the Nyayo car, but also failed to make ship building one of Kenya’s major employers. Naval architecture should be one of the most popular courses offered in our Universities, besides medicine and Actuarial Science. Digression: a member of the cabinet recently called for the rival of Nyayo Car project, did we finally see the light?

Beyond naval architecture, our seaports should be booming economic zones.

China has led the way by locating special economic zones near the sea. This drastically cuts production costs, raw materials are easy to import and finished goods easy to export. It is easy to explain why China has become the world’s workshop like UK in the 19th century. How did we locate our export processing zones inland, away from our seaport?

**Illegal exploitation**

What about ocean sports like a yacht race from Tanzanian Coast to Somali Coast and back? Can we have an Ocean safari rally? Others have boldly suggested that by having a shoreline, a country gets a chance to show off by building a navy, which is necessary to secure this strategic resource from pirates and prevent illegal exploitation of resources in the exclusive economic zone.

If we focused our attention on the sea, we could create thousands of jobs, turn the current hunger into plenty and make Kenya a thriving economy in tandem with all other great economies and civilisations that have flourished by the waters. The ocean should not be seen as the playground for the rich after getting bored in the crowded and fastlaned cities. The Ocean should be the first building block in our relentless quest to turn Kenya into the ‘Swahili Tiger’-in my lifetime.

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**Why the Grand Coalition has not lived to our expectations**

By XN Iraki

President Kibaki has publicly shown his dissatisfaction with the performance of the country’s board of directors – the Cabinet. There is loud grumbling that Parliament has taken over some of the functions of the Executive. The Judiciary is under fire with some learned friends demanding the Chief Justice resign. Amid all this, nature has conspired to punish us. The rains have failed and hunger stalks this beautiful land. Economic crisis from distant lands has added insult to injury.

Our crisis of governance has even taken an international dimension with UN giving a negative report on the conduct of the police. A minister is banned from travelling to US. Poignantly, militant gangs have sown fear in our hamlets and communities.

The National Council of Churches of Kenya (NCCK) has a radical solution, call for a General Election, and let us start from the beginning.
What went wrong with Coalition? What can we do? Is NCCK right?

Some observers argue the state of affairs should not surprise; it was bound to happen. The PNU-ODM was a forced marriage, incompatibility; often a ground for divorce was always there. PNU is made up of MPs with lots of attachment to the old order. The younger PNU MPs lack the stealth and battle hardness of the ODM veterans who horned their skills in politics from youth. PNU see State power as the means to political end. ODM on the contrary has a disproportionate share of intellectuals and academics, who see brinkmanship as the means to power. ODM-Kenya is in between. Some boldly suggest that if solving real life problems were the criteria for being an MP, many would not be in the august House.

Each denied victory in 2007, the parties have been trying to live together, but with almost equal powers, they have been sizing each other. As they fight for superiority, the children (the whole country) suffer.

Dissolve Parliament

The inaction may be caused by MPs realisation that governing 38 million Kenyans in reality is different from textbook prescription. Realising that they are dealing with problems dating before they were born, they may have decided the solutions are with someone else, or "the government." The size of the Cabinet has not made matters any better. Some have noted that the PNU-ODM rivalry has permeated the civil service. We hope this rivalry will not get into security services.

New elections as suggested by NCCK will be resisted strongly by MPs who have fenced themselves with perks. Four more years cannot be "wasted".

Can Kibaki be bold and dissolve Parliament precipitating a General Election? He probably would love to do that but his close friends may not allow that. But NCCK might be right; the current paralysis would be resolved by getting an outright winner.

The other option is for the President and PM to be bold; reduce the size of the Cabinet to a manageable level, say 25. There will be grumbling and some flag fliers will throw tantrums. But Dr Wilfred Machage was dropped and handled that with respect and dignity. The only problem with this approach is that dropped MPs and their communities will "revenge" by voting against the Bills and government in 2012. Can our two principals risk their political future for us? My hunch tells me no. They will probably make a Cabinet reshuffle which will not end the paralysis.

A new constitutional order might be our best solution. It will specify the system of government and powers of the three branches of the government ending current amorphous power structure that constrains quick decision-making. Why not hold elections as soon as a new constitution is ready? That apart, the National Accord fixed the problems of our MPs, and power elite. The problems of ordinary Kenyans remain intact, unresolved.

That was not our expectation.

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Why growth eludes rural communities

XN IRAKI
Reliable economic statistics indicate that the City of Nairobi generates about 50 per cent of Kenya’s gross domestic product.

The city has less than 10 per cent of the country’s population. More than 50 per cent of the city’s population live in informal settlements, with the emerging reality that this wealth is generated and controlled by an even smaller percentage.

From the look of things, this wealth only leaks to the rural areas in drips during the general elections or festive seasons like Christmas when city dwellers get a chance to flaunt their wealth and mesmerise innocent rural dwellers. A part of this wealth leaks out to the global economy, since not all wealth generators are indigenous.

It is this concentration of this wealth that has made majimbo (federalism) so attractive, with most people believing that this wealth will be dispersed to the grassroots. The formation of Nairobi’s metropolitan area has increased the mystic of the city leading to a noticeable rise in land prices around Nairobi.

Economists would be at pains to explain why land prices are going up around Nairobi when the global economy is slowing down. Enough of Nairobi, the once green city in the sun. As it thrives, with some suburbs and shopping centres indistinguishable from those of advanced countries, the rural areas stagnate, forgotten by investors.

The attractiveness of Nairobi is to some extent increased by the United Nations Environment Programme and foreigners whose presence is contagious to their friends, relatives and admirers. That aside, why has economic growth eluded the rural areas?

The popular argument is that no one wants to invest there, including those who grew up there. With no infrastructure from roads to water and power, most investors shy away. No investors want to invest there out of sympathy or social responsibility. Under such circumstances, the only investor who can take a risk is the Government.

Government neglect

Some observers have argued unconvincingly that the creation of the many districts have a lot to do with attempts to shore up neglect of the rural areas. With the Government and individuals keeping off the rural, the regions have stagnated.

Lack of infrastructure is just part of the story. My observation is that locating near a tarmacked road, power lines or even a river does not automatically translate into improved economic status of the individual. Last week, we discussed the case of Wangige and other small towns near Nairobi that have all the basic infrastructure, but investors have eluded them.

The secret behind neglect of rural areas is skimming the cream. Every year, thousands graduate from our high schools and universities. They are the brightest and the most ambitious. Their next destination? Towns and cities locally and abroad. Every year, cities like Nairobi skim the cream from the rural areas and the quality and quantity of ideas that could transform the economics of the rural areas diminish. It is no wonder that the rural areas continue to decline, as towns like Nairobi thrive. It seems that the much talked about brain drain is not a poor country – rich country phenomenon; it happens right here, under our noses.

The plight of the rural areas is made worse by another problem, traditional cultures. The young men and women left behind marry earlier, get more children and ably perpetuate the vicious cycle entrapped by hopelessness and frozen prospects. Some argue this ‘rural think’ is easily
transmitted from one generation to the next. Some traditional beliefs like witchcraft have added to the woes of the rural areas, adding fear to hopelessness. Other observers have boldly suggested that religions of all shades thrive in rural areas, ensuring that the mind set of these regions, where the majority of Kenyans live, are held constant.

Where do we go from here? Will rural areas ever thrive?

There have been many attempts to loop the rural areas into the national economy starting from district focus for rural development. That initiative fizzled out. Majimbo at independence was aimed at ensuring that the rural areas could take charge of their own economic and political destiny. That initiative was killed replaced by a highly centralised system centred around Nairobi.

Starved of ideas

The best hope for rural areas has been the county councils. But they suffer from the same problem of the rural areas; it is not the most ambitious and the talented that lead county councils.

Starved of ideas, the county councils have been surviving on Government handouts. No wonder the Minister for local Government is determined to merge lots of county councils to reduce their costs and increase economies of scale.

This is a step in the right direction. In other countries, county councils or local government are in the forefront in marketing themselves as investor’s destinations. Few NGOs venture into the countryside, not that there are no needs, but the returns are not that lucrative.

The most current initiative to loop rural areas into the national economy is by wiring it through the fibre optic cable. But what is not being debated is the content; what will be carried through these cables. The curriculum of any institution is more important than the buildings themselves.

The best approach in bring in the rural areas into the mainstream of our economy is to change their thinking. Throughout history, education has been the tool of choice in changing our worldview. But are the best schools in the rural areas? Most schools there suffer from understaffing - all teachers want to be in towns.

They don’t attract the best students and more poignantly, they are too homogeneous, leading to less competition and perpetuation of old order or even disorder.

The Government must make deliberate moves to shift resources to rural areas where they are most needed. We need some devolution so that the wealth of both property and ideas around Nairobi can be dispersed to all parts of the country.

Finally, as election chaos showed us, we neglect rural area at our own peril. The rural folks are our brothers and sisters; they deserve our help and assistance. We cannot achieve Vision 2030 without refocusing our economic initiatives to them.

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Intrigues in Grand Coalition have more to do with future than past
By XN Iraki

It seems PNU and ODM have lately engaged the services of comedians to relieve, stress, or just entertain.

One such comedian ably described the intrigues in the Grand Coalition: “Our partner has eaten his half loaf and is now after our half”.

The other comedian took a real loaf to a public rally and demonstrated how it was shared.

Is it true each party got half a loaf? Is it true one party is raiding the other’s loaf? More poignantly, were the half loaves distributed and to who?

Truthfully, there might have been omissions in the National Accord. But by signing it, the interpretation is that both parties were satisfied. The current complaint is akin to marrying a girl; signing the marriage certificate then declaring a year later she is actually ugly. This should not surprise anyone; too much logic would leave lots of men and women unmarried.

The accord was signed under great emotions, when bloodletting was real. It would have been unusual to expect lots of rationality in such circumstances.

One year up and both parties have sobered up. Like a newly married couple, where else do you go after the honeymoon and all the visitors have given their gifts?

Some pessimists argue the next thing is to wait for the next big ceremony, a funeral service for each of you, when the same flowers carried on the wedding day are brought back. Politicians fear the same fate awaits both parties in the 2012 General Election. The two parties can now see clearly through the National Accord — the political mist has cleared.

ODM seems to realise they did not extract enough concessions to give them a strategic head start in the race to 2012. They feel they missed out on some powerful ministries to leverage the 2012 contest. Why is there a call for police chief, Internal Security Minister and Attorney General to be sacked?

**The half loaves**

What is strategic about these dockets?

But the ministries are a minor issue. The main driver in the current intrigue is that the half loaves were to be shared among all Kenyans. Those who missed out are asking, wapi mkate? They include the unemployed youth, the sick and poor. Victory for each party was supposed to be translated into jobs and contracts for party members, their friends and relatives. Nature has made sharing of halves difficult. The half loaves could have multiplied through economic growth, which has slowed courtesy of the weather and global recession.

Politicians know the voters may not care about the weather or global economic meltdown; so use a popular approach, blame your partner. If the children have nothing to eat, the wife can blame the husband for bringing nothing home, the husband can blame the wife for not cooking, as the hapless children starve. After exchanging blames, the next logical thing is to seek sympathy.

One party is appealing to international community, which mediated the accord. The other party, PNU is even daring the other partner to quit.
Another source of intrigues is the realisation by ODM there is possibility of sinking together with PNU in 2012 after eating together. They must constantly remind the voters, "It wasn’t me" to quote pop musician Shaggy.

While the National Accord helped solve a political problem the economic and social problems from poverty to joblessness, ignorance and diseases persist. But trading blames has never solved any problems.

We created all the current national problems together; we must confront them together. Though foreigners might help us, they too have their own problems. They also have their well-defined strategic interests.

As long as our problems are left for the "next government", a pattern replicated since Uhuru, the intrigues will not end and vast majority of Kenyans will remain mired in hopelessness, which is unacceptable.

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Urban economics: A tale of two cities

By XN Iraki

Urbanisation seems to be the hallmark of all advanced societies.

By building together it becomes economical to provide social services like security, water and sewerage.

Data shows that the more advanced a society is, the more urbanised it is. But urbanisation can at times be puzzling, defying laws of economics. A case in point is Wangige, a small town 15km from Nairobi, while another is Kitengela, 30 km from the Capital.

Wangige, further up Lower Kabete Road is situated in a well watered place, strategically located near Nairobi. But curiously, the ‘goodies’ from Nairobi seem to evade Wangige.

It seems a town frozen in time and prospects. Any one visiting Wangige for the first time would not believe the place is so near Nairobi.

Kitengela is in a semi-desert location on the Nairobi-Namanga Road, on the way to Tanzania. It is a much younger town, but it far outpaces Wangige in terms of growth. Why the difference, what is the economic tale behind the two cities?

Some observers may blame politics and argue that Kitengela has been represented by a powerful minister who was once a vice-president. We could attribute Kitengela’s growth to the ‘Saitoti’ effect.

One could ably argue that Wangige was there when the President came from Kiambu, unless the small town could not experience any economic spill over from nearness to power.

We could also eloquently argue that current and past MPs from this area have had no political clout to bring any bacon home. Other observers argue that Wangige could be representative of most Kiambu small towns that have refused to grow.
They cite Kikuyu, Gachie, and many other small towns. With or without such MPs, the proximity to Nairobi should have had a higher economic impact.

For most of these small towns, you pass through posh estates then you are suddenly struck by the ‘ruralness’ of the small towns so near Nairobi.

**Role of politics**

To Wangige, you pass through Spring Valley, while to get to Gachie you pass through Nyari and Westlands. While politics can be good dustbins for our failures, we need to be realistic.

Why has Kitengela outgrown Wangige? The secret lies in culture, whose effect far outweigh economic forces. Wangige by tradition is a very homogeneous town where everyone talks the same mother tongue. The land tenure systems make it very hard for anyone to buy land and put it into better use.

Land in Wangige is owned by families and disposing it is a legal and cultural landmine. When people buy land in a new place, they do not just bring body masses, they bring new ideas that force the natives to think differently. Buying land in Wangige may be more than having enough money, it may matter who you know there. In Kitengela, all you need to buy land is money. There are as many strangers as you. What ties you together is not kinship as in Wangige, it is the money.

Without any cultural hindrances anyone with money moves to Kitengela, the place is enriched with different cultures and ideas.

The competition resulting has made Kitengela a more vibrant town. The economic tale behind Wangige and Kitengela can be generalised. The only reason Nairobi contributes to 50 per cent of Kenya’s gross domestic product (GDP) is because the cultural roots in Nairobi are loose, people are driven by economic self interest that force them to be competitive. Nairobi is a swirling vortex that sucks the ambitious and the talented from all over the world. They bring their ideas enriching the economic and cultural life of Nairobi. For Wangige, the ambitious and the most talented are sucked out. Such rural areas remain like skimmed milk; backwaters deprived the most important resource in economic growth, ideas.

This sets a vicious cycle. Since the talented leave, there are no new ideas and the town declines further, leading to uneconomical behaviour like crime. The last time I was car jacked, I found myself not far from Wangige.

**Vibrant states**

At global level, leading towns happen to be the most diverse. London is very unlike a typical British city. If you visit Los Angeles, Toronto or New York, you will be very much at home. You will talk with an accent like anyone else.

America’s most vibrant states like California and New York also happen to be the most diverse, attracting talents and ideas, ceaselessly renewing themselves. Where do we go from here?

We need to unlock the economic potential of our small peri-urban towns and rural areas by enriching them with diversity.

Before post-election chaos and the land clashes of 1992 and 1997, Kenya was moving more towards the Kitengela model as opposed to the Wangige one. The immigrants in Rift Valley
brought new thinking and new ideas. In fact, Rift Valley had the potential to rival Nairobi as the economic epicentre of the country.

That has since been deferred. We were simply following the global model, where talents are attracted to where they can earn the highest returns, not necessarily in terms of money, but also in high standards of living. What attracts foreigners to Kenya despite all the negative reports about insecurity?

Attachment to land

By ending our age-old attachment to the land, we could unlock the potential of these small towns. I at times wonder whether the owners of the small pieces of land near Wangige know how much gold they sit on.

Some argue this culture is ending, and the younger generation is seeing land for what it is, a factor of production, and not a cultural curiosity. The younger generation is realising that a good life has nothing to do with land; it has a lot to do with how you can combine the factors of production—what entrepreneurship is all about.

We are attracted to towns not by buildings but by opportunities already present or we can create. Truthfully, we see such opportunities better when uprooted from the comfort of our homes. Economically speaking, the Kitengela is superior to the Wangige model.

Until we build enough confidence so that entrepreneurs can relocate to anywhere in this country, some towns will remain frozen in time and prospects. The tale of two cities will not end with Wangige and Kitengela.

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We should not send wrong message to students that competition is bad

XN Iraki

The Ministry of Education has abolished school ranking at KCPE and KCSE levels.

Some support the move arguing it will force schools to concentrate on individual students, because we are all different. Modern psychology and even common sense confirm we are different; preferring different learning styles and it is unfair to compare us. This thinking however contradicts sharply with our traditions, where ranking occupies a special place in our national psyche.

Our testing system is more norm referenced, close to Scholastic Aptitude Test (SAT) and Graduate Management Admission Test (GMAT) and other aptitude tests, where you are compared with those in the same group or cohort. SAT and GMAT scores are given as percentiles indicating the percentage of the members of the cohort that did better than you. Some experts argue criterion referenced tests, which test if the students have mastered specific skills or concepts, would be preferable.
Others argue almost to the point of conviction that it is impossible to abolish the ranking system; otherwise an alternative must be created. True, the media has already created such a system based on the number of students in the top 100 positions in the province or nationally.

Other observers boldly suggest that ranking schools force all the students to work towards collective good, and the non-ranking system will make schools focus on the bright stars to appear among the top 100, another ranking!

Our debate on ranking leaves out the basis of this grading in terms of skills, knowledge and attitudes. Will they make the students competitive throughout life, helping them adapt to ever changing world? The principal of Strathmore School correctly argues that what matters is the numbers of students going for professional courses like medicine or law and not school ranking. Would this be a better basis for schools’ ranking?

Markets (parents and students) use ranking to give a value to a school, economists argue. Hotels use ranking from one star to seven stars (Burj Al Arab Hotel in Dubai) to determine quality of service and prices. We could counter-argue that hospitals and laws firms are not ranked, but we still know the best ones.

The Ministry of Education may not be saying it loudly but ranking is lucrative business. Highly ranked schools get the “mandate” to increase their fees without anyone raising eyebrows. Which parents would complain about fees if the school performs? This is economics 101; high ranking leads to increase in demand and by extension a rise in fees. In the West, ranking focuses more on the universities, which feeds into their fees.

The main problem with our ranking is that it tends to ignore those on the lower tail, to be statistically savvy. While we rank the top 100, we conveniently leave out the lowest 100.

Ranking should focus more on the most disadvantaged. Globally the hallmark of an advanced nation is how well it takes cares of the disadvantaged members of the society.

Where do we go from here?

Progressive societies appreciate merit, with the best brains rewarded because they are expected do the greatest good for the greatest number of people. Such societies never atrophy; they are forever renewing themselves through creative genius of its people.

Truthfully, graduates often discover to their dismay that ranking in real world is not based on your IQ or educational performance but on amorphous factors like your social networks and class. Performance contracting could reverse this.

We must be careful not to send a message to our students that competition is unhealthy. Competition will always be with us. Communism failed because it abhorred competition.

Finally, we need to take our ranking to the global level. How does our leading student rank say in comparison with Japanese, Americans, Aborigines or Indians of the same age?

End the show now, let real business begin

By XN Iraki
You will not know when you are at Harvard University. Talking a walk into this school’s hallowed grounds, the dream of every child from the rice growing plains of China to the lion infested plains of the Savanna, there are no grandiose signboards.

The University is a part of its environment in its character and its architecture; no grandiose buildings, and when new buildings come up, like the one recently donated by Bill Gates, it rhymes with the older buildings and the environment.

Like a monument of time, Harvard stands watching over the City of Cambridge, and the slow flowing River Charles. It has done that since 1636 when John Harvard founded the institution.

