

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

Published on 01/02/2010

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 parastatals 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.

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

Why Kenya should emulate India in handling the Diaspora

Published on 08/02/2010

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 Kenya. 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 here 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 Indian 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.

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

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

Published on 15/02/2010

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.

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

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

Published on 22/02/2010

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 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.

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

Will Uganda and Tanzania's rebounding economies soon overtake Kenya's?

Published on 01/03/2010

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.

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

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

Published on 08/03/