A few hours drive from Boston in Newark, near New York, is Rutgers University adjoining New Jersey Institute of Technology (NJIT). The same pattern is followed. None of these premier institutions has a gate or an eye glaring signboard to disrupt your attention from the core, the spirit of the institution. The pattern repeats itself throughout the US.

Show-off is rare. At Harvard and NJIT for instance, the administrators occupy the oldest buildings while, the President of Harvard University has a suite in one of the undergraduate dorms!

In Kenya, show-off is a big business. Yet not many people notice what you show off to them. But show-off is often taken to the extreme: you show off your car to people who have no shoes or are waiting for theirs to come out of the factory.

And why do we like building our houses next to the road even when land shortage is not a problem. We have big signboards showing where certain institutions or firms are.

But do they live up to these signboards? How do their traditions, ethos, policies, and identity contribute to society?

When you hear of Harvard what comes into your mind? Great buildings? Great gates? Signboards? It is ideas generated there which flow into the community unhindered.

**Fitting in**

Show-off is very expensive business, not just money wise, but even psychologically. Ever tried to fit into a group where you don’t?

The truth is that great institutions, firms and even families are best known for the invisible contents, what we cannot see: the management systems, the work ethics, the attitudes, rich history, the standards, the beliefs, the aspirations, and expectations, either of those within them, those who passed through them and that of the society at large.

This is true of any American or Kenyan firm or institution, be it MIT or Githaka-ini high School. The obsession with show-off has failed us in building solid institutions that can outlive us. In great institutions, systems are impersonal (Max Weber the genius who gave us bureaucracy to misuse could smile at that).

Such systems are based on solid ethics and tested traditions, those who go through such systems or institutions be they educational, business or social, like clubs or sororities, acquire certain ideas and attitudes, which though they could be elitist are also progressive.

They acquire confidence, set high standards for themselves and others, have great visions for themselves and for humanity, belief in justice and meritocracy, see the world as their market, see the past as their
inspiration and not a scapegoat or dustbin for their failures. They often mourn the finiteness of life for they
know their potential is limitless.

If you visit such institutions in the West, East or even in Kenya you will not see huge signboards but once
you are inside you will feel the spell, the unexplained force that urges you to excel, be above average and
try and leave a lasting legacy.

**Spirit of excellence**

One such force is inspiration from past achievers. Buildings are named after achievers, statutes and plaques
celebrate the spirit of excellence. These monuments constantly remind the living of their obligations, like
the statue of John Harvard at Harvard University.

He sits there motionless, staring at you as if he knows your motives, his left shoe shiny from constant
touches. There is a belief that touching that left shoe could bring you luck, even at Harvard! Why were
Geoffrey Griffins and Carey Francis buried in their school compounds? By focusing on the visible show-
off, we have put our past in jeopardy and we have spoilt our inspiration. It is no wonder Kenya has a
serious shortage of heroes and we all yearn for an emancipator, to set us free either from own failure and
make what is wrong right.

This obsession with show-off is yet another enemy of progress. We should be more concerned with what
will outlast us, what will remain after nature finally wins us over. We should be more concerned with our
institutions be they our schools, our families, our governments or business empires.

Is it not time we focused our attention on what matters, what is lasting, not just in our homes and
businesses but even in politics? I hope the constitution review will ensure that happens. It should not be
another show off. After all, great nations have flourished or withered depending on the strength or
weaknesses of their institutions. That is not about to change.

We also must accept the reality that like all shows there comes a time when the actors must get off the stage
and spectators go home.

In Kenya, we seem to have interchanged acting and reality. We act at home, on the streets, in our offices,
everywhere. The results are there for all to see-from institutional decay to pervasive hopelessness. If the
business of show off has been unprofitable it must be abandoned immediately.

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**The Grand Coalition is a year old, but will it last until 2012?**

By XN Iraki

The Grand Coalition Government is a year old, enough time to evaluate and muse about its
future. To most Kenyans, the coalition, through the National Accord, saved the country from the
brink of self-destruction. But it was more than that. Through the accord, politicians gained big
ministerial posts, and ring-fenced themselves against sacking.
Foreigners got more clout in running our affairs and we seem to love more of that with the Prime Minister even suggesting an expatriate should chair the Independent Interim Electoral Commission (IIEC), maybe an echo from the past when the Chief Justice was always a foreigner.

To the vast majority, the accord brought back normalcy at a great cost. Long-term relationships were shattered. We started fearing one another. Our reputation and pride were injured. We became more ethnically conscious.

Entrepreneurs who had worked all their lives lost their hard earned earnings. More poignantly, we realised that the line between peace and chaos is blurred.

Through trials and temptations the accord has lasted a year. Will it last until 2012?

The answer is definitely yes. The structure of the accord ensures that none of the two parties will withdraw and lead to premature death of the coalition. The coalition closely mirrors the Cold War that pitted the US against the Soviet Union. Each of the two countries was assured of destruction if it attempted to attack the other. In the same way, neither PNU nor ODM would want to be the first to withdraw support. But even more interesting the end to the accord could precipitate an election in which several MPs, including Cabinet members, would lose.

But losing an election might not be the best incentive for the coalition to last until 2012. It is the high salaries MPs get together with perks such as pension, duty free cars, travel abroad and a generous medical and insurance cover. Only a very naÔve person would risk such a financial bonanza.

**What will happen between now and 2012?**

The two opponents will continue trading verbal missiles and use the lull to prepare for 2012 General Election or earlier if one of the parties senses an obvious victory.

The missiles are there for all to see. They range from IIEC chairman selection tussle to Cabinet leaks, scandals, censure Motions and indecision over The Hague or the local tribunal. Each party will attempt to gain as much political leverage as they can before 2012. Some parties are even distancing themselves from Government programmes; a clever move because being against the Government is often a vote winner. That is unlikely to change in 2012.

In the run-up to 2012, there will be a high possibility that new special purpose vehicles like ODM or PNU will be manufactured or bought to take our politicians to the Promised Land. Some politicians like George Saitoti and Martha Karua are taking charge of theirs early.

But just as the Cold War was won on the economic front, when USSR could not cope with the USA ploy on military build-up, so will the PNU-ODM cold war be won.

PNU and ODM must now stick together even though the economy has slowed and the promises made in the last General Election remain unfulfilled. It is another question if they will sink together in 2012.

But the coalition is having unintended consequences. Corruption is hard to rout because friends must be protected, Government decisions are hard to make because consensus must be made on both sides of the divide. There is more pressure for regional balance in public jobs not so much for equity but as an avenue for MPs to show their constituents that they can bring bacon home.
I digress. Someone has boldly suggested that Prof Philip Alston’s report has more to do with attenuating the influence of Iranian President’s visit than anything. What do you think?

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**We should not resist technology, we should enslave it**

y XN Iraki

Not long ago, tea workers went on strike over the lifting of a ban on mechanised tea picking. Why such resistance to technology in a country where science is taught in all schools? Where would we be without machines, without technology? Since when did man start fearing a product of his own hands?

Yet, in other countries, cotton and even corn (maize) are harvested using machines! In America's Deep South, technology quickly filled the void after slaves were emancipated.

However, our resistance to technology is not new. Recall the 1970s when computers started to make inroads into Kenya? There were complaints that computers would destroy jobs. Today, computers are viewed as job creators and one of the most popular courses in universities worldwide is computer science.

Every so often a new technology is invented that changes the way we do things, the way we view ourselves. Such technology, called "disruptive" by Harvard don Clayton Christensen replaces the dominant technology of the day. Examples range from the railways to the Internet.

**Defending the turf**

The horse industry did not take the railway kindly. The railway industry did not welcome the car industry, which may not have welcomed the aircraft industry with open arms.

Every industry defends its turf because every change spawns winners and losers. In the long run, new technology usually wins because of increased efficiency and productivity and its association with status. Even people who have no idea what a byte is are happy reporting they own the latest lap top computer.

Back to the tea plucking and pruning controversy.

Who wants to incur losses when machines can reduce the costs? Machines never go on strike, never get tired, need little supervision and never get bored or annoyed.

Why should we use our hands where machines can be more efficient?

Politicians often want to gain mileage on purely economic and technological issues. They saw tea pickers as voters who must be placated.

The tea farm owners who happen to be multinationals appreciate the role of science and technology; they have seen its wonders in mother countries.

**Neglecting science**
But the issue was more than politics. After neglecting science and technology for a generation, the chicken have come home to roost. Most of our policy makers are liberal arts oriented, with economics gaining lots of popularity, and recently political economy (whatever that is).

Rarely do we "talk science or technology" in high places. But we never hesitate to exploit the products of science and technology, from big cars to slick phones. Why do we have winners of national drama festivals going to perform in State House and not winners of the Science Congress competition? Who are more critical to the future of the country?

Why don't we think of designing tea plucking and picking machines ourselves? If we do not complain about combine harvesters for wheat, why did we complain about mechanical tea pluckers and pruners? Why can't we ban combine harvesters so that we can create jobs in threshing wheat?

A new world

In Kenya, we often refuse to change our way of thinking even when circumstances demand us to do so. Today, the world is driven by science and technology. Why are we eager to embrace the latest mobile phones and not tea picking machines? What is the difference between the two technologies?

Our policy makers are too busy thinking of "big" things that they have forgotten the most basic but most important things. More than 60 per cent of university students are in humanities or liberal arts areas.

They are waiting to finds jobs created for them. Even the technical institutes have not been left behind. They are teaching business courses instead of nanotechnology or gene programming. We love teaching business administration (including myself), but not business creation. How comes all the new Universities are arts/humanities oriented?

The person who starts it all is the entrepreneur— the risk taker. But in Kenya, taking risks is what we love to avoid, no wonder Government jobs are so popular, they are already created for you and safe till retirement. Our MPs are leading the way in avoiding risks, making money without a sweat.

Soul searching

Today's leading enterprises are based on science and technology, from Cisco to Google and Toyota.

The hard truth is that governments create few jobs, except administrative ones, which are not so entrepreneurial. People like you and me create jobs by taking risks. The Money set aside for the youth and women should reward the entrepreneurs.

Where do we go from here?

Instead of opposing mechanised tea picking, we should do serious soul searching, and ask why we did not invent that machine and many others. How long shall we import technology? When shall our scientists and engineers who are as intelligent as any under the sun rise to the occasion? Should we teach commercial piloting or aeronautical engineering?

We need to start in our schools; we must make children see the power of science and technology, by doing science.

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Only a clean break with the past can turn Kenya into a rigorous economy

By XN Iraki

Twenty years ago when I was younger and more innocent, I made a courtesy call at Kenyatta University (KU) looking for adventure and romantic fulfilment.

Through luck and some creativity, I did not come out empty handed. I got a woman who saw the potential in me. Without an endowed pocket, I took her for a walk past Nyayo Hostels across the railway line into the empty land where a new housing estate has cropped up recently. We sat by a huge dam threw pebbles into the water and dreamt about the distant future.

This year, I returned nostalgically to the same spot where my heart once blossomed before the realities of life turned the summer in my heart into a winter. I was shocked; the dam was not there. I was told it was drained to make way for plots.

Last month, there was a report of a 300-acre wetland in Nyandarua that a co-operative society intends to drain and convert into plots. To deal with drought and unpredictable weather, settlers built the wetland, like the dam near KU. Now they are gone, when we need water most.

How do you explain the draining of a dam predating independence to make way for plots? There is no doubt that majority of those buying the plots at Ruiru are well educated. Worldwide the most expensive houses have a waterfront, it does not matter if the water is a lake, sea or dam.

Try buying land around Lake Naivasha or a beach plot.

The few examples make us suggest that the Kenyan software, the way we think and see issues, needs reprogramming. Some may even say our operating system needs a reboot.

In every sector, from architecture and estate planning to politics, we need re-thinking, reprogramming.

The frustration expressed by our religious leaders over our national leadership runs deep, from streets to every hamlet. We all seem to know we have a problem but instead of facing it head-on, we prefer to blame each other, and look for excuses. The reality is that we have now run out of excuses.

Economic renaissance

The myriad problems from traffic jams to running our critical institutions need our solution, our rethinking. How can we stay without an electoral commission when the country teetered on the brink of collapse because of the way the polls were run?

Some bold observers will argue that education ought to re-programme us, to see things clearer. Science teaches us about the cause and effect so that long before we take action we know the consequences. It is, however, paradoxical that the country seems to have more problems when we have more graduates than any other time in history.
Some see foreigners as the solution. Did we not demand a foreign coach for our national football team to win? We have had this thinking for a long time. The results are there for all to see. Nobody can solve our problems better than ourselves.

Did we not experience economic renaissance in the last few years only after financing 95 per cent our budget?

Other observers suggest that we cannot re-programme the current crop of leaders, we need to bypass them and reach the next generation, our children and teach them new thinking. Other nations did that long before us and we cannot be an exception.

Some have argued that President Moi’s shift from ‘A’ level to 8-4-4 education system was a bold attempt to re-programme our thinking.

Great leaps forward from landing on the moon to the rise of Asian Tigers were preceded by transformation, re-programming of the national thinking through education.

The need for national re-programming is what is making a transformational leader so attractive. But let us face it, as was seen with Narc and now Grand Coalition, re-programming the national psyche, our way of thinking, is not an exact science, but the stuff from which great leaders and nations are made from. It is the stuff from which the new Kenya®, the "Swahili Tiger" will be made off.

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**Branding Kenya makes economic sense**

By XN Iraki

One of the youngest Government entities is the Brand Kenya Board, whose headquarters are on the 28th floor of Teleposta towers with a scenic view of Uhuru Park in Nairobi.

The body's main mandate is to "enhance our national image and identity, the focal points for harnessing our energy, warmth and entrepreneurial spirit," to quote the CEO Mary Kimonye.

The Brand Kenya Board mandate includes creating an integrated national brand, identity and pride in every Kenyan, in addition to restoring international confidence in the country among investors, visitors, tourists and development partners.

The efforts of this new body should be synergistic to private sector initiatives.

There is no doubt that last year’s post-election chaos dented our image and brand.

The images of roadblocks and marauding youths made more lasting impressions on our friends and admirers than the images of the big five and our scenic beauty.

**Safari country**

There are countries that immensely benefited from our misery, and we need to fight back to win the market we lost.
A good brand translates into a bigger market for our goods and services and more jobs.

How then do we brand Kenya? What should be the major anchors?

Currently, Kenya is branded as a Safari country where wildlife roam free.

This brand has been competing with the marathon country, where everyone is a runner. Kenyans visiting the West are often asked perplexing but innocent questions like if they walk with animals on the streets. An Interbrand Sampson’s recent survey indicated that Kenya contributed about 12 per cent of Africa’s brand before the post-election skirmishes.

We need to increase this percentage, which will be translated into money brought by investors, visitors, tourists and greater consumption brought by our feel good effect.

Many countries have deliberate efforts to build national brands and images. They use the brand as a competitive tool. A national brand differentiates one country from another.

**Enhancing beauty**

A country is a like a young lady, who no matter how naturally beautiful she is, even with a gap between her teeth, must enhance her beauty through perfumes, attire and exposure; no one can declare himself/herself ugly, irrespective of what one sees in the mirror.

What comes into your mind when countries' names are mentioned?

China is the world's factory, France is where best perfumes and wine are made, even though some Frenchmen earn a living from making neither.

Germany is about advanced engineering, Japan electronics, while the United States is for movies.

Egypt is the land of pharaohs, ancient history and the great Nile. What of our neighbours like Tanzania and Uganda?

Brands often fade with time. What happened to "Made in Great Britain"? How do we enhance our brand? This is not difficult if we can package our strengths and attenuate the negatives. Who do we target as our investors, visitors and tourists?

They are people different from us in terms of culture and upbringing. We need to reassure them that Kenya is the place to be.

More often they start by getting the wrong information through the media or even from rumours.

The first step would be to focus on positive news anchored in our collective history and achievements.

**Positive news**

While most Kenyans aspire to visit US or Australia, they are attracted by the positive image.

Have you seen images of dead Americans or homeless men? Yet death and homelessness are realities in advanced economies.
However, when visitors come to Kenya, a must destination is Kibera. Do our Kenyan dignitaries visit ghettos when they visit western countries? As James Ohayo, a communications expert once put it, image is everything, and we should fake it till we make it.

We can include our diversity in the brand package, but too often we often leave out some ingredients in our cultural diversity, the Caucasians and Asians (including Arabs), who have been here for more than a century.

**All about image**

Some bold observers have even suggested that by projecting the images of these permanently settled immigrants, we shall attract more investors and tourists once they realise people who look like them are actually Kenyan citizens!

How would you feel if you visited Siberia and found a black man who in fact converses to you in your own mother tongue?

Our brand should include the Great Rift Valley, the sceneries and the endless beauty.

Those who have travelled outside Kenya may confess there are ugly countries and Kenya is not one of one them.

You can visit deserts, beaches and snow peaked mountains in a day. This beauty is unrivalled and we have not marketed it enough.

The only place that can rival Kenya in beauty is California, with a striking similarity between Naivasha and Simi Valley, where the late Ronald Reagan is buried.

We do not even remember to remind the world that River Nile starts from Kenya; are river Nzoia and Nyando not extensions of the Nile?

We have ignored our history in our branding exercise. One of our most renowned brands is Jomo Kenyatta. See how US President Obama has used the Lincoln Brand? Kenyatta is a still a mystic; a great attraction to would be visitors and tourists to Kenya.

His birthplace should be a national monument. Don't we visit Mandela's house in Soweto? Did Jomo Kenyatta have a house in Nairobi?

**World’s golf capital**

Why don't visitors come to see the Mau Mau hiding places in the Aberdares? Can we package our colonial history and sell it to the world?

Finally, we have failed to sell package, brand and sell a very cheap commodity, the sun! We have it all years long.

Those who have lived through a winter will appreciate the sunshine.

Should Kenya not be the golf capital of the world? What are coffee estates doing so near Nairobi?

They should all be golf courses, with Tiger Woods and others playing there with their dollars. Who said the only game Kenyans can win is marathon? Should we not focus on "cooler" games like Golf?
In branding Kenya, we should use the “Google” approach. This firm, hardly ten years old, sprinted ahead of age-old firms in brand recognition because its founders were innovative, creative and enterprising.

Kenyans are regionally branded as innovative, creative and aggressive.

It is time we used these assets to brand Kenya, and even anchor our brand name The Swahili Tiger.

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By choosing The Hague, MPs wasted a chance to build our courts

By XN Iraki

In our long history, even when extrapolated into prehistory, few Kenyans have ever been forced to leave the country. Most left voluntarily seeking further studies, jobs or plain adventure.

One unique group whose memories have faded into the mists of history constitutes the veterans of World War I and II. They fought for the British Empire, returned home with few honours and found no resting place in the Commonwealth memorial cemeteries scattered all over the country.

The Hague may reverse this trend. We have not internalised the drama that would surround sending the suspects to The Hague. Would they take themselves to The Hague? Would they be arrested at night or daytime? Would it be Kenyan police or Interpol?

Where will their supporters be as they are arrested? What of their families and relatives? While we could ask the same questions for the innocent Kenyans who have died in periodic bloodletting orgies, we have not fully internalised the intricacies of The Hague. And more poignantly, for those who did not sleep through their history lessons, can you imagine a British judge trying a Kenyan at The Hague for a crime against humanity when the atrocities against Mau Mau took no one to The Hague or any other court? Clearly there is more to The Hague than meets the eye.

First, The Hague is favoured because we feel our institutions, particularly the Judiciary, cannot be trusted. Other countries do not send their citizens or those who commit crime in their land to Hague, they deal with them. By going The Hague route, we have squandered a chance to build legal institutions to deal with future threats to national security and institutionalised impunity.

Manipulation

The Hague route is an indirect vote of no confidence in the Judiciary. What will happen to the 800,000 cases the holloi polloi of Kenya have in courts? Most Kenyans feel The Hague will revenge on their behalf for the excesses committed by political leaders we feel helpless against. We fear that local courts will be manipulated. Can’t The Hague be manipulated? Will the suspects not get access to the best lawyers of their choice?

Two, and we have stated this in the past, power has shifted from the Executive to Parliament. The presence of Prime Minister and the President in Parliament left no doubt that the two principals were there in their capacity as MPs. Who was taking their position as President and Prime Minister?
The MPs, by defying the two principals, may be sending a message, "we are in control". The voting pattern defied the party divides, and perhaps portrays the fears and misunderstanding of what The Hague and local tribunal entails.

Three, The Hague route shows power has slipped from our political leaders to powers outside Kenya. Does anyone get surprised by our MPs’ determination to honour the Waki Report’s timetable? Does it surprise you that once the MPs vote the chain of events will be decided by eminent persons (with no Kenyan among them) led by former UN Secretary-General Kofi Annan?

It seems that by behaving irresponsibly, we invited others to take control of our house. The vote against local tribunal clearly indicates we are willing to cede more ground.

Four, The Hague route left the two principals bruised, with the Prime Minister Raila Odinga taking more political flak. President Kibaki will leave in 2012 and the PM will find it hard to extricate himself from the current political undercurrents. We predict MPs will invite the two principals to more political duels in future.

Five, who is leading the ‘rebel’ MPs? Can he "pitia Kati kati ya Kibaki na Raila" come 2012?

Finally, political observers boldly suggest the decision to go to The Hague will be a political watershed in 2012. Really? Suppose out of political brinkmanship or carelessness, the Waki envelope is opened around the year 2012?

If we are taking The Hague route, the plane should be on the tarmac now. Any Hague business near 2012 will be a risk to national security.

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Could the accidents be a sign that Kenya needs a break?

By XN Iraki

Tired or exhausted people are more prone to accidents. Fatigue often reduces our concentration and focus. To arrest the slide towards this fatigue, we often take a break at night to rejuvenate. Weekends are supposed to be for resting too. In our beloved game of football, players often get rest time, half time. Most companies give their workers an annual leave. But when we get irreversibly tired, nature gives us a permanent leave when our friends, admirers and a few idlers escort us to our final resting place where we lie silent till the end of time or resurrection depending on your belief.

Could the accidents we are witnessing be a sign that our country is tired and needs a break? Who is tired and what can we do to motivate them to avoid accidents?

Interestingly, we get tired for two reasons, being idle or working hard. In Kenya, it has been speculated without enough evidence that the 80-20 rule applies. Twenty per cent of Kenyans work, the rest do not. They hang around, waiting for the 20 per cent to bring the bacon home. Any casual observer will dispute this. But we have some convincing evidence.
In the Molo and Nakumatt incidents, a huge crowd suddenly appeared. These were idlers. To prove this, just stop along a street in Nairobi and pretend you are seeing something up in the sky, a crowd will soon join you. It appears there is always an idle crowd waiting for something to happen. In rural areas, it is no different. In shopping centres, young men and women hang around from sunrise to sunset. Some will quickly rush to your car to remind you they were classmates and therefore deserve your tea or a drink of their choice.

Though we have long boasted as a working nation, the evidence is that we are an idle nation. Many will quickly point out that there are no jobs for young people after school. But in school you find too few students want to work. I have often told students in high school that they have a simple choice to make in life: they either work in school or after school.

Teachers and parents complain that too few students want to learn, the reason cheating in exams is that popular. The 80 per cent are tired of idleness and complaining. They have ready scapegoats, the leaders particularly politicians, the weather and a host of other excuses some distilled from our traditional thinking, including bewitching.

The 20 per cent are tired either of working hard or making money.

**Way forward**

It is not surprising that the rich are becoming more affluent. Being few they find no competition, though bold observers will quickly point out that they form watertight networks, not all of them well intentioned that ensure no leakage of wealth to the masses.

Other observers point out this group is so tired of making money it rarely recalls poverty, after all some of them have inherited their wealth. This group has another characteristic; it has often produced our leaders.

With tired followers and tired leaders it is no wonder everyone is unmotivated, we all seem helpless against our self-inflicted wounds. We are always looking for others to solve our problems, most evidenced by our claim to US President Barack Obama.

Where do we go from here?

Like in other corporation, Kenyan Inc and its employees (ourselves) need a rest. Since the nation cannot stop, a change is the best rest.

General elections are supposed to replace tired leaders with young and more rejuvenated ones. Not yet, we are so tired or bored that we elect leaders that reflect ourselves. National projects like America’s landing on the moon rejuvenate the country. That is what Vision 2030 is trying to achieve.

The general thinking is that we have enough problems to solve. If we faced them head on instead of talking about them, everyone would be busy, the boredom and tiredness would be over.

We need leaders who are not tired to champion this bold initiative. We need a refreshing leader, our Obama in 2012, Ako wapi? Ni nani?

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Want to make lots of money? Start selling ‘coolness’

Published on 03/02/2009

By XN Iraki

We all aspire to be rich, to make a breakthrough and emancipate ourselves from the drudgery of life. The desire to be rich is a deeply ingrained instinct.

Even preachers have discovered you can harp on it to make your sermon more appealing. Famed communists have finally accepted that being rich is not a bad thing. Some self avowed communist nations are now full converts of market economy. We predict that the few remaining communists will one day ‘see the light’.

Despite all the praises of market economy, which is supposed to unleash the creative genius in us, how to become rich has remained a mystery.

We have spent years studying entrepreneurs, we are yet to come up with a magic formula, an algorithm that you can buy off the shelf and be guaranteed richness.

Some of the books written on how to become rich never made enough copies for the writers to make a living.

Maybe the reason we fail to make it big in life, become rich or affluent is that we have mystified the process of becoming rich, we fail to focus on the right process or product.

Making it big, succeeding in the market economy, has always involved taking something to the market; something that the market demands and it could be an idea, a product or a service.

The market with its collective wisdom, which is updated daily and hourly, will decide if it needs it. If the product of service is needed, you are in business; you are on the path to prosperity.

But the nature of the market is that you will not make money for long before competitors rush in to share it with you by starting new ventures and selling either the same product or an enhanced form of it. This competition is the hallmark of the market system. It keeps the system alive, vibrant and ensures self-renewal.

Market needs

Identifying what the market needs before anyone else is the hallmark of creative entrepreneurs. The late Harvard don John Galbraith suggests that at times corporations define for us what we want through adverts.

Has Coca-Cola not been selling the same product for 100 years, with every generation getting convinced through adverts that it is a new and 'cooler' product? Check whose faces are usually on Coca Cola billboards.

But at times you could make lots of money by creating nothing new, by focusing on our attitudes, our feelings.
You could make lots of money by selling intangible products that constitute our feelings. Since your competitors can't see our feelings, they will find it hard to copy your idea; that serves as a barrier to entry. One such intangible product is ‘coolness’. People will pay a premium for any product or service that makes them feel special, cuts them above the crowd.

A recent visit to Hemingways, an exclusive pub at Safari Park Hotel, indicated that a glass of mango juice goes for about Sh265. The same quantity would go for about Sh50 in a kiosk. The difference of Sh215 is not overpricing; that is what constitutes coolness. You feel ‘cool’ when you tell your friend, “I am at Hemingway’s,” that is different from, “I am at Karumaindo.”

By packaging experience or even products so that consumers feel special and cool. Branding and advertising are nothing but packaging coolness. The advent of electronic broadcasting has made selling coolness such a big business.

One day after Obama's inauguration, Kenyan ladies were wearing dresses exactly like Michelle Obama's. Reason? The colour and design are cool.

Look at the coolest spectacles designs, they constitute a thick frame, that is now cool and you pay a premium for that. Before, cool glasses had very thin frames.

**Using public faces**

Marketeters use public faces like actors, athletes and other celebrities to define coolness. We all would want to use the golf clubs that Tiger Woods uses.

It will in fact not be long before our celebrities start making it big by contracting with big corporations to define coolness. Telkom-Kenya’s Orange should be congratulated for using one of our own Eric Wainaina to define coolness. We hope many others will follow. What makes packaging and selling coolness such a lethal tool is that it is very hard for anyone to replicate it.

A Ferrari and a Tuk Tuk are caught in the same traffic jam but you feel cooler in a Ferrari. More importantly is that coolness is contagious with a herd of people going for a product of service at once, creating a huge market and an opportunity to skim the cream before another cooler product or service replaces it. Remember when any mobile phone was cool? Now you have to think of a blackberry and I guess that has already been overtaken by a cooler gadget like iPhone.

Did I hear that it is no longer cool to visit US and UK, that the coolest place to be now is Australia, down under?

The market for coolness is inexhaustible. Our need to feel good about ourselves, to feel we are better than the rest is not about to go away. From head to toe, we want to wear what makes us feel cool.

We want experiences that make us feel cool from the schools we attend to the places we work and live. How often do your friends want to know where you live?

Even churches are not left out. Some are cooler than others in terms of ambiance, preaching and even location.

Anyone who can package products and services to appear cool to the customers will continue making money. And lots of it.
Marketer’s even segment the market so that what is ‘uncool’ in one region is cool in another. A Hummer is "uncool" in the US, but very cool in Kenya.

There is even a whole Government corporation, ‘Brand Kenya’ whose main objective is to package Kenya as a "cool" nation. I hope this write-up is cool.

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The Kenya we want will be defined by working and sweating collectively

Published on 01/02/2009

XN IRAKI

This week, a conference themed, "The Kenya we want" will take place in Nairobi. The conference is driven by the desire to come to terms with the vacuum created by the exhaustion of most post-independence themes, the overstaying of the pre-independence generation at the helm and the winds of change blowing across the globe, including Barack Obama’s entry into White House.

Conference attendees must first accept they are late in defining the Kenya we want. This, ideally, should have been made at independence, when the country was young and innocent. Kenya’s founding fathers failed us on this. Some defined what they wanted, not the country we wanted. Our generation must pay the price of their past sins.

That should not discourage us from boldly trying to define the Kenya we want. This is our moment.

The starting point in defining the Kenya we want is defining “we”. “We” must include those who will come after us, the unborn generation that will one day inherit this small planet.

"We" is a fluid term. Kenya is a mosaic of conflicting interests that were unmasked by last year’s chaos. We are more attached to our clans and tribes than to Kenya. Without defining the Kenya we want, most see Kenya as a mythical being, which dispenses goodies in terms of jobs, land and other freebies. Once elected as a leader, your main business is to extract as much as possible from Kenya, from the centre. The clan and tribe label you a hero.

Why else is majimbo so popular? Many think majimbo will make it easier to extract more from Kenya, from the centre. To try and define the Kenya we want in such circumstances is not easy, but possible.

The Kenya we want must ensure it is not too costly to be alive by providing the basics from food to housing. The living space must also be enhanced, with no slums and housing that make living a pleasant experience. We must create a sense of community, accepting interdependence is the hallmark of an advanced society.

Social cohesion will be the glue that will hold us together. We share a common history, a common destiny. The biggest question this conference must answer is how to make Kenya cohesive, how to forge myriad clans, and ethnic groups into one. Currently, too many communities are
suspicious of one another and feel the world would probably be better off without their neighbours.

Capitalism was supposed to replace our loyalty to tribes. Not yet.

The Kenya we want must be economically vibrant, creating jobs for all, renewing itself endlessly. It must be an economic magnet that attracts the ambitious and creative from all over the world. Such people will cross fertilise us with new ideas, the basis of the new economy. We must remain forever innovative, open to new ideas, testing them, building on them, and reaching out to the rest of the world.

We must believe in ourselves and accept that despite the good intentions of all our friendly countries, our problems are best solved by us, because we know them best and we created them ourselves.

The Kenya we want should provide opportunities for all, harnessing our diversity, creating systems that ensure every generation is better than the previous. We must create a nation of optimists.

The Kenya we want must have super ordinate goals such as Vision 2030 that we all can pursue together. The Kenya we want will not be defined by the conference but by the old traditional way, working and sweating collectively. We must dirty our hands. The Kenya we want must be self reliant, without waiting for help that never comes.

The Kenya we want must be inclusive, taking care of the disadvantaged, leaving no one behind as we improve our standards of living and build a nation respected beyond our shores. The Kenya we want need leaders to guide us in achieving our dream nation; who and where are they? Finally, the Kenya we want should be main subject of our new constitution.

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**Productivity the secret behind economic growth**

*Published on 27/01/2009*

By XN Iraki

What is the secret behind the rise of the Asian Tigers and Western countries? While many will focus on leadership, the secret is rise in productivity.

The leadership ensured the available resources produced as much for the economy as was possible and waste was reduced to a minimum. Most recent economic stars shone under benevolent dictatorship.

Productivity and efficiency were forced down the throat of citizens. Paul Krugman, last year’s Economics Nobel Laureate observed that the Asian Tigers grew through perspiration not inspiration. In Kenya, it seems too many of us are waiting for inspiration.
Some Kenyans have argued that we missed a golden opportunity to transform this country economically by not harnessing Kanu's monopoly on power to increase national productivity.

They argue that the present political interests are so diverse that it is unlikely we can all pull together in one direction and increase productivity. They give examples of the tiny Great Britain, which built an empire by being more productive - a gun was more 'productive' than several spears.

**Rise of trade unions**

Some boldly argue that we need a 'strong hand' to tame the national indiscipline where too many reap where they never sowed; where too many are unproductive.

The rise of trade unions may be seen as one form of indiscipline. Such unions distort the market leading to costly labour, which makes our country a very unattractive destination for investors. Corruption is the best form of indiscipline, where individuals or corporations make money by doing nothing, by being unproductive.

If productivity, doing more with less, is the secret behind economic growth, how do we increase it?

We must start by making it apart of our national culture. The many service charters I find in most firms are supposed to increase productivity by specifying time frames for service delivery. You cannot measure productivity without time frames.

**Performance contracting**

The greatest hindrance in productivity growth is not lack of technology as popularly believed; it is actually the human being, his culture often deeply ingrained and hard to change. Performance contracting has been another popular tool.

No matter how productive you are as an individual, you will eventually be slowed down by another unproductive individual. The policeman who stops you and wastes your 10 minutes and makes you late for your appointments is a good example. After all, you cannot create your own roads!

The culture is tied to our laws and regulations. Are they really productivity oriented? Those who have tried to get vital documents know how unproductive it can be. For example, why do we apply for birth certificates and national IDs? Why can’t the two processes be merged? Once I get a birth certificate, a computer program should automatically post my ID to the last address I gave once I turn 18. That should include my voter’s card too. The current initiative on e-government will hopefully makes such a dream a possibility.

Our laws and regulations should be system oriented. Currently there are too many centres that lead to empire building and sub-optimisation. For example, is the current organisation in the Government the most efficient and productive? What departments can be merged or separated? What activities can be removed or are redundant?

**Focus on operations**

To increase productivity, we need to focus more on operations. There has been too much emphasis on strategies, what needs to be done rather than how to do it.
The private sector has led the way with several companies now having the post of an operations director. By focusing on what the firm does, its activities across the supply chain, it becomes easier to identify the bottlenecks and reduce the costs and increase productivity. In the public sector such bottlenecks constitute the ‘toll stations’ where bribes are extracted.

National culture

One way to improve the operations is to use technology; from Internet to phones. By using M-pesa, you free your time to do more useful things and as a result you become more productive. By using LCD projectors and laptop computers, teachers and professors are more productive; they can teach more students and spend less time on the blackboard writing.

Technology becomes a better leverage for productivity when it is made part of the national culture, though a lot of people resist it for fear of being unmasked in their shady deals. Our leaders can lead by examples. President Obama carry his Blackberry while Rajiv Gandhi never left his laptop, and Obama is having a hard time forfeiting his Blackberry. Technology is spawned by our Research and Development (R&D). We must invest money to create innovations, to do it better than others. Importing technology all the time will make us more productive but followers. Though R&D is expensive, the returns are there for all to see.

Where would we be without the car, the Internet, the mobile phone or electricity? With time we become so used to technology that we often don’t bother to appreciate the role it plays in enhancing the national productivity – like being able to check KCSE results through sms.

The good news

R&D is often funded by the Government because of the risks involved: Only about three per cent of the patents are eventually commercialised. You cannot predict accurately which idea will be a success despite our advances in knowledge. In addition, there are lots of externalities in R&D and that would discourage individuals from pursuing research.

Where do we go from here?

Productivity often releases us from the drudgery of low standards of living. In all sectors, we must pursue greater productivity and build it in our socio-political systems. We can create more jobs through increased productivity. We can enjoy our lives more, and pursue our interests and leisure more. Wasn’t human slavery not replaced by technology, a more subservient and productive slave?

Countries that realised the secret behind productivity are way ahead of us. The good news is that we can catch up—hopefully in my lifetime.

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**There is more than meets the eye in the teachers’ strike**

Published on 25/01/2009

By XN Iraki
The ongoing teachers’ strike is more than a pay dispute. It is also more than teachers defying authority or laws. It is not about teachers only. It is about the whole country and has reverberations across generations.

Whether you call it a strike or an industrial action, the consequences are the same. First, why are teachers on strike? Are they justified? Most will argue that they are justified because dialogue has failed.

But wait a minute. The dispute is not about pay, but the modalities of paying it, sooner or later. The government prefers later, teachers’ earlier. Each is right, earlier payment implies you get more "valuable" money, less devaluated by crawling inflation.

By spreading the payments over more time, the government wants flexibility, either in raising the money, reducing inflation or in dealing with other emergencies from drought to food shortage.

Teachers, like all of us, are victims of inflation. In advanced countries, employees get an automatic increment each year to cover the rising cost of living. Here, you often work for years without any salary increment as you watch prices of goods and services rise. Some boldly suggest that employees adjust their own salaries upwards by extracting bribes. The vice is hard to end because the employees feel justified as they are victims of economic injustice. After all, whether you are paid as much as our MPs or unemployed, we buy sugar and other essentials at the same price.

However, teachers have limited opportunities to extract rent, or bribe. It has been suggested that their only avenue is extra tuition. That is why, led by a trade union, in this case the Kenya National Union of Teachers Trade Union (Knut), they support any strike with so much enthusiasm. It does not matter if the profession is noble; hunger and anger have no time for nobility.

Trade unions arose to improve the workers welfare after industrialisation made it easier for mass exploitation, succinctly captured in Charles Dickens’ Hard Times, when he talks of "dark satanic mills". In the West, working conditions have been vastly improved through new laws and regulations such as minimum wage and cost of living adjustments. This has led to reduction in Unions’ memberships. In Kenya, conditions exist for workers to band together, to fight for better salaries and poor working conditions.

**Others deserve pay cut**

Other observers suggest boldy that the strike is evil. First from the children’s point of view, they lose time courtesy of teachers already schooled or have their kids in private schools. From an economic point of view, trade unions help the lazy and unmotivated workers as much as they help the hard working.

There are teachers who deserve 200 per cent pay rise, but there others who deserve 200 per cent pay cut because they have nothing to show for their work. Furthermore, trade unions like Knut, interfere with the laws of supply and demand. A hardnosed economist would in fact argue that currently teachers’ salaries should in fact be going down, the supply of teachers from our colleges have gone up and the many unemployed teachers would be willing to take up those jobs at a lower wages.

Where do we go from here?

In future, the government must come up with an objective measure of teachers’ productivity which should be used as a basis for pay increment. There is a need to adjust salaries to cover the rise in the cost of living. But more importantly, we must avoid wasting our children’s time. Their certificates have no column for excuses or explanatory notes for poor grades. Globalisation demands that our children be prepared to compete anywhere on this small planet.
In dealing with teachers or any other strike, we must not price ourselves out of the market, by making labour so expensive that investors flock to other countries. Furthermore strikes give our country a bad name, an impression that we cannot take care of the basics. Strikes create a culture where it becomes more lucrative to bargain and blackmail for salary rises instead of working or being productive. Such a culture will not turn Kenya into the Swahili Tiger.

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Welcome to Kenya, the land of rent seekers

Published on 20/01/2009

By XN Iraki

What do Triton, Goldenberg and Anglo-Leasing have in common? You may quickly suggest they are all scandals. That is half the answer.

In all these cases, someone is trying to make money by doing nothing, while economists try to be sophisticated, sometimes unnecessarily.

They prefer to label the men behind the scandals not as corrupt, but as rent seekers.

Why is rent seeking such a popular sport in Kenya? Is there something that can be done?

First, our political system is prone to abuse. In the latest case, the Triton boss dined and wined with top political leaders. The same leaders are supposed to watch over his business deals and ensure he follows the law.

Most rent seekers have come to master Kenya’s political landscape. They know who really pulls the strings and they have mastered the Kenyan political leaders’ psyche and aspirations.

Don’t you find the level of political silence over Triton a little too discomfiting? Is it surprising that most of scams usually take place immediately before or after the general elections?

Traits

This is not coincidental, after all politicians are themselves rent seekers. Salary increments without commensurate increase in productivity is pure rent seeking.

Teachers have quickly learnt the art of agitating for a salary increase while they are against signing performance contracts.

Observers have pointed out that elections are fought so hard, not because of love for the country, but the rent seeking opportunities power opens up. Rent seekers thrive during periods of transition, particularly elections, when they exploit the vacuum to manipulate the system to their advantage.

When politicians and the whole country is engrossed to the point of being drunk with politics, rent seekers are strategising. That is why when they strike everyone is caught napping.
Rent seekers know where the money is. They often have first-hand information on the goings-on in the political and economic fronts. It is such information that makes them so lethal.

**Systems**

The transition becomes more fertile for rent seekers when the legal system is not water tight, when they know they can delay cases till anger subsides.

Why else has Goldenberg dragged on and on? Rent seekers love court cases. They would love the courts to sanitise their questionable deals.

Rent seeking thrives better in countries where the shift from command system to market system is not complete, where grey areas exist without regulations. That is one of the reasons Russia suddenly produced some extremely rich oligarchs. Rumours suggest only seven of them control the Russian economy.

Rent seekers’ other secret weapon is mastering the supply chain. They know where the bottlenecks are and how to extract rent. For example, if maize is being imported into the country, they know at what points money can be made easiest. When you hear politicians arguing over bulk handling, *iko kitu!*

Some observers have boldly asked why non-indigenous Kenyans are more prone to big time rent seeking, at least from media reports. The Triton Boss and Goldenberg architect have something in common. Some have counter argued that they are just fronts in the rent seeking game.

It is unlikely that these men acted alone, without the knowledge of highly placed people in the political system. It might be that successful rent seeking is teamwork.

What is more curious is that in the West, the leading entrepreneurs are often non-indigenous, often immigrants. Check the Forbes list. In their newly adopted homes in the west, they use their creativity to become entrepreneurs. In Kenya, they find it is much easier to become rent seekers. The political and legal system is not entrepreneur friendly.

**Culture**

Our culture supports rent seeking. In Western countries, people who make real money without rent seeking without value addition are ostracised. Here they are heroes, guests in church functions. Such culture spawns a race on who can be the best rent seeker. After all you can use the money to buy goodwill from everyone.

Our culture has no time for value addition. People prefer handouts, getting money for doing nothing. Political rent seekers take advantage of this during general elections. The elected officials who win through rent seeking are expected to control it at the highest levels. No wonder rent seeking is thriving.

It has also been suggested that the education we acquire teaches us the virtues of good life, but not how to earn the good life. Living a good life without the means to support it is the hallmark of rent seekers.

Leading rent seekers are either highly educated or pseudo-educated. Few, if any, serious rent seekers are illiterate. Others have argued almost to the point of conviction that rent seeking is one of the leading industries in Kenya. At the grassroots it is well and alive. The practitioners go by such fancy titles as conmen, brokers, and middlemen. Even the church has not been spared.
What do the 50,000 plus churches do? Their leaders are just interested in rent seeking, getting money from their flock without doing anything.

What can be done? Is rent seeking here to stay? We need to break the vicious cycle of rent seeking, from the highest level of the Government to grassroots. We all want economic growth. But growth cannot take place when only a few people work, when working hard is considered stupid, when working smart is preferred to working hard.

**Pragmatists**

Vision 2030 and other policy documents envisage a nation without rent seekers. We should not be idealists, there will always be rent seekers, but progressive nations never allow them to be the dominant force in the economy.

The new constitution order is one exit strategy for now. The general principles of the new laws should reward and encourage responsibility and entrepreneurship. Your American friend will surprise you by refusing your treat in a hotel. The culture of self-reliance is ingrained from childhood. Entrepreneurship should be made a compulsory course in primary schools. After all, we learn how to use and squander money long before we learn to earn it.

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**Preparedness is a hallmark of any progressive nation**

**Published on 18/01/2009**

By XN Iraki

In declaring the current famine a national disaster in front of foreign dignitaries and guests, we exposed our soft underbelly. We admitted we are unable to provide for the most basic need, food. Yet it is not the first time droughts and hungers have visited Kenya, uninvited.

I find it curious in having the government declare famine or food shortage a national disaster when it does no farming, not that I know of.

The blames and counter blames exchanged by politicians over the food shortage is the best evidence that the weather is innocent. There are too many vested interests and rent seekers out to make hay when the sun shines. Kenya can produce enough food for her citizens rain or no rain.

Take a visit to the Del Monte farms in Thika. The pineapples grow year round, irrigated by dammed water. Across Thika Road from Del Monte, peasants are starving. Why can’t this technology be transferred to the peasants? You cannot eat pineapples for dinner, but maize, which is eaten by everyone, cannot be irrigated.

Clearly we have a problem of technology transfer. The government may not farm but it can facilitate this. While our universities have expanded, how many of the students are taking agriculture? What happened to the extension officers who taught my father how to make silage
and ensure his cattle survived any drought? We need a law on the minimum acreage land can be subdivided.

We have more irrigated land under flowers than maize, our staple food. Visit the shores of Lake Naivasha and the evidence is there for all to see. Why are these investors not growing food which has an assured market? You can skip flowers but not food? Does that not perplex you?

While everyone is tempted to believe low returns discourage investment in food sector, the answer is different and surprising. Investors are disinterested in growing maize because the government has refused to leave this sector. Who want to be told how much to sell what he owns?

**What happened to KGGCU?**

We are refusing to accept an economic fact, price controls distort the market. National Cereals and Produce Board should not set the prices for maize; the market should with some positive government interference.

The government should set a reserve price for a bag of maize to ensure farmers cover their costs. If the market price falls below this price, the government pays the difference. Food is a strategic resource to be left to the market only.

What is debatable is the amount of government we should allow in the agricultural sector. My hunch tells me there has been too much of it. What happened to the Kenya Grain Growers’ Cooperative Union, which was supposed to replace the defunct the Kenya Farmers Association?

Where government has kept a distance in farming, the industry has boomed. This explains why the flower industry has done well. Harvard don Michael Porter has observed that there is no flower board in Kenya!

We may blame the weather, but why blame what you have no control over? If Del Monte and Delameres were still blaming the weather, the arid lands they produce bumper harvests of pineapples and milk would still be idle.

Why blame the weather when we are endowed with limitless creativity. California pumps water from the well-watered North to the arid South, more than 1,000 km away to make the desert bloom. If we can get water from Sasumua dam in Nyandarua to Nairobi, we can do the same for irrigation water.

The post-poll chaos reduced the acreage under grains and displaced farmers. It is logical that a shortage would result even with rains. But is this not a self-created problem? Preparedness is a hallmark of any progressive nation.

Still blaming the weather? When did you hear of hunger in Saudi Arabia or even Iraq, desert countries? Qataris have found we are so uncreative on how to use our land that they want to rent it from us to grow food for themselves as we starve. Let us be serious.

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In Kenya the customer is no king but a slave

Published on 13/01/2009

By XN Iraki

One of the most often asked questions in business is why Kenya has failed to spawn multinational corporations in her 45 years of independence.

Without recent expansion of some Kenyan firms to neighbouring countries, most of our firms were local.

We must commend firms that have left the comfort of familiar territory.

They include Nakumatt, Equity Bank, KCB, Kenol-Kobil. Business analysts may argue that firms only leave their "home" after it’s saturated with its products or services.

They also leave for diversification, to exploit new markets and maximise the shareholders wealth. But don’t all firms aspire to do that?

Firms can expand by looking at the profit equation. You increase the sales and you make more profit if costs go down or remain the same.

But increasing sales, involves reducing the prices, which may not always be matched by a proportionate increase in units sold depending on the service or product elasticity. Niche marketing can keep prices high.

Increasing profit by reducing the costs has a big advantage; few competitors know your real costs.

More importantly, your prices unlike your costs are in full public glare, they can be matched or even undercut.

But this equation is complicated by another factor, the customer who must decide to buy or not to buy. If you can satisfy the customer, going global is easy.

That is the secret behind all multinationals we admire from Google to Toyota. If going global looks that easy, why are we still around? Some observers blame our political regimes, which deliberately made it "cool" to hang around. It started with the quota system in high schools. Other keen observers argue almost to the point of conviction that the current trend where students acquire higher education in their locality may remove the global bug from their ambition.

Positioning

Incidentally, tribal clashes increased our impetus to going global; it might be safer out there than within the country, entrepreneurially speaking. Instead of trying your luck in a different part of the country why not try it in another country where your tribal identity may not be an issue?

But there another more "local reason" why we hang around, why firms boast of years of existence but have not expanded. It is the customer service. That simple.
The level of customer service often appalls anyone visiting Kenya after years abroad. It is only in Kenya where front office workers feel you are bothering them if you make inquiries.

Few will stop talking on the phone to serve you first. Yet, from the nature of conversation they may be just engaged in idle talk.

Though many firms have big notices claiming that the customer is the King, most treat him like a slave. With such treatment, customers never return, they do not feel valued.

Without customers, you never increase your sales, you stagnate and remain local. Is it surprising that some of the firms with best customer service are multinationals?

By valuing the customer, these firms grew fast, taking their services abroad. Though in business schools we teach that the customer is king, the reality in the world is different.

Some have argued that the younger generation though more exposed to global trends has failed to imbibe the concept of the customer, unless they are the customer themselves! It is surprising that in a country where unemployment is that high the customer is mistreated. May be we only see the money the customer brings forgetting he has a feeling and a heart.

Economic liberalisation, which brought in competition was supposed to give customers choices, and force firms to shape up.

Not surprising firms with a long history of monopoly are worst in customer service. That often includes the Government, which holds monopoly for several services. Who else issues passports?

Who else runs prisons or police service?

**Governance**

In others countries, governments outsource lots of services including prisons. The original objective of tendering system was to inject competition and lead to superior customer service from the contacted firms or persons.

Though we are quick to ride on global trends particularly music, we have not changed our mentality in customer service.

Despite globalisation too many of us believe in the old order where being served was considered more honourable than serving.

If you want to experience this, observe Kenyan men ordering beer in local pubs! And your MP will never pick his voters phones after he is elected.

Lack of customer service plainly exhibits itself in other subtle ways. The bottom of your receipts is clearly written "goods once solve cannot be accepted".

Are you saying that there are chances you sell sub standard goods?

Why do you want to enslave the customer with what he does not want?

In Wal-Mart, one of the world’s largest supermarkets, such statements are none existent, you can even return an item after three months and all you will be asked is if you want another item or money!
Vision 2030

Kenya and East Africa in general aspires to be the Swahili Tiger, particularly through attainment of Vision 2030 goals.

While most initiatives in economic growth focus on the macro issues from low inflation to stable exchange rates, the real action takes place at the microeconomic level, where we meet each other, where we exchange not just goods and services but feelings too, where the customer reigns.

There is no other reason why Behavioural Finance and Economics are winning Nobel Prizes. Despite all our pretences and advancements, we need to return to the basics, focusing our attention on the customer.

It may be that economic growth is simpler than we think. To boast of our multinationals to tap global markets and accelerate economic growth, let us make the customer feel good about himself and soon we shall have less unemployment, and a happier nation.

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The battle in coalition pits PNU muscle against ODM’s intellect

Published on 11/01/2009

By XN Iraki

After several weeks of acrimonious exchanges, the media and the Government seem to have reached an uneasy armistice over the The Kenya Communication (Amendment) Act, 2008.

the Act provided a rare glimpse into the inner workings of the Grand Coalition Government. The fissures came out clearly and the ideological leanings exposed themselves to the curious.

I digress. Why did the President, read PNU, take so long to change stand on the Act? Why did the Government finally budge? Why did ODM come so forcefully against the Act?

The two sides, despite divergent views, initially supported the Bill. They probably saw an opportunity to rein in the media after it became legally impossible for the Government to switch off some media outlets suspected to have fanned the post-poll chaos.

Why the change of tack? It is more than concerted resistance from the media and their supporters.

Political observers have argued, almost to the point of conviction, that the Grand Coalition Government is made of two wings — the muscle wing, popularly called PNU and the intellectual wing called ODM. The Act provided the two wings a chance to size each. PNU saw the Bill as a chance to use State muscles to rein in an increasingly emboldened media that could decide who in 2012 goes to State House as tenant or as guest.

The ODM saw things differently, they used the Act as a stealth weapon. Some say they ensnared PNU into signing the Bill.
2012 is not far and the role the media have played in making and breaking politicians is not about to end. ODM used the opportunity to endear itself to the media. This party, unlike PNU, never fails to see an opportunity it can exploit.

Raila received the petition from the media fraternity then made it clear that he had advised the President not to assent the Bill. What is stealthier than this? Finally, the President advises the AG and Information minister to assess the Act. To make matters sweeter, the media fraternity is requested to give their suggestions on the Act.

Clearly, PNU was trying to remove the wind from ODM’s sail but the damage had been done.

**Investing in future**

The impression created is that PNU is against the media freedom while ODM is the darling of the media. Whichever party wins power in 2012 will have to contend with the power of the media.

But to politicians, that is a side issue, get power then deal with that. By opposing the law, ODM was investing in future, they must have calculated that the media fraternity will return favour some day, around 2012.

ODM used the fissure created by the Act to make an interesting demand, that Head of Public Service Francis Muthaura’s office be transferred to PM’s office. This was stealthy too.

The argument ODM used was crafty; PM needs it to coordinate the operations of the Government as per the National Accord.

The power behind this office emanates from being custodian of Government’s most important resource, the Civil Service. No party in power would fail to salivate at controlling this resource. PNU was quick to react with chairman George Saitoti stating that Mathaura’s position would remain where it is.

Where do we go from here?

ODM and PNU coalition is more of a cohabitation than a marriage. Each party will try to gain as much political ground as possible, before 2012.

Who will win in the long run?

Undeniably, PNU must invest more in intellectual arsenals; most PNU MPs are endowed financially and seem slow to realise that Kenya’s political future will be determined through brains not brawn.

Why else was ODM able to get most of her demands in National Accord despite PNU having all the levers of power. The Communication law gave a preview of future intellectual political games and the likely winners.

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**If other regions can, why not East Africa?**

Published on 06/01/2009
By XN Iraki

The breakup of the East African Community in 1977 should be considered as one of the greatest economic mistakes of our times. I am not bothered by the political mistake; politicians are prone to making mistakes, and their decisions are often guided by emotions, not reason. While ideological differences within the East African countries could have played a role in the break up, it was not a sufficient reason; economic considerations should have prevailed.

The proponents of the East African Community were ahead of their time, they nurtured an idea that could have transformed this region into an economic powerhouse, the Swahili Tiger. The first source of power is the numbers, unity is strength. Any investor local or otherwise would have access to a large market in East Africa compared with individual countries. US and EU are attractive to investors, both indigenous and foreign, because of their sizes.

Needless to say, the super ordinate goals of the regional body could supersede the parochial views prevalent within each country. Such goals could bring more harmony as the national and regional interests are subordinated by East African interests. Why doesn’t anyone see the folly of advocating majimbo in Kenya while at the highest level we are advocating East African Federation? Would an East African Federation have pre-empted the years of bloodletting in Uganda and the post poll chaos in Kenya?

Nations that have tried regional cooperation have reaped the benefits. A few examples:

The UK-France cooperation led to Eurotunnel that connects the two countries, easing transport, creating more business and by extension jobs. The two countries also cooperated in developing the Concorde. Though now grounded, there must have been lots of positive externalities resulting from this project.

The Airbus is the best testimony to transitional entrepreneurship. The firm started three decades ago is giving Boeing a run for her money. By harnessing regional capabilities, nations can build synergies and greatly leverage economic growth. Apart from creating EAC itself, which other transnational project across the region can we boast of?

Market system

East Africa will always be a better place, a better home for all of us if we focused more on cooperation. Each country or region has something to offer to the community. Tanzania has minerals we do not have. Uganda has power sources while Kenya has a vibrant economic system powered by early adoption of the market system. The Tanzanian culture espoused by respect can easily complement Kenyan’s pride or aggressiveness.

If we could break down the barriers within East Africa, most of which are man-made, we could form a vibrant regional market that would suck in the neighbours making the community bigger and stronger. The next candidate should be Ethiopia. Her 70 million plus population is an asset we have rarely focused on.

There are so many benefits from the cooperation from travel to just feeling good as East Africans. Doesn’t charity not begin at home? We if put our house in order, EAC, we can now bargain with the rest of the world. We could use EAC as the launching pad in our global pursuits. Think of the benefits of one currency, trade flows, jobs created and our pride in the International arena.

If the benefits of cooperation are so obvious, why do we fear cooperating?

We have often let politicians set our agenda. They set the wrong agenda, because their dreams are short term. Used to rent seeking instead of entrepreneurship, they drift from setting policies that can make a difference to this and next generation.
But we are not innocent, we are too local in the way we view the world. We are still bound by our traditions and stereotypes. We still don't appreciate the power of proximity preferring to trade with far away partners. We still do not think of entrepreneurship at the global level. We are still suspicious of each other, and never bother to learn about each others, about our neighbours who will always be with us. How many East Africans have travelled all over the world but not to their neighbouring EAC countries, because it is not considered cool. Most Kenyans know US has 50 states but few know how many provinces Tanzania or Uganda has.

While man has landed on the moon and explored the outer fringes of the universe, we are still fearful of leaving the comfort of our homes, our familiar territory. Yet, few entrepreneurs made it big by hanging around their villages no matter how promising it is. US would be nowhere without accepting new people, with new ideas. Even Europe is now accepting that new immigrants can be an economic asset. Is it surprising that some of the most successful musicians in Kenya are Tanzanians?

Where do we go from here?

Open the borders, and let East Africans explore East Africa! Let them look for opportunities where they can be found within East Africa. That will reduce fear for each other. We shall discover we have more in common than we surprisingly thought. The fear that jobs will be stolen is misplaced; more will be created than stolen.

The easiest way to make EAC a reality is through institutions. These will outlive us and perpetuate the ideals and goals of the community. The institutions range from judiciary, schools, political parties, and the governance structures. Without strong institutions, individuals will easily hijack our dreams.

If we make EAC the East Africa nation or the Swahili Republic, we shall have bestowed on the next generation a chance to uplift their standards of living, live their dreams and make this small planet a better home. That can happen in our lifetime, if we disallow politicians to pursue their narrow interests. The New East African Community should be driven by economics not politics. Its first objective should be harnessing the latent entrepreneurial energy within the region.

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Education system must go beyond social engineering

Published on 04/01/2009

XN Iraki

The 8-4-4 education system is one of the lasting legacies of the Nyayo era. Despite all the rhetoric and promises by Narc Government and the Grand Coalition on the need to revert to the old system, nothing has changed. The only impetus to change may be the harmonisation of education systems in East Africa.

Contrary to expectations, the old system never really left. It became the system of the masses, the 'A' level system with its variations from GCE to IB, became the system of those who wanted to retain "class" or have an "illusion of class". Recently, the 'A' level system has become attractive to the masses with Kenyan parents sending their children to schools in Uganda.
The 8-4-4 system also removed one hurdle on the way to the University; you only need to pass the Kenya Certificate of Secondary Education (KCSE) examination. Conservatives argue this made our education system less competitive. Progressives suggest what is important is the content of education. They argue almost to the point of conviction that 8-4-4 is closer to the US system that landed man on the moon and won the cold war.

Though rarely discussed, 8-4-4 system ushered in a “new science” which we have perfected over the last two decades; “social engineering.” It is no longer enough to be genetically endowed; you need the right environment to thrive intellectually. Social engineering entails using resources to increase the chances of success of the next generation, particularly through education.

Social engineering comes in many variations. The most popular method is private schooling, with its extreme form being home schooling. In such schools, even an average student will pass exams. There will be extra tuition, where the burden of learning is transferred to the teacher. Some schools demand kids must attain certain cut off points to get promoted to next class.

One of the outcomes of social engineering is that while in the past children from poor families used to lead in national exams like KCPE, today it is the children from well to do families. In the past, poverty used to be the greatest motivator in school, today it is money.

The results of social engineering are there for all to see. While children in private or semi-private schools dream of getting into UK or US top Universities, children in public schools long to leave school, with no specific plans in life. Such children often say that loudly through riots and other vices. It has been suggested that such children formed a large ‘army’ of those who participated in the post-poll chaos last year. But more critical is that social engineering fails to identify and nurture the creative genius at the “periphery”. For example, a C+ in North Eastern Province might be superior to A- in a national school.

There is no denying social engineering is practiced worldwide. Even US has its system of private schools that culminate in Ivy League universities. In other countries, social engineering is moderated by functioning socio-political systems that reduce exclusion. For example, is it fair to leave a C+ student languishing at home while his C+ classmate joins campus just because his parents can pay?

Our social engineering is creating social tensions. We cannot sustain a country where vast majority in the next generation are excluded from the mainstream, reduced to mere spectators. While we can never be equal like the horns of a cow, we can try. Graduates of the old system will tell that schooling with a minister’s daughter and dating her successfully was not unusual. Today?

The education market though operating under the economic laws of supply and demand must be tempered with the hard reality. That some people have a head start in life. One of the government’s main tasks is to ensure the most vulnerable members of society are protected and uplifted. We published the names of the top KCPE students, what of the “failures” who are more and in greater need of help?

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The controversial Communications Bill has business concerns too
The debate on the 132-page Kenya Communications (Amendment) 2008 Bill, which is awaiting presidential assent has not been damped by the festive Christmas season.

What is surprising about the Bill is that apart from the media fraternity and their supporters who are united in opposing the Bill, MPs are only opposing it outside Parliament. One wonders where they were when the bill was being debated.

At the highest level of Government, the reaction is muted.

Conclusion: MPs and the Government probably support the bill but no one wants to say it out loudly. Politically, it is very risky. No one can persuade me that MPs did not know what they were doing. There is no sitting MP who does not know the power of the media. A number are in Parliament courtesy of the media.

Then why come up with such a bill? Simple, who would hate to control such a powerful weapon?

Since the attack on The Standard, the Government has never relented on its quest to have more leverage on the media.

You just need to look at the number of senior political personalities whose fame and fortunes have fallen and risen with the media.

Government attempts to control or regulate the media is tricky, particularly in a country with no opposition. Some boldly suggest the control is a rehearsal for 2012, when every trick in the books will be needed to win; after all, it is unlikely that violence will be one of the tools at politicians' disposal.

Needless to say, the current laws on the media need to be updated to be in tandem with advances in technology, and new social-political realities.

To be fair, the media like any other institution needs to be responsible and objective. That objectivity was contestable during the run-up to the General Election last year, with some people arguing that some media houses took sides and drove agendas for different political factions.

**Consequences**

My contention is that the media should have come out in the open and endorsed political candidates of their choice. But we are cautious people; no media house wanted to support the loser, under such a close contest, when the long-term business consequences are obvious.

Some observers suggest the Government saw "live" some of the security risks posed by unbridled media freedom. Could the Government be overreacting to that? But the September 11 terrorist attacks in the US never brought sweeping control over the media.

Most media reports on the Bill are about the legal or political aspects. Yet there are a lot of business issues involved, which are drowned by political noise.

The Bill if modified to purge off statutes that attempts to muzzle the media contains some revolutionary ideas.
It takes us into the electronic age by recognising digital signatures, a big impetus to electronic commerce. More interesting and unbelievable is that the Bill aims at making electronic evidence admissible in court. Up to now, it seems in our courts, seeing was not believing!

It is unbelievable we only started recording court proceedings recently, though tape recorders have been around for more than half a century. The Bill also contains other interesting proposals like denying broadcasting licences to political parties and attempts to control the content of the media to be more "Kenya friendly'.

There are also bold attempts to segment the media market and institute geographical restrictions to broadcasters. The Government seems determined to create more competition in the media industry.

The inclusion of interference with phone programming, though with good intentions of killing phone theft will also interfere with our creativity.

But all the good intentions are drowned by the emphasis on penalties. It seems Parliament was in a hurry in enacting the Bill. How did words like Website, blog and INTERNET miss in the Bill?

**What is the way forward?**

First let us have more debate on the Bill, after all both the Government and the media serve the same people, Kenyans. We can build a consensus on this Bill without generating so much acrimony. The truth is that undoing the Bill once it becomes law is hard.

Two, let the Government accept a fact, media is a business, driven by fundamental economic laws of supply and demand. The media competes for ideas and for customers, and they have their costs and risks. The Government should facilitate the growth of this sector through media friendly laws. Think of the number of Kenyans employed by the various media houses in the last ten years. Press freedom is what petrol is to the car.

You cannot run a car without fuel, no matter how expensive or luxurious it is. If anyone has any doubt about the viability of a media business let him talk to Kanu officials who started the Kenya Times newspaper.

Three, it should be clear who the Bill aims to regulate, the editors, or the owners. What is local content? While the Bill seems to separate the electronic and print media, the convergence is too much. When I read a newspaper online is that print or electronic media? Why should CCK consult with the minister in issuing new guidelines? Should CCK not be more independent?

Four, there are other means of coming to terms with the power and influence of the media, including the court system and self-regulation. Doesn’t our Constitution guarantee freedom of speech?

Finally, we can also borrow from other countries who have been there before. For example Prof Gregory Magarian (not that one!) observed recently that US FCC’s fairness doctrine in place since the advent of broadcasting has only been fairly successful.

The doctrine called for, first, to devote a reasonable percentage of airtime to covering issues of public importance and, second, to provide a reasonable opportunity for the expression of opposing views on those issues.

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ECK is the sacrificial lamb, let us now focus on other institutions

Published on 28/12/2008

XN IRAKI

Expectedly and as recommended by Kriegler report, the Electoral Commission of Kenya (ECK) has been legally disbanded. An interim commission will take over the assets, liabilities and the reigns of ECK. Yet, ECK has come from far since 1997 when Moi, through the Inter Parties Parliamentary Group deal, allowed political parties to share out the ECK slots ingeniously dissipating heat generated by the demands for reforms.

Some of the commissioners’ terms expired in 2007; Kibaki filled the posts without consulting the political parties. Infuriated, the parties termed this pre-rigging the polls. The first seeds of last year’s General Election acrimony were planted.

What our political leaders will not say loudly is they all wish to control ECK; just wait for the selection of the nine commissioners to the interim commission. Originally they were to be five but increased to nine to ensure “regional representation”. Does anyone believe ECK was responsible for the election mess? ECK has been sacrificed to atone the sins of our political leaders.

Just recall, who was demanding ECK to announce results at the Kenyatta International Conference Centre? Do you recall some politicians threatening fire if Kivuitu’s term was not renewed? He even won the Jurist of the Year award. Unbelievably, he is now discredited. Did some politicians think he would do bidding for them? Would ECK have been disbanded if ODM won? By disbanding ECK, we are made to believe ECK caused post-poll chaos. The inciters and even those who killed are still free.

The argument being used is that disbanding ECK is the start of the reform process, a rite of passage to quote Justice Minister Martha Karua. We all wish that is true. Reforms should not be selective. Why not start with Waki Report which is weightier? Disbanding a constitutional body like ECK sets a bad precedence; who will be the next victim of our MPs’ wrath or hypocrisy?

The ECK has a logical argument. “If we are going home because we failed to carry out free and fair elections, then those elected through that process should also go home.” But they are unlikely to go home, ECK died for their political sins. ECK is a perfect scapegoat. Would mass resignation of our MPs not be a more honorable option? There is a consensus in Kenya that we need reforms not just in ECK but in many other institutions from Parliament to our homes. Some argue we do not need reforms but a renewal and a renaissance.

It has been argued there is nothing wrong with the Kenyan hardware, the land, the hills and valleys, the problem is the software, our systems, our thought process. Reforms must focus on the software and peopleware. The new ECK should be a system that is people invariant.

The only reason why US runs efficiently with its population of 300 million is because they focused on the software from day one. Any new children or immigrant simply get into a system, which subdue them into submission. In Kenya and Africa in general, individuals subdue the system. That is why presidents like Mobutu die with their countries.
We should not let this window of opportunity close. The shock from post-poll chaos taught us what happens when we stymie reform, when we resist ideas whose time has come. After ECK, we should focus on other institutions critical to our current and future well being.

They include the Parliament, Judiciary, the Executive, the schooling system, and our international relations.

We should be as receptive to new political ideas as we are to new car models and hairstyles.

As we carry out reforms, we must take cognisance of unformalised reforms such as increased ethnic identity concurrently with globalisation. In addition, reforms are resisted equally by both losers and gainers. The test of true leadership is converting such reform skeptics without destroying them. Finally, reforms should be bold. Why are we going through the interim phase in reforming ECK?

The economics of a working nation

Published on 23/12/2008

By XN Iraki

Americans call America, "The Land of the Free, and Home of the Brave." Kenyans call the same country the land of opportunity. After Narc came to power, Kenya got a new name, the working nation. With time, the term got forgotten, but its relevance remains.

A working nation is a like a human being. He must have energy to work. Such energy is provided by the food he eats. A working nation’s energy is provided by the taxes we pay or any money the country receives, in whatever form.

The first cog in the wheel of the working nation is a working government. How does it collect its taxes, and how are they used? How efficiently do her systems work, from security to issuance of vital documents? No matter how much we dislike the government, we cannot do without it; It is the starting point in a working nation.

A working nation has a working transport and telecommunication network, like a human nervous system. How do you get from one place to another? In the US, it is cheaper to fly than take a bus! The population of cars has gone up in Kenya, but have we improved our roads?

A working nation ensures new and useful ideas are generated, spread and used effectively. It should have enough food, from where those who work for the nation get their energy. That is why the US subsidises her farmers, no matter how much noise other countries make. Food and water are strategic resources.

A working nation has working educational institutions, they transmit the value of work, and performance levels, to current and future generations. In a working Nation, work is preferred to leisure.

Output

A working nation is a healthy nation. Healthy people are more productive, can work longer hours and are less costly to the economy. They are healthy because they have enough to eat, and free from unnecessary stresses and anxieties like insecurity.
A working nation shelters her people after long days of work. Such a nation provides affordable housing with decent living conditions or gives incentives for that, and in locations that are easily accessible in all seasons and times.

A working nation abhors idleness, everyone works because entrepreneurs create jobs and are rewarded for taking risks. In a working nation the government is a referee that ensures there is justice and fairness.

But the real gist of a working nation is that people believe it can work and they work without waiting for the "others" to work. People in a working nation don't invest their time and energy in being brokers" and "personal assistants." They take pride in working.

In such a nation, everyone sees the results. There are less promises and real action. A working nation does not look back to the past for grudges, it moves on, learning from past mistakes. Continued improvement is its hallmark.

A working nation does not leave anyone behind, they all move together with a firm belief that this is their country and no one will ever build it for them. Each is rewarded according to his efforts, not who he is or knows.

**Synchronising**

A working nation works in totality, from the sandy beaches to the arid plains. It is a system synchronised by technology, culture, and boundless optimism. A working nation is proud of itself, believes in itself, and stands tall among other nations.

In a working nation, freedom is closely tied with responsibility, and people believe in possibilities; putting minimum effort in discouraging those who try to break from the pack.

A working nation safeguards her strategic interests, which are well articulated, defined and defendable. Such interests guide current and future generations, who see their destiny intertwined with the country’s destiny.

**Sense of purpose**

Yes, in a working nation, words like "the good old days" are frowned upon, the present and the future are better than the past, because people work in a working nation. Few sons admire the lifestyle of their dads.

In a working nation, work is considered honourable, may be godly. People love working with a firm belief that it gives them a sense of purpose. In a working Nation people work twenty four hours, with thugs having no time to prowl on the innocent.

In a really working nation, people hate free things and ridicule those who reap from where they never sowed. People love their country, their institutions and are ready to defend them at all times. Patriotism is the badge of a working nation.

A working nation is optimistic, from the top leaders to the grassroots. All believe that tomorrow can be better than today. And the world has limitless possibilities.

Finally, in a working nation the leaders lead by example - by working, and those who fail to work are replaced by an electoral system that works.
A working nation believes in constant renewal, where new and better ideas are allowed to flourish with old and tired ideas peacefully retired. Such renewal is driven by the creativity, ambition and idealism of the youth. Such is the nation we wish to have, we can have.

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Party polls only pushed us deeper into the jaws of the wily old guard

Published on 21/12/2008

XN IRAKI

In the rush to beat the Political Parties Act deadline, our parties lost an opportunity to renew themselves.

The acclamations witnessed as they elected their leaders were heavily borrowed from the grand old party, Kanu. The elections were too predictable and the faces holding the senior party posts too familiar.

Our political parties should take cue from the just concluded American elections that we all closely watched. We expected a surprise, a new unfamiliar youthful face, at the helm of our parties, which like US President-elect Barack Obama would galvanise the nation, cutting across age, race, tribe, ideology and stereotype.

Instead, the elections were bold attempts at creating positions to appease regions and ethnic groups. Maybe, the parties are admitting that regions and tribes cannot be wished away, and their power to influence the election outcomes can only be ignored by a political fool.

The new party line-ups are punctuated by the absence of youthful leaders; a perennial surprise because demographics indicate Kenya is a young nation. Our youth can be leaders without throwing stones. The rise of the Democratic Party in the US was driven by the youth. Without packaging the youthful Bill Clinton, the Democratic Party was in great danger of dying.

Without the youthful Obama, the Democratic Party was in danger of being locked out of the White House for 12 years. Yet to most of our parties, the youth are still future leaders, fit only for advertising billboards.

The senior party positions were taken over by MPs and mostly Cabinet ministers. One could loudly ask where such busy people get time for party affairs. In the US, for example, party leaders and politicians are different people. Few of us can name the officials of Republican or Democratic Party.

Members of the Cabinet anywhere in the world are the country’s board of directors; they need few distractions if they are to give the nation their best. Party matters are such distractions. The obsession with party leadership leaves no doubt that parties are tools for self-advancement, not national progress. It is no wonder their mortality rate is high.

For the Kenyan Cabinet, matters are complicated by the fact that they are also MPs. Did you note that Obama’s members of the Cabinet are not MPs or congressmen?

In the US, the President can appoint anyone to be a member of the Cabinet; he can tap the best brains without the requirement that one has to be an MP.
Obama was able to bring even a Nobel Prize winner to his Cabinet. The highest position our Nobel laureate rose to was an Assistant minister before losing her seat.

There is no reason why we cannot adopt the American approach as we rewrite our Constitution. Most importantly, this arrangement ensures total separation of powers between Parliament and the Executive. Doesn’t it appear odd that someone can be an MP and is also in the Cabinet taking orders from the President?

Where do we go from here?

The Political Parties Act was aimed at mainstreaming parties to reduce their mortality and by extension enhance democracy. But old habits die-hard; most parties seem to be involuntary disciples of Kanu.

The parties’ focus now will be 2012; the line-ups clearly have succession in mind. It is expected that with party structures in place, the owners will fill them up with content, policies and ideas that will make a difference to the ordinary mwananchi who may not care about parties. In other countries, parties are remembered for what they did for the country; they leave a legacy that future generations build on.

Finally, is there a possibility that between now and 2012 another party apart from ODM and PNU can do an Obama? Is there a possibility that another party will emerge and "pitia kati kati”? Can such a party ensure its leader is below 40?

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**Should M-Pesa be regulated?**

*Published on 16/12/2008*

By XN Iraki

The suggestion by acting Finance Minister John Michuki, that M-Pesa money transfer service be reviewed for a regulatory framework was not unexpected.

This service has exceeded our expectations, giving ordinary Kenyans services previously reserved for the sophisticated. In regulating M-pesa and other innovations, the Government is playing a catch-up role, instituting regulations once the product or service has been widely accepted by the market.

It is unlikely that the demand for regulation originated from the customers. I have not heard anyone complaining of losing money through M-Pesa. The demand for regulation is likely to be driven by banks, including Central Bank.

There are a number of reasons why M-Pesa has made our banks very uneasy, maybe unnecessarily so.

One, M-Pesa is stealing their business. What banks do not know is that customers have for a long time been unhappy with their expensive services and anyone offering cheaper and more convenient services was bound to be successful.
For example, though banks use interest rate as the selling point in attracting our deposits, the interest rate is often meaningless, in view of inflation. The spread between the interest rates on deposits and loans is too high and banks have fought any attempts to regulate this spread.

Non-payment of interest rate on ‘deposits’ for M-Pesa may, therefore, not be an issue. After all, customers are used to meagre or nonexistent interest rates.

M-Pesa was not seen as a threat to banks till they got connected to Automated Teller Machines (ATM), and the convergence with banking increased. Banks must be wondering why someone can offer banking or quasi-banking services without a license.

This argument does not hold water or any other liquid, M-Pesa is riding on technology, which has always been there and anyone else including banks could have used it. We seem to loathe technology in this country.

Why are we debating about GMO foods? Why do we study science in school if we cannot appreciate the innovations and discoveries of science? Which hungry man cares whether food is GMO or not?

**Irrelevance**

The second worry for banks arises from the fact that they may be rendered irrelevant. Why should I go to the bank or ATM to withdraw money, which after spending eventually returns to the bank? Why not just have platforms to exchange that money between the buyer and the seller?

M-Pesa is a logical progression of technology. We started with barter trade, moved to money, card, and now we have the virtual card, M-Pesa. The M-Pesa system may render cheques unnecessary too. We now have the real prospects of a cashless society. Our political and economic leaders may not fully understand how technology like M-Pesa will change the way we interact and work. Luckily we have been there before.

The Austrian and Harvard don Joseph Schumpeter predicted more than 50 years ago how "the gales of creative destruction" replaces one technology with another. Through creativity, we come up with new inventions that render previous technology irrelevant. We left the gramophone for the cassette player, which gave way to the CD player. Now we have the iPod. E-mail has left some people unaware that postage is now Sh25. M-Pesa will replace the credit and debit cards, once status symbols.

**Creativity**

M-Pesa is not unusual; it is a product of our creativity, ingenuity and innovativeness. We should support it. Every technology is viewed with scepticism till the masses start feeling the benefits, and the defenders of old technology give up the fight or get converted.

We resisted computers because we thought they would destroy jobs. They created more jobs than they destroyed. Any regulation for money transfer services should not be punitive; it must facilitate more innovations, more competition and better services for the consumers.

Regulation should be like a spice; too little or too much is not good. Though we can use economic analysis to determine the optimal level of regulation, there is still a lot of art in regulation. Regulation is one area our schools of business and law should focus on.

Incidentally, unregulated industries have often thrived, because of competition driven by easy entry and exit. Internet is largely unregulated, and no one seems to own it. It has grown to be the greatest inventions of all times.
The derivatives market despite being partly blamed for spawning the US economic crisis was driven largely by lax regulation. The Wall Street key players particularly investment banks fought hard to avoid regulation. It was a twist of fate when they voluntarily submitted to regulation in exchange for access to more deposits and federal money.

Should M-Pesa be given more time to mature before slapping regulations on it, after all Zain’s Sokotele has not been as successful? M-Pesa is our baby that we must nature to maturity. Apart from athletes, M-Pesa might be the next really Kenyan product. Safaricom is ready to export it to the rest of the world.

We hope that if M-Pesa must be regulated, the regulation should be facilitative, not punitive. Banks should not have a say in this regulation, they are interested parties.

We should not roll back the gains of any invention to satiate the anger of institutions or firms that have refused to innovate and want to protect their turf. We should not assist any institution or firm in resisting the gale of creative destruction.

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### If the presidency is losing power, where is it being transferred to?

*Published on 14/12/2008*

XN IRAKI

There is no doubt about it; a silent war has been on since 2003 between Parliament and the presidency. The protagonists have fought long enough for us to now discern the likely winner. The tide towards a parliamentary system of government seems to rise each time the confrontation goes public. This tide may, however, be slowed down by MPs’ failure to pay taxes on their allowances and their determination to “fix” the media. The silent war is fanned by intellectuals who have made it to Parliament.

The average education level of MPs is on the upward trend. Intellectuals, though prone to flirting with idealism, can vigorously pursue their interests given a forum. A national political renaissance and enlightenment is also feeding the embers of this silent war. In the past, only a few regions saw the benefits of power but now every corner of the country desires power. This renaissance upped the stakes in the polls last year.

The renaissance is driven by the rising literacy rate and the media, which informs us of on goings throughout the world. Through the Media Act and ICT Act, the Government may be out to slow this enlightenment. The first victims of any enlightenment are the politicians and their misdeeds. Truthfully, any politician who can ably handle this renaissance has a bright political future.

The “silent war” is not subdued by our obsession with US President-elect Barack Obama, who will be heading a presidential system of government. This is a system US vastly improved from the UK system dominated by the class structure and the monarchy.
The co-existence of a hereditary monarchy and elected representatives, the MPs in UK, Japan and other developed countries is one the governance paradox of our times, despite calling the system constitutional monarchy.

Some argue such a mixed system gives the nation a cultural anchor, a psychic identity. Others boldly suggest that the emergence of tribal leaders in Kenya is an echo from the past, when we had kingdoms and monarchies. Was Yoweri Museveni right in reviving Ugandan Kingdoms?

Our past experiences with the presidential system have made most Kenyans believe it cannot be improved. It can only be discarded, the same way we believe that all the employees of the ECK should be "discarded".

We are quick to recommend extreme measures when we are not victims or believe we could benefit in some way. The anger and emotions generated by the presidential system could derail our efforts to improve our governance system, by moving from the extremes of the presidential system to the extremes of the parliamentary system. The writing is already on the wall.

The National Accord changed the presidency as we knew it. But signs were always on the wall long before that. IPPG was a foot on the door for MPs; they realised they had political capital to spend. They have gnawed on the presidency since then.

The failure of "banana" in the referendum and its defence of the presidential system was another step away from the presidential system.

The power of Parliament is widely dispersed among the 220 MPs. Accountability and responsibilities are equally dispersed among them. This makes the House a hard body to deal with unlike the presidency, which has a central figure. The amorphous nature of Parliament in the power tripartite demands the Executive be a countervailing force. The Judiciary ought to be the honest broker. But currently, the MPs seem to be having their way.

Most Kenyans believe the presidential powers need trimming. Few tell us who should take up the power the presidency loses and the consequences of such power transfer.

Power cannot be abolished; it can only be transferred from one entity to another. We need to review our Constitution to define power structures and the system of governance, parliamentary or presidential system, not the amorphous hybrid we currently have.

**We should not celebrate return of price controls**

Published on 09/12/2008

By XN Iraki

The Government must be smiling. After lots of threats, the petrol prices have come down drastically.

We shall never know if it was as a result of Government threats or the prices went so low in the international market that it became shameful to keep prices so high in the local market.
To most Kenyans, Government controls will save them from the tyranny of the traders. That is just part of the story. It may be that our memories are short or we are too young. Do you recall Kenyans queuing for sugar and Kimbo when their prices were controlled?

Price controls, while ensuring low prices, lead to low supply and shortages. For instance, the millers lowered the prices of maize as soon as the price of flour went down.

The low maize prices will discourage maize farming and the shortage we were trying to prevent will become worse. Price controls also lead to underground economy or black market (do not call such a market black in America’s Deep South!).

Price controls are politically very popular, and our politicians may be out to gain political mileage out of the current food crisis. Interestingly it is only one part of the Grand Coalition that is very active in tackling the crisis. What we are not being told is who the millers are and why they must be registered. Clever politicians never fail to make political hay when the political sun shines. There are more serious problems facing the country, such as population growth and deforestation. However, such grand problems and their solutions often earn you low political mileage. Politicians gain more from short-termism. Food and transportation are immediate; we can’t live without them.

**Politics**

Enough background. What are our politicians up to? First some speculation. The Waki report and MPs’ failure to pay taxes greatly lowered the popularity of our political leaders. Hunger was a godsend distraction.

The same people we thought were villains, awarding themselves huge salary increases and not paying taxes have suddenly become heroes, saving us from the jaws of hunger.

How comes the weathermen are not reporting on any drought as we hurriedly solve the food crisis? Why was the food crisis so sudden? Who will import the maize to cover the deficit? Why are we importing yellow maize? Why are we not controlling drug prices, which are a matter of life and death? Why not water levies? What is interesting is that the Government is determined to control, what it does not have! The Government, through National Oil Corporation is a minority in the oil industry. It grows no maize, not that I know of. Why are no price controls for fish?

Clearly the return of Government control is driven by politics not economic fundamentals.

The low costs would be translated into higher profits at lower prices for consumers. Currently the Government focuses on the revenue side of the profit equation, the easier part; you just pronounce a price.

**Solution**

Bringing down costs is much harder, from discouraging subdivision of land to improving transportation, which increases the price we pay for Unga.

A more interesting solution to the high maize flour prices is to discourage Kenyans from eating too much white ugali, which used to be a “western Kenya” food. There are other flours that are as convenient if not more nutritious such as cassava, millet, sorghum, wheat, banana, peas, soya, groundnuts and even fish (omena)! The other solution to the food deficit is importing maize, which is likely to be cheaper than ours because it is grown in industrial scale not for subsistence as we do it here. Such cheap imports will put more pressure on maize prices and discourage farmers from growing maize.
Instead of using politically popular price controls, we should focus on long-term solutions, supported by economic fundamentals. Instead of controlling price of petrol, we should focus on renewable energy sources from solar to wind and geothermal. Economics 101 says that the best way to reduce prices is to either decrease the demand, by coming up with substitutes or increasing the supply of the good or service. Controls interfere with the market leading to surpluses or shortages.

Some observers may argue that food and petrol being necessities should not be subjected to the laws of economics. Yet, research pioneered by Economics Nobel Laureate Amatya Sen indicates that democratic countries never suffer from famines irrespective of the weather!

Our food deficits may an indication that we are not yet democratic enough, and our economic and political systems have not matured enough to continually learn from the past. Karl Marx and his friend Engels tried to make Adam Smith’s invisible hand visible by turning over the control of the economy to the government. Their failed experiment lasted for only 70 years. The world is now embracing market system. Why should we try to reverse the wheels of history?

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Kenya needs a rebirth to rid us of those who killed our dreams

Published on 07/12/2008

By XN Iraki

Three issues worry me in the privacy of my thoughts. One is the high number of directors who are ‘cross listed’, serving in several boards of directors. Two is the fact that half the Cabinet served in the Kanu Government. Three is that our mindset is to some extent still frozen in time, a residue of a bygone era, whose grandeur and time long passed.

While the Government and politicians are our scapegoats, taking flak for our problems, we need to dig deeper. They may be victims of our unkind systems and mindsets.

Our politicians have quickly got their own scapegoats — the latest being the Electoral Commission of Kenya (ECK). Does anyone believe ECK was the cause of the post-poll chaos and needs disbandment? The next may be the media. First, what is the thinking behind ‘cross listing’ of directors?

Some observers suggest it is all about ownership; there is still a very high concentration of wealth in a few hands. The owners must safeguard their interests by using familiar ‘eyes’. The eyes may be themselves, their friends, relatives, former classmates, golfing buddies or those who have excelled in their field that anyone would covet their presence in the board for PR purposes.

A second line of thought is that this cross listing is nothing but an alliance, a network or a keiretsu, to talk Japanese. Firms are customers to each other, and what better way to ensure there is symbiotic relationship than to have directors cross-listed?

Others argue almost to the point of conviction that there are too few good people who understand the complexity of corporations — private and quasi-public ones. They cite the high salaries they
are willing to pay the managers as the best evidence. If we follow this argument, we could boldly conclude the world is run by just a few people.

The second issue is too many ‘familiar’ faces in the Cabinet. How could we fight for change and even kill each other just to return the same faces to Parliament? What I find interesting and ingenious is the way Kanu returned to power last year. Kanu, in fact, strategically divided itself with some members going to ODM and others to PNU; whichever party won, Kanu won.

**The focus**

What do the two issues have in common? Would less cross-listed directors do a better job? Would letting directors focus on one firm lead to better performance?

My hunch tells me yes, because the pace and complexity of change nowadays demand focus. Experience may not always be an asset today; perhaps the reason the average age of directors is going down.

Could cross-listing be the reason few of our firms are multinational? In addition, our Schools of Business curricula have focused less on directors; contrary to political scientists who focus mainly on political board of directors — the MPs and the presidency.

Would Kenya be more developed if there were less recycling of political faces? Certainly yes. History is a witness. The change over from colonial era ushered in a period of unprecedented economic growth. When our post independent political leaders resisted renewal, we started moving backwards. The first 10 years of Kanu regime were golden. Molongo voting was a betrayal to the coveted renewal. We backslid till the repeal of Section 2(a) of the Constitution that ushered in multi-partism.

The first five years of Kibaki regime were golden with unprecedented economic growth. His return dented our optimism and betrayed renewal. I fear 2012 may be another betrayal to renewal.

Growth in corporate and public sectors is driven by renewal, the same way a snake sheds its skin after outgrowing the old one. Renewal is about new people, new ideas, new innovations and perspectives. Elections every five years or three years in corporate boards ought to imbibe the systems with new and bolder ideas.

Finally and biologically speaking, where would we be without renewals, through births and deaths?

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**With focus you can conquer the world**

Published on 02/12/2008

By XN Iraki

The quickest way to know whether you are in America is to look for American Symbols. McDonalds, Burger King, Best Western, Waffle House, Wal-Mart, Exxon or J.C Penney.
Every town in America seems to have certain landmarks no matter how small, new or remote. It does not matter whether the town neighbours the cotton fields of Mississippi, plains of Connecticut or the snow caps of the Rockies, America is that Uniform.

Yet behind this uniformity lies the secret behind the success of American entrepreneurs. It appears that to make money in America, all you need to do is to come up with an idea, good and practical, put it into practice in one place then like the spokes of a wheel fan out to all the corners of the country.

You do the same thing, in the same way, only in different places. A McDonald hamburger tastes the same irrespective of where you eat it.

American entrepreneurs have succeeded by focusing their energy and resources into one area of business, perfecting it, then conquering the domestic market before going global.

America is awash with men and women who tried this strategy and reaped the fruits, handsomely. Take Ray Kroc, the founder of fast foods chain McDonald’s.

He did not graduate from high school (don’t burn your books yet). He worked for milkshake making firm for 17 years then went on his own.

His focus was fast food; he had the knowledge and experience. His insistence on high standards for those he gave franchises was legendary. He trained the franchise owners at “Hamburger University” in Illinois where one could graduate with a “Bachelor in hamburgerology” and a minor in French fries (chips). Today McDonald’s boasts about 13,000 restaurants in the US only.

One of Kroc’s competitors is Dave Thomas who founded Wendy’s fast food chain and named it after his daughter. Like Kroc he did not graduate from high School, he was an adopted child and by his death his firm had 6000 restaurants.

"stick to knitting"

We could continue giving others examples, but the pattern seems to emerge, successful firms "stick to knitting". Bill Gates’ Microsoft despite the fact that all software needs Hardware has no interest in hardware, Ford makes cars and cars, Coca Cola makes beverages, Price Waterhouse Coopers consults, Harvard offers education.

Long ago Kodak sold her medical business, Pepsi sold her restaurants.

Even towns in the US are focused, New York is the center of Financial services, Boston hosts America’s top universities from Harvard to MIT, Los Angeles and Orlando are entertainment centers, Detroit produces cars. US universities are too focused; Johns Hopkins is famous for Medicine, 20MIT and Caltech for technology, University of Chicago for Economics, University of Wisconsin for Computer Science, Columbia for Journalism while Yale is famous for her law School.

As we charter more universities in Kenya there is a need for them to get focused.

Without focusing on one business, these American firms may not have blossomed to what they are today.

major setback
In Kenya we have failed to focus though local Asian Businessmen have tried the approach; they get into a business, become experts in it, and then open new branches either in other towns or in neighboring countries.

With time in one business, you come to know the suppliers, the market, the bottlenecks in the supply chain; you build one of the most valuable resources in business, goodwill and networks.

All you need to do after that is to wait for the next generation to mature and take over.

Focus has been one secret behind the American economic success. It is the secret behind all the firms and institutions that we admire.

By wanting to do everything, we end up doing nothing, that is why one may get an impression that Americans are ignorant but they usually know one thing and know it well.

That why there are all kinds of experts in America ranging from specialists in security, relocation, homeschooling, divorce and even death.

Our attempt in Kenya to do everything has been a major setback in building world-class business empires, the reason Kenya is yet to boast of multinationals.

The mentality of doing everything is evident everywhere in Kenya. From the CEO who want to be in charge of the employees’ cooperative society and funeral committee.

Some firms in Kenya have adopted the focus strategy; EABL was a pioneer in focus. Transportation, cleaning or security are peripheral activities and don’t add value to the firm.

EABL outsourced them. Equity Bank focused on the unbanked. We need more focused firms and individuals.

We also must get more focused as nation; how else can we be competitive today?

How else can we spawn Kenyan multinationals? How else do we become the regional economic powerhouse?

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**MPs are busy milking a cow they are not willing to feed**

Published on 30/11/2008

XN Iraki

Kenya is like a cow, everyone wants to milk it but no one wants to feed it. Someday, the cow will either refuse to produce milk or simply collapse in the milking shed. It is good not many milkers use machines; though wiring back money in Anglo-leasing scam indicated machines are already in use.
With such understanding, there seems to be a rush to milk the cow before the other person does it. Our MPs are leaders in milking the cow, after all, as recent events from post poll chaos to corruption cases indicate, the ownership of this cow is hazy; most express ownership when things are good, like winning gold medals. When they are bad, we either leave the country, talk ill of it or just keep milking the cow.

Interestingly, the ever forceful and active NGOs have not been on the streets demonstrating against the MPs failure to pay taxes. Some observers have speculated that our MPs are clever; they may have created a food crisis to divert our attention from their misdeed.

First why do our MPs behave like that? They have noted they can get away with it. If a hyena tries to eat your sheep, shouting can often scare it away. We are not shouting because we secretly admire the MPs and wish we were in their shoes. That is why so many lose their seats during the General Election to give others a chance to ‘eat’. Our MPs’ behaviour is typical, few people can be trusted with money; we even count money after getting it from the ATM or our mothers!

Our MPs and other constitutional office bearers’ failure to pay taxes clearly demonstrate their lack of leadership. They should lead by example. As Amos Kimunya asked last year, why should a judge who does not pay taxes try me for evading taxes? Failure to pay taxes is unethical too. Why should a soldier or a policeman who puts his life on the line defending the country pay taxes and not the MP he protects?

Our political leaders seem not to appreciate the power of humility. We revere Nelson Mandela and Mahatma Gandhi for their humility. Shouldn’t our MPs be humble enough to pay taxes like all of us?

Further not paying taxes is unafrican. In most African societies, you should always “return the hand” once someone gives a gift. Is being an MP not a gift from the electorate?

Could most of our MPs be in the lowest level of Maslow’s hierarchy of human needs? Yet an MP by the nature of his or her job, should be at the highest level, self actualising himself, or even being transcendental, thinking of higher good, for the present and future generations.

There is another more subtle reason why MPs are able to get away with it, the power has shifted from the Executive and Judiciary to the MPs. They have realised they have political capital to spend. They got control of CDF, they raised their pay, and they will ask for more, after all, did we all not want a weak Executive?

Other observers have noted that this is the most intellectual of all parliaments. Such intellectuals know the power of the pen and the sweetness of rent seeking. Why work when a ‘pen’ will earn you the money?

Where do we go from here?

The high casualty rate during the polls is great incentive for MPs to keep their perks. One method to deal with the MPs insatiable hunger for money is through the constitution review, sealing loopholes that allow MPs to fix their own pay. The power balance between the three arms of Government needs restoration, it has shifted too much towards Parliament.

The best exit strategy from the tyranny of our MPs is to have an educated electorate that knows its rights. We also need to make the Kenyan culture more entrepreneurial where we earn respect for the money we make ourselves, not what we can extract from a docile public.
Nairobi could easily earn tag Golf City
tag

Published on 25/11/2008

By XN Iraki

The advertisement by Kenya Railways calling for an investor to convert the current Railway Club Golf Course into a Golf City with a five star hotel and a modern railway station was long overdue.

Entrepreneurs hate to see underutilised resources; they love to make more out of such resources while taking risks.

The current railway golf course is a gold mine, a jewel in the crown of the city. I know of few cities that boast of a golf course so near the CBD and a national park teeming with animals a few kilometres away. Add the railway museum and the value goes up; I would pay to travel by Steam train (gari ya moshi).

Those who have played Golf at Railways Golf Course will appreciate the proximity to CBD; if you drive your golf ball hard enough on the 9th hole, and your ball fades (golf speak for veering off ) to the right, it could land on the junction of Haile Selassie and Uhuru Highway!

hospitality chain

Nairobi is in dire need of a modern hotel. Except Grand (Laico) Regency and Panari, other hotels have been there for too long. It is time we got something more exotic, up the hospitality value chain.

Digression, if I bought Grand Regency, I would never have changed the name, unless I slept through marketing classes.

The Golf City will prompt other entrepreneurs to try something similar if not more grandiose. Though we must point out that Rea Vipingo may be ahead, with its concept of "golf homes" in progress. Great Rift Valley Golf resort pioneered the new "golf residences".

Windsor is yet to get a competitor, and some of the great coffee plantations so near Nairobi would become great golf cities.

We cannot underestimate the externalities resulting from this project. The value of land in the vicinity will go up, new businesses set up and the "coolness" of the area will go up too.

We hope the envisaged railway station will lead to the airport, either through underground or in the "air". Such an efficient transport to the airport is long overdue. We still have no electric train.

The heart of the city could move farther West, after the Upper Hill’s vibrant growth despite her narrow roads that is greatly in contrast with the exotic buildings.
A road linking Upper Hill to Langata Road, avoiding the Uhuru and Mbagathi roads is long overdue. The Golf City would be another feather in Upper Hill, the Nairobi’s future Manhattan Island.

In fact the development of such golf resorts should be the backbone of Kenya’s tourist industry. There is no reason why Kenya cannot become the golf capital of the world with our endless sunshine.

Most Golf courses in Europe and USA are closed in winter and we could attract lots of players in that season.

Tiger Woods has not played on any of our courses. Golfing can join the Big Five as the next big thing, a must for visitors to Kenya.

quality life

The Golf city concept is a logical progression in our quest for higher quality life. Kenya has lots of affluent people, both indigenous and foreign, who after satisfying their basic needs would love to move a step up — play in fine golf courses and dine in exotic hotels.

As we think of entrepreneurial opportunities in Kenya, we should not forget leisure. I see a silver lining in the current global economic crisis. After it has run its course, we shall definitely recover.

The rising economic growth will be felt in Kenya, spawning a new generation of affluent, but young people very conscious of health, leisure and work too.

Any one ready to satisfy this generation has the potential to make money. Kenya Railways (or is it RVR) despite a history of laxity may for once be ahead of her rivals.

Investment in leisure activities is the next big thing in entrepreneurship. We are yet to get our Disneyland and most of our estates including the newest are just "bedrooms". It is one of the paradoxes of our times, why new estates never replicate the CBD with its parks and open spaces.

Clearly for the last 100 years, we have not addressed the concept of quality of life; most of our towns have become filthy and not fit to live in.

Yet the original idea behind cities was efficient provision of services, raising the standards of living, in contrast to the rural areas, often wrongly thought as "backward". Yet, you cannot get a Githurai, Kibera or Mukuru kwa Njenga in the rural areas; there are no carton houses there. The Golf City should be a watershed; we must now move up the quality of life value chain.

Finally on a selfish note; if the Golf City comes to fruition the current members of the Railway Golf Club should become automatic shareholders as a matter of courtesy.

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Implementing Waki Report will fire up our seamless optimism
The pressure to implement Justice Phillip Waki’s report on post-election violence has never been greater and, as Prime Minister Raila Odinga put it, the issue is not whether but how. Though its implementation will be painful to some people, it will mark the end of an era, a watershed in our political history. It will be more than ending impunity.

There is all the possibility that a local tribunal will be formed. The results of Goldenberg Judicial Commission of Inquiry are very ‘encouraging’ to anyone with fear over the tribunal; you can legally extricate yourself like most subjects of Goldenberg.

But if the tribunal proposed by Waki takes off and does its work well, future generations will pay tribute to men and women who ensured its implementation. Here are the reasons why the implementation will be a political watershed.

First, the nation will for once take primacy over the tribe. By trying some Kenyans perceived as tribal chiefs on both sides of the political divide, we shall make a powerful statement that the tribe or clan is a subset of the nation. Though tribes will not disappear overnight and they should not — they are part of our national heritage — the tentacles that hold most leaders to their tribes will loosen.

Two, the conversion of tribal leaders into national leaders will hasten. We cannot deny the fact that the post-election chaos had tribal dimensions, and tribal leaders, some well respected on both sides of the political divide may have directly or indirectly fanned the embers that almost consumed our young nation.

Implementing the Waki Report will force our leaders to start thinking of their national obligations, and what they can do for the country, not for the tribe. There is a real possibility that the report will spawn a new generation of national heroes.

Three, it will convert tribal elders into statesmen. It is curious that any time there is a national crisis, the Government calls upon the tribal elders to sort out the problem. Implementing the report will force elders to think of themselves as national not tribal elders.

From pessimism to optimisation

Four, the implementation will convert rent seekers into entrepreneurs. A lot of entrepreneurs suffered during the post poll chaos. They were victims of rent seekers, people who want to make money without taking any risks. The implementation will be a political and economic settlement. The post-election chaos had an economic angle — the reason entrepreneurs were targeted. I see no reason why some people should not be tried as economic saboteurs.

Five, the implementation should convert our juvenile delinquency into maturity. Some of the participants in chaos behaved like rebellious youths. The long arm of the law will teach them how to be responsible.

Six, the implementation will turn our pessimism into optimisation. Too many Kenyans suffer from the siege mentality, feeling insecure in their own country. Implementing the report will break that siege unleashing the power of our collective optimism. No country can develop when vast majority of its citizens live in the shadow of fear, seeing tomorrow as worse than yesterday.
Seven, implementing the Waki Report will force us to look inwards and outwards at the same time; understand how we relate to each other as individual, tribes, clans and nations. For once, we shall understand the importance of social capital.

Finally, implementing the Waki Report will force us to search our souls as a nation, under the gaze of each other and the international community; we shall understand our problems, and our common destiny. I see no reason why the report cannot be the national catharsis, an occasion to exhale. If we play about with the Waki Report as we did with other reports before, we risk returning to mental trenches.

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Is this the end of capitalism as we know it?

Published on 18/11/2008

By XN Iraki

Since 1776 when Adam Smith wrote “The Wealth of Nations,” capitalism has been said to be the golden road to prosperity; it has withstood several tests from the Great Depression in 1933 to the two world wars.

It outlived communism and its utopianism. After the fall of the Berlin war in the 90s and the conversion of former Soviet Union and Eastern bloc countries to market system, it seemed capitalism had finally triumphed and the world had no choice, but to adopt capitalism as the holy grail of economic prosperity.

But a few events in the last few months have dented our faith in this system. We can boldly ask if these events mark the end of capitalism, as we know it. Will a new system replace capitalism? What is its name and how soon will that be?

Economic events were in the past isolated, affecting a nation or only a group of them. Today, our economies are like the medieval societies where plagues spread from one country to another.

new problems

It seems that what we conquered through advances in biology, mutated into something we cannot tame in economics and finance.

We still do not fully understand what causes economic crisis like recessions; we still cannot inoculate our economies against the malaise of recessions.

Just when we thought we understood the economic systems, new problems arise to challenge our conventional thinking. A few examples.

In UK, the Central Government did not hesitate to nationalise ailing mortgage firm, the Northern Rock.
The amazing word is nationalising, a word that often evoked risks, communism and the antithesis of capitalism.

Yet it is UK that gave us some of the world’s leading advocates of capitalism.

The argument given for nationalisation is that it stopped the contagion from affecting the rest of the UK financial system. Ireland in the neighbourhood was not left behind in shoring up her banks.

more regulation

UK was trying to contain the aftermath of the financial and economic meltdown in the US, where unusual decisions were also taken.

Some famous investment banks reverted to bank holding companies subjecting themselves to more regulation, yes more state regulation, but with greater access to liquidity, and deposits.

The same investment banks had spent years fighting off regulation or inventing financial instruments (like derivatives) that circumvented the prevailing regulation.

The two countries are cited for the vigour in which they have sold capitalism. The heydays of market system or capitalism coincided with Reagan presidency and Margaret Thatcher’s premiership in UK.

They preached and practiced the virtues of market system. Both are remembered for deregulating industries then thought as sacrosanct such water, railways and airlines. They ruthlessly dealt with labour unions with Reagan sacking air traffic controllers for going strike. Thatcher fought and won over coal miners who went on strike for more than 11 months.

The argument was that labour like any other factor of production should be easily bought and sold in the market.

Labour is under the laws of supply and demand and unions interfered with such laws leading to higher wages without commensurate productivity.

Through IMF and other institutions, these countries demanded the end of price controls, and privatisation of state firms, still ongoing in Kenya.

undesirable decision

Developing countries found themselves making very socially undesirable decision like cost sharing in Kenya.

The famous structural adjustment programmes were supposed to harness the power of the market.

Yet, long before the meltdown in the Wall Street, some people were sceptical about the success of the western models in countries where traditional thinking was culturally anti-capitalism.

Some argue that the voices that resisted these models should have been louder, but who wanted to be labelled Marxist?
Others argue that Scandinavian countries long saw the dark side of capitalism and came with their hybrid system, where the government is big, and plays a greater role in social welfare. Is US copying these countries? The events in UK and USA may easily tempt one to believe that capitalism is under threat. My hunch tells me no.

The greatest strength of capitalism is its ability to renew itself and adapt. The unexpected reactions in the current crisis are likely to be short-term.

government role

Capitalism appreciates that the government has a role to play in the economy, the reason we have central banks and politicians making economic decisions from minimum wages to the use of monetary and fiscal policies.

Many have predicted the end of capitalism but it has outlived them. What is clear is that capitalism as we know it will continue evolving as it reacts to events spawned by the same capitalism.

The system ought to be self-correcting, generating new ideas and jettisoning moribund ones.

We should not celebrate the misery of western countries, we should learn from them, so that as we adopt their systems, we should inject our own ideas and put our own context into consideration.

We can build our own brand of capitalism; after all I highly doubt if Karl Marx would still attract a huge crowd if he were to hold a public rally to discuss the solutions to the current crisis.

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Great leaders are remembered for making bold decisions

Published on 16/11/2008

By XN Iraki

Biologically speaking, ripening and rotting is the same process. Our political leaders seem to have ignored this simple fact. They seem to have failed to learn from nature and her simplicity.

National problems are like fruits, if not picked at the right time, they rot; if they are picked green, they cause indigestion. Unlike fruits whose state of ripening can be virtually ascertained, not for national problems, which are often hard to define, causes are not clear and solutions are untested.

Anyone who thinks of national leadership as free publicity is mistaken. The reality is that solving national problems is no easy feat; perhaps the reason our MPs prefer to focus on what is easier — sharing the money. The test of great leadership is identifying when the problems are ripe, and picking them by making decisions.
Great biologists (or botanists) start by doing their homework, learning about fruits, how long they take to grow, ripen and most important how long they can be preserved. Most of us were surprised to find that bananas deteriorate fast if kept in a fridge.

That our political leaders have not learned from biologists is in no doubt. They do not make decisions, pick fruits when needed, and rarely do enough research about the problems. They allow fruits to rot, and then start blaming each other for the rot. Our national fruits are many.

Former Finance Minister Amos Kimunya’s trouble partly had to do with demanding MPs pay taxes. Our political leaders failed to implement that immediately. The fruit has rotten, and the MPs will not pay taxes. We can only watch and envy them. When Americans fought for Uhuru from UK, they demanded ‘no taxation without representation’. We should demand no representation without taxation. Have we not employed our MPs?

The Waki Report was picked unripe with both major parties making unusual demands. The political parties are now suffering from indigestion. Some like ODM have given the report time to ripen by forming a committee to study it. The Cabinet has also given the report time to ripen.

**Squatters**

One reason Waki Report has generated so much heat is because it is unlikely to be left to rot like past reports, as the MPs would have preferred. Our political leaders must make a decision about Waki Report; pick the fruit before it starts rotting.

The Mau forest is another fruit that has not been picked, given time to ripen or rot. Some may prefer to keep it in the fridge till 2012. If not picked, a bold decision made, it will become a bigger problem.

Another fruit is squatters, some currently being settled in part of Solio Ranch, on the leeward side of Mt Kenya. While the squatters may not mind where they are settled as long as it is land, our political leaders let the problem rot, the families have grown bigger since they were evicted from the forest. And other squatters will demand their share.

We could go on, but our failure is in not knowing when the fruits are ripe and making bold decisions even if unpopular. Yet, great leaders are known for making bold decisions, not buying time. The beauty about making a bold decision even if wrong is that others learn from it.

We have failed to make bold decisions on some issues at the heart of the nation. They include writing a new constitution, preserving our environment, controlling the population, creating jobs, empowering the next generation, failing to think strategically and preferring short-termism.

It may be that our political leaders are risk averse and worry too much about their positions. But long after they leave the stage, future generations will pay tribute to their bold decisions. Making bold decisions is a sure route to heroism.

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**Can Obama be an asset to our economy?**

Published on 11/11/2008
By XN Iraki

The late US president Ronald Reagan came up with Reaganomics, based on the so called supply side economics or trickledown economics which the Kenyan Prime Minister Raila Odinga, alluded to during the recent infrastructure bond conference.

The basics of supply side economics is that reducing tax rates stimulates savings and investment leading to economic growth and job creation.

Will Obama come up with Obamanomics to steer the American economy out of the doldrums and if possible inoculate it from an imminent recession? What can we do as a country to benefit from Obamanomics?

First, some digression; was there Kibakinomics?

After Narc won power, Kenya experienced unprecedented economic growth that was characterised by low interest rates and generally pro-business policies.

In the run up to last year’s General Election, even Kibaki’s greatest critics did admit that he had done a lot for the country’s economy.

But he was accused of failing to close the widening gap between the rich and the poor; he was accused of failing to trickle down the economic growth to the grassroots. The truth about some of these accusations may never be known.

What is not debatable is that Kibaki used the State to intervene in the economy, reviving some moribund firms like KCC and KMC. His economic policies appeared very Keynesian. But lately there has been a shift towards more private public partnership, a realisation that private sector is the engine of economic growth.

The recent infrastructure bond conference was probably a realisation that the future lies in the private sector, an observation made by Adam Smith more than 200 years ago.

The shift towards great emphasis on the private sector was at the heart of Reaganomics. Through deregulation, Reagan and Margaret Thatcher in UK unleashed the power of the market.

Some observers even suggest that the eight years of unprecedented economic growth under Bill Clinton was just a continuation of what Reagan started.

Obamanomics

Enough digression; what would be the tenets of Obamanomics? Already he has given us great insights into his economic thinking. He is for increases in the stimulus package, economicspeak for "giving" people money to spend therefore creating demand for goods and services and leading to jobs by extension.

A tax refund/cut is one popular method of stimulating the economy. KRA can you hear me? Obama has also alluded to public works spending to again to stimulate demand.

It seems that despite his name fading from public and intellectual debates, we are all reluctant disciples of John Maynard Keynes.
Obama will definitely use time tested policies particularly fiscal policies, where tax cuts and government spending create demand for goods and services which eventually translate into jobs.

On using this approach he will come face to face with a budget deficit, more so after promising huge tax cuts. Will he like Bill Clinton balance the budget after many years of persistent deficit? 

Obama could also use monetary policy which seems to have gained prominence in American economic circles in recent years. But in using this approach, Obama risks getting into the liquidity trap like the Japanese economy in most of the 1990s.

The interest rates are now about one per cent, further cuts towards zero, would render monetary policy impotent.

Obama may probably focus more on the fiscal policies. His preference for additional stimulus package perhaps reflects this thinking. Obama’s choice of Treasury Secretary, Chairman of the Council of Economic Advisers, may give further insights into his economic thinking.

The suggestion that he could recycle stalwarts of Clinton’s administration means that Obamanomics could be a refined derivative of Clintonomics.

What is of serious curiosity to any economic observer is the extent to which the new administration will go with re-regulation of the economy which may stifle creativity and entrepreneurship, the hallmarks of the American economy.

Like Sarbanes-Oxley act after Enron and WorldCom financial scandals, Obama may have to deal with over reaction from the financial meltdown. It is interesting that while we yell in this country against recycling old faces in our political system, America seems to love that. They value experience particularly if tempered with loyalty. George Bush did that and Obama will most likely do the same. Such recycling or call it continuity is what gives the government its mythical strength.

We must, however, point out that most of the people recycled in Bush and Obama administrations are time tested high performers not bootlickers and unremorseful sycophants.

Building on great expectations and the feel good effect resulting from Obama’s spectacular victory, the American economy is likely to recover, in the next one year or so. We must therefore ride on this recovery. There are many ways to do that.

Opportunities

One is to negotiate for more trading opportunities with the USA. Africa growth and Opportunity Act (Agoa) was not enough. We must seek extension of Agoa and inclusion of other Kenyan products from flowers to intellectual property like books and computer programmes.

We need to wean ourselves out of hinging on more aid. Trade would be a better route to economic growth than aid, as the last 45 years of uhuru can testify. Obama’s victory did not mean the end of work.

Two, we use Obama’s victory and his Kenyan connection to rebrand ourselves. A recent study by InterbrandSampsons indicates that South Africa contributes to about 23 per cent of what is good about Africa’s brand. Kenya contributes about 12 per cent mostly through our athletes.

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We should honour Obama by translating his win into hard work

Published on 09/11/2008

XN IRAKI

US President-elect Barack Obama put American voters in a corner they could not extricate themselves from. Through his speeches, with roots in the bowels of the American history, he kept tightening the noose around the American national psyche.

It was partly simple logic; if Americans did not vote him, the whole world would label America racist. Their only escape was voting him as the next President. And they did, overwhelmingly. But his victory was more than avoiding the racism label. Several surveys in recent years had shown Americans were unpopular abroad.

Through Obama, Americans saw a chance to repudiate their image by making a strategic choice that makes it ‘cool’ to be American again. The American dream is kept alive by such rare feats. We all thought that a white woman would become the President before a black man.

But Obama won for other reasons too. His speeches were inspiring while his youthfulness and energy attracted many voters. Did you notice he always ran onto the podium? He was not entangled by the establishment and his party kept discipline. His exotic background, exulted by the media, may have won lots of undecided voters.

But let us be blunt, the economic meltdown was the invisible hand that finally handed Obama victory.

There are other reasons why his win is surprising, he is American and not black! Culturally speaking, he is Kenyan (and Luo). Being black in the US is not about colour, but a part of subculture, though we could still ask what colour I am if Obama is black?

Obama’s colour was ‘diluted’ by the institutions he went through, making him probably closer to White Anglo-Saxon and Protestant than African-American. A ‘real’ African-American goes through any of the 100 or so Historically Black Colleges and Universities (HBCUs) and not through Harvard or Columbia. Martin Luther King went through one such HBCU, Morehouse College.

We celebrated Obama’s victory by declaring a holiday. I think that was an overkill. Instead, we should be weeping because we have failed to live to the ideals of the man we admire. Obama is where he is because America provided him with opportunities to reach the apogee of his potential. Yet some of the celebrants, including some high-ranking leaders, will not hesitate to sacrifice meritocracy at the altar of tribalism, clanism or family relations.

America is great not because of nuclear weapons, but because of her people’s belief that hard work and honesty will always be rewarded. In Kenya, there are too many rent seekers and most honest people are either dead or unborn.

Where do we go from here?
His main task is to make what is wrong in America right with what is right in America, to quote Bill Clinton — from the economy to healthcare, infrastructure, education and foreign relations, and not forgetting ending the costly wars in Iraq and Afghanistan and confronting Russia’s newly found self-confidence.

He may however disappoint many in the US and Kenya under the delusion that plum jobs will open up, subtle discrimination will vanish, blighted public schools will shine and broken families will be repaired overnight. We had the same illusion at Independence in 1963.

While our association with Obama will imbibe us with new confidence, that will not replace our initiatives, our hard work, our entrepreneurship and strategic thinking. While his policy towards Africa and Kenya may change, it may be more in favour of American interests. Some have boldly suggested that Kenyan brand will now outdo South Africa, as we become the new epicentre of African geo-economics and politics.

In the next few weeks, Obamania will fade and realities return. We can however honour him by translating his inspiration into honesty, hard work and opening up opportunities to all. That way, the Kenyan dream may be realised sooner.

Is South Africa’s economic juggernaut unstoppable?

Published on 04/11/2008

By X.N Iraki

Writing in *The New York Times* on February 17, 2002, and from Doula, Cameroon, Rachel Swarns brought out an issue that has often been expressed in Kenya’s business and political circles.

Her piece had a catchy and evocative title, "Awe and unease as South Africa stretches out." She explained in details how South Africans are taking control of businesses in other African countries like power plants in Mali and Zambia, railroads in Cameroon and cell phones in Uganda and Nigeria.

Swarn did not mention that South African businesses have stakes in Tanzania, bought out US miller brewery and have plants in Vietnam.

But she mentioned one deal that has generated a lot of political heat in Kenya; the acquisition of one of the Kenya’s large bottling plants by a South African Group. Mr Matu Wamae, a legislator, is quoted then as expressing fears that, "at that rate we shall end up owning nothing in Kenya."

His reaction even went further to suggest that, "South Africans bulldoze their way round and seem to have the attitudes of old South Africa." His view of her expansion as a new form of colonialism maybe wrongly shared by many. Does this explain why some South African firms having been having it rough entering the local market and instead prefer local partnerships such as StanbicCFC?
Yet, a decade after her independence (some pundits say political, because she had long won her economic independence), South Africa wasted no time in flexing her economic and political muscles (remember Thambo Mbeki’s African renaissance initiative). In this short time, South Africa’s economic hand has left few countries in Africa untouched.

There are those who ask whether South Africa should be stopped or can be stopped. For one, South Africa accounts for 40 per cent of the continent’s economy, (in a continent of 51 countries). Some observers point out that South Africa is a first world country in a third world continent. Her competitive advantage is not based on primary products or like Oil in Nigeria or coffee in Kenya.

She has sophisticated technology that closely matches that of many developed countries. Her technology spans many fields from agriculture to information technology.

It is no secret that many Kenyan firms are sending their employees for further training there. One may be tempted to ask how South Africa, after all those years of apartheid, found herself in such an enviable position.

How come 30 years after we gained independence, our doctors and professors are still going to South Africa in droves, a country we refused to trade with when apartheid was to real? Some people say African countries were duped and did not read the signs of the times.

Didn’t Ronald Reagan staunchly defend his policy of constructive engagement long before apartheid was over? The US knew that South African independence meant a new and bigger market.

While African countries condemned the apartheid regime, the Western countries foresaw its end and prepared for its aftermath. When will strategic thinkers start doing their work?

But it is more than that. For one, apartheid was a great incentive for self-reliance. With sanctions, South Africans had to learn how to survive economically. South Africa even learnt to make oil out of coal. She developed her own tanks and jet fighters, and it is suspected even nuclear arsenals. Maybe president Museveni of Uganda was right when he claimed that some neglect could be good for African countries.

It seems to me that South Africans prepared themselves beyond the new flag. They saw the future and the opportunities it beckoned and prepared. Is it not in record that secret negotiations were going on between ANC and the national party in the early 90s? Serious negotiators must have paid attention to the economics of the post-apartheid period.

With the ghost of apartheid laid to rest, South Africa embarked on nation building in earnest. But first, they cultivated the necessary good will; a very important asset in any trade or business. Mandela was South Africa’s chief salesman.

He visited Western capitals and dazzled their capitals with Mandela shirts and Mandela dance. Everyone came to know South Africa. And curiously, discussions with South Africans indicate they do not use apartheid as an excuse the way we use colonialism.

In the US, Nigeria finally got her competitor, South Africa, known more for her future prospects than military regimes and corruption. In the US today, everyone knows about South Africa and
some Afro-Americans claim their ancestors came from South Africa—though historically I doubt that. Even Oprah Winfrey claimed she is a Zulu!

But there was another reason why South Africa was so easy to market. While other African countries got their independence in droves, South Africa was alone. Another addition to South Africa’s prestige was the smooth transfer of power after Mandela retired. This was contrasted with what happens in most African countries.

Combine this marketing blitz with years of isolation and you get a perfect mix of success. As Swarn puts it, South Africa is fanning out to other African countries. This is made easier by the fact that they know better about Africa (in terms of culture and politics) than the West. More important they are willing to take risks by investing in often run-down state enterprises.

Why isn’t anybody complaining about Britons and Americans or the Frenchmen who have vast economic interests in Africa. It seems to me that the best way forward is not to stop them; it is to learn from them.

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**Rejection of Waki Report a great conspiracy against the small man**

Published on 01/11/2008

By XN Iraki

We argued on this page last week that most of Kenya’s political history is a conspiracy against the ordinary man. The rejection of Waki report has vindicated our observation. The reasons given for rejection are all wrapped in our collective hypocrisy.

More surprising was the rejection by the VP as ODM was rejecting it. The reason he gave was equally perplexing. He said the prosecutions would open old wounds. It may be mere coincidence, but there seems to be closing of ranks across the political divide in rejecting the Waki report.

What is really surprising is that lawyers (including the VP) are leading the crusade against the report. Why not take the cases to court and find insufficient evidence there? There are no legal grounds for rejecting the report.

I suspect there is real possibility that some Members of Parliament and Cabinet ministers could go to jail. One ingenious way to pre-empt that is to avoid the court. Our leaders, through the National Accord, long realised that political solutions are easier and sweeter than legal ones. They will try the same with the Waki report. They are even demanding the envelope!

But what are the political reasons for rejecting the report?

First, the report gave ODM a lifeline. With some within its ranks threatened, they flocked together. One of their own let the cat out of the bag when he argued “any attempts to sideline Rift Valley MPs would sound the death knell for ODM.” The rejection was a bold attempt by ODM to save itself, now and in future. Really?
It seems the original owners of ODM lost their grip on the party soon after the polls.

The party got new "owners" going by number of votes cast in 2007. The "new owners" are the Rift Valley MPs who forced an ODM meeting that sung their tune on Waki report.

Last month, I argued on this same page that William Ruto will become the new power broker within ODM and beyond.

Some observers note that by defying Raila and rejecting Waki report, the Rift Valley MPs have realised they have political capital to spend, and they will spend it. Just wait.

**Horse-trading**

Why did ODM high command buckle under the threat of Rift Valley MPs? Politics again. Without the Rift Valley bedrock, the party is spineless. Some speculate the Rift Valley MPs could have made a deal with ODM high command: protect us from The Hague, we protect ourselves at home, then in 2012, we shall give you our votes. This deal, if any, has risks.

The Rift Valley MPs will make even bigger demands and claims in future. How will Raila now handle the Mau Mau evictions? How will the rest of the country react? How will ODM react if Ruto makes a stab at the presidency in 2012? Is Raila losing his magic?

The Rift Valley MPs now know the ODM’s soft underbelly. They will now extract maximum political benefits. Expect another minister or two from there in the next reshuffle.

Where do we go from here?

Will ODM high command buckle under international pressure and reverse its position? It is interesting the same party which harped so much on international community to extract a power sharing deal early this year is trying its best to avoid The Hague route preferring a local solution. No wonder hypocrisy is the main currency of our politics.

Will Raila and Kibaki sacrifice their political lifelines to save the country from future pogroms? We have few doubts that if no one goes to court, locally or at The Hague, impunity will have been institutionalised.

We have no doubt the killings in 1992, 1997 and 2008 were perpetrated by Kenyans who still walk free on this beautiful land.

How will PNU react to Waki report? Her stand will be similar to ODM with a few dissenting voices and claims of self-defence. Realignment in the two major parties is expected too. It is part of the great conspiracy against the small man, who must occasionally shed his blood to save the political careers of "our leaders".

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## Restore confidence in the NSE

*Published on 28/10/2008*

*By XN Iraki*
Some of the greatest inventions in modern business include the stock exchange and her twin sister commodity exchange.

The latter, where derivatives are traded has not taken root in Kenya, but over the counter (OTC) trading in variations of derivatives, particularly forward contracts, takes place particularly in treasury departments of our banks.

It, however, seems that in the next few years derivatives will be the next big thing despite the perceived risks such as bringing down mighty banks such as Barings Bank. Derivatives have also been partly blamed for the current financial meltdown in the USA.

However, before moving to derivatives, the exotic financial instruments that at times demand the mathematical precision of rocket science, we need to first deal with what is more familiar to us, the stock exchange; where firms trade ownership, raise capital to expand, create new jobs, reward entrepreneurs, expand the economy, ensure national wealth is under good stewardship and also allow a few people to burn their fingers and make up for their greed and plain ignorance.

Economic growth

Worldwide, stock exchanges and the associated indices measure the pulse of the nation's economic growth; we could as well use the stock index as a proxy measure of economic growth in addition to changes in GDP growth rate. In Kenya, however, only a few people focus their attention on the stock index, a measure of activities at the Nairobi Stock Exchange (NSE).

The Safaricom IPO may have changed that all together. For once, people at the grassroots came to appreciate, but not necessarily understand the roles, the benefits and risks of the stock exchange. With Safaricom IPO, we all thought that NSE had entered her golden era.

A few events may have turned some of that gold into a less precious metal and dented our confidence in the NSE. Yet, markets are about our psyche and our perception of reality.

The leading event is the global financial meltdown precipitated by the imminent recession in the US, the world's largest economy.

In the last 100 years, advances in technology have integrated the world's financial systems more tightly ensuring that any fortunes or misfortunes are shared and transmitted worldwide. We therefore cannot completely inoculate ourselves from the effects of the US economic meltdown.

The US recession will lead to fall in demand for goods and services from other parts of the world including Kenya. The anticipated fall in demand, will lead to fall in firms’ profits, fall in dividends and eventually a fall in firm's share prices as exhibited by the current bear market at NSE in tandem with other indices such as Dow Jones, S&P 500, FTSE 100, or even Nikkei.

Two is the fall in Safaricom share price which has 'annoyed' many Kenyan who had hoped to make money through the IPO.

Most buyers may not understand how the world's financial systems are interconnected, and how events in far way lands affect them. It is, therefore, not surprising that Kimunya's departure was celebrated by those who wrongly believed he was responsible for the fall in Safaricom share price and the resulting financial misery.

making a kill
The fundamentals were clear that the price of Safaricom shares would not rise substantially, but true to our peculiar habits, we followed the herd, believing wrongly that our party with poverty was over. The whole country was electrified into buying the shares with banks making a kill through lending money.

Three is the shaky state of some of stockbrokers. The original objective of the stock exchange was to instill confidence in the markets by making more information available and ensuring buyers and sellers honour their contracts.

To smoothen the market processes, the stock exchange uses stockbrokers who serve as the intermediaries between the buyers and sellers, often innocent people with no knowledge of the stock exchange. The sellers and buyers are either investors or speculators, out to make money exploiting the market inefficiencies.

Most observers had thought that by bringing mainstream Kenyans to the stock market through IPOs, we can devalue land and reduce its potential as a trigger in internecine wars.

How do we restore the confidence in NSE? The regulator, Capital Markets Authority (CMA) has lately flexed her muscles to rein in wayward brokers and restore confidence in NSE. While this was the right move, it leaves a lot to be desired, more so after Nyaga and Francis Thuo stockers had rattled the market after getting under.

CMA’s move to take control of Discount securities was probably necessitated by the experience with the former two brokers. Investors would want to know first how safe their money is, not so much who is taking care of that money.

Most investors have not yet sorted their issues with the former two brokers, before Discount Securities came into the scene.

supervision

We hope Discount is the last one. One method envisaged for restoring confidence in NSE is for CMA to supervise the brokerage firms with the same zeal that Central Bank supervises banks.

Some argue turning the brokerages over to banks could even do the trick. Clearly the troubled brokerage firms have management problems, often emanating from lack of professionalism and too much family control.

Without restoring confidence in NSE, we shall fail to take advantage of well tested avenues for raising funds, in a country in need of money to achieve millennium development goals and Vision 2030 and by extension increase our gross national happiness.

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**Why report on chaos is too hot for power elite to handle**

Published on 26/10/2008

By XN Iraki
Politicians’ reaction to the Waki Report is perplexing, but not surprising. After all, throughout most of our history, politics seems to have been a conspiracy against the ordinary man. Wananchi are often the collateral damage any time the political elite fights for privileges.

With control over resources and legal violence, our political leaders have often got away with villainy.

The Waki Report boldly attempted to end this behaviour, first by using a local solution through a tribunal or The Hague route where Balkan war crime suspects such as Radovan Karadzic and Slobodan Milosevic found themselves as invited guests. Each route has its merits and demerits.

Our politicians have a knack for survival.

That is the only reason half of the current Cabinet was once in Kanu. They love controlling their environment and their destiny, except death.

It is therefore not surprising some politicians want the suspects behind post-poll violence tried locally.

The local approach’s main attraction is their control to some extent. That is why we have no new constitution after two decades. Without political interference, we could be operating under a new constitution. The Waki Report intends to punish dishonest politicians, who use crude methods, including killing opponents to gain power. But they will fight back, preferably in a familiar territory.

The local approach has another attraction; culprits can get support from their constituents. The men on the ‘secret’ list (I can bet there is no woman) did not carry out their political adventures alone. They had ‘foot soldiers’. Hurling a ‘listed member’ to court, will elicit sympathy from loyalists. The political temperatures likely to rise out of local tribunal will dissuade the principals in the current Grand Coalition and the international community to go slow on prosecutions.

The local solution is getting an unlikely boost; harping on the allegation revenge attacks were planned at State House. The strategic thrust of this allegation is that if the State is guilty, then why should we pursue anyone else? This allegation also undermines the legitimacy of the State as an honest broker in resolving post-poll chaos, which increases the chances of the culprits going scot-free.

The main advantage of local approach is that as a nation, we shall take responsibility for our past mistakes, and build institutional capacity to deal with crimes against humanity and other outlying behaviour.

Way forward

The international or The Hague route’s major attraction is that it dovetails well with our thinking that such a trial would be more objective. We have over the years distrusted our institutions. But will this not be an affront to our sovereignty? Is it surprising that US was up in arms against her citizens being tried at the International Criminal Court?

We could, however, pre-empt the cost and the hassles of the two routes through a Truth Justice and Reconciliation Commission. Here, the suspects could confess in public how they organised the chaos. Those who tell the truth and own up to their acts should be forgiven with a caveat: they should not hold any public office for the rest of their life. Those who refuse to testify should be hauled to court; too many leaders have got away with impunity. We should, however, not discount the political implications of the Waki Report. Many political careers may be destroyed, including presidential ambitions. It is possible that in the run-up to the 2012 General Election the secret list will be one of the most potent political weapons.

But making the list secret may be a bold attempt to save the Grand Coalition; no wonder most envoys are mute on the Waki Report, except suggesting it be implemented. The choice our political leaders must make
is whether to rock the political armistice (National Accord) by pursuing justice or temper impunity. Either way, the conspiracy against ‘small man’ displaced or killed in political violence should end now.

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Only competition can tame oil firms

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XN IRAKI

We predicted a few months ago that by January next year, we shall be calling for one shilling a minute.

This calling rate has arrived prematurely, three months earlier. As calling prices fall, without the Communication Commission of Kenya’s or Minister of Communication’s intervention, the Minister of Energy is threatening to control oil prices.

Why can't we learn from the current contest to cut prices in telecommunications industry? Why can't we harness the invisible hand of the market to cut oil prices instead issuing empty threats?

In cellular phone pricing, the best is yet to come. Econet is yet to roll her services, while Orange services are only available in Nairobi and Mombasa. When these players reach the outer fringes of our republic, calling rates are likely to fall even farther.

The fall in pricing may have some unintended consequences like putting more pressure on Safaricom shares because of the expected fall in profits. However, Safaricom is trying to forestall this eventuality by diversifying into other services like M-pesa and Internet.

Not enough

The fall in price is not enough; those who have used cellular phones services in the US know things will probably get even better in Kenya.

For example, in the US mobile service providers from Verizon to AT&T and Sprint give their customers free hand sets! And to make life more interesting, cellular phone calls across the US are free from 9.00pm to 7a.m the next day! Shall we soon be there?

The move by Safaricom to fight competitors might be taking us in that direction. I however do not understand why Safaricom is penalising poor people, who buy cards in small denominations. How many Kenyans can afford Sh 1000 to top up their airtime?

Safaricom must be reasoning that many Kenyans will be tempted to buy big denominations cards and ‘store’ the air time. The reality is that many Kenyans only buy airtime when they need it, and in the smallest denominations; that was the thinking behind Sh20 card.

Price sensitive

Economists will however suggest that Safaricom is trying to segment the market and take advantage of our peculiar calling habits.
Banks are doing that too by segmenting the market into non-premium and premium customers who enjoy less congested banking halls, longer banking hours but pay for it. Airlines led in market segmentation but Southwest Airlines (based in the USA) led in reversing this trend.

Enough digression; how low will the prices fall? Kenyans are very price sensitive and service providers know that.

My guess is that eventually calling will reach one shilling across all mobile phone companies then "stick" there for some time.

It will then continue falling till it reaches the global price levels; after all, the roaming facility may soon allow me to get service from any low cost provider anywhere in the world.

Costs will also be driven father down by advances in technology. As firms find it cheaper and more efficient to transmit data, they pass on the savings to the customers, if the Government does not take that through taxes.

But so far the greatest force in lowering the calling charges is competition and will remain so for a long time to time. To most customers, the obvious advantage of competition is lower calling charges or lower prices for goods and services in general. But that is only part of the story.

Competition forces firms to unleash their creative energies and become more innovative. I doubt if Safaricom would have come up with M-Pesa or Internet without Zain or Orange breathing over her neck.

Inefficient

Innovation and her twin sister invention lead to improvements in products and service delivery. We get better products and more efficient services at lower costs.

The only reason private sector provides better goods and faster services is because of competition. By extension, government services are often inefficient because of lack of competition. You must get an ID and a passport from the Government and we still have no private jails.

The thinking behind privatisation is driven by the belief that it will unlock the power of competition locked by the government's monopoly.

In the last few years, we have seen the power of competition in every sector except in oil. We no longer queue for Kimbo, which has competitors with nice sounding names from Kasuku to Mallo. Matatus through competition silenced Nyayo bus and Stagecoach.

Lorries humbled Kenya railways while in higher education, we moved from university to universities.

The cellular phone industry has made the power of competition more evident to everyone. The next frontier where we need to unleash the power of competition should be in oil industry. There are too few players in this sector with too much power.

Do you recall when independent petroleum dealers ruled the day and the petrol prices had hit rock bottom?

Instead of issuing empty threats the government should follow the cellular phone model and license more petroleum importers and retailers so that consumers have a choice just like in the mobile phones.

Safeguard
But the power of competition and the benefits that accrue to the consumers is threatened by the return of the big brother, the government.

The unintended consequence of the US financial meltdown is the return of the government to business. Governments have taken extraordinary measures to safeguard their economies, ranging from pumping money to ownership and nationalisation.

Yet the beauty of capitalism or the market system is self correction. Economic history is against Government interference in business because of the moral hazard.

We hope the current State's interference is a hiccup, and market system will rein again delivering benefits to all consumers as competition in telecommunications has shown.

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**Behind Kriegler and Waki reports lies the hard reality we should face**

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XN Iraki

The Kriegler and Waki reports are public. A few people will read them in detail. For the vast majority, we shall read the newspapers' analyses before sliding back to our old ways of making emotional conclusions based on hearsays, fears and expectations.

The commissions did their work and exposed the deep fissures in our society. They made recommendations, and it is now the implementation that matters.

Solving the problems identified by the two reports will demand our honesty, determination and national resolve. This is the time for the national heroes, devoid of parochialism that has characterised our political leaders and pseudo-heroes.

Though the two reports explained in details how ECK officials, various law enforcement agencies and politicians behaved before, during and after the polls, they leave out the key question: why did the political leaders behave the way they did?

It is not enough to detail how neighbours rose against each other, killing, maiming and raping. It is not enough to say the devil had visited the land, uninvited.

Let us boldly attempt to explain the culprits’ irrational behavior.

The culprits in the sealed envelope and many others simply exploited history, which has no manners. They whipped the feeling of economic injustice that some communities have had it too good and it was time for the others to "eat". As Waki report rightly observed, getting a president in your region is expected to bring limitless benefits.

Previous presidents had reinforced this brief through dishing out national resources to buy loyalty. That is how Mau forest, other forests, cemeteries and road reserves became private. Kibaki’s presidency, inherited
almost nothing to give out except the few State jobs, in a young country with unacceptable high unemployment rate.

The youths who fought in the post-election chaos were fighting for jobs and better opportunities. Victory in the polls was the road to the Promised Land. When the results were different, spontaneous disappointment easily led to chaos, though we cannot rule out the invisible hand of politicians.

Truthfully, not many jobs have been created since we signed a political armistice. The only people assured of well paying jobs are the politicians.

The leaders "on the list" behaved that way because of powerlessness. Killing other people when your own death is guaranteed someday is no heroism. They also failed to understand how interdependent we are as the disruption of life after post-poll chaos did not discriminate. The extreme behavior can also be explained by failure of the justice system. Vast majority felt that it was their turn to teach others a lesson.

Needless to say, the leaders behaved that way because they may not understand how wealth is created and how entrepreneurs work. No wonder entrepreneurs from hawkers to shop owners bore the brunt of the chaos.

Where do we go from here?

Prosecuting the perpetrators and pinpointing the blame is not enough. Try prosecuting a suspect when he won 75 per cent of the votes in his constituency and is in the Cabinet. We must confront the main issues, perceived injustice and economic stagnation. The way the National Accord was received left no doubt that we need a new and more inclusive economic and constitutional order.

We also need to forge Kenya into a nation. Our institutions, the sinews that tie our young republic together have been discredited, hence our appetite for foreign experts and even schooling. The envisaged reforms in police, Electoral Commission and other institutions should be more than name or body changes, they must fundamentally change the way we think of ourselves in relation to each other and the nation.

But the economy poses the biggest challenge, as jobs must be created for the youth who are often used as a tool by political pseudo-entrepreneurs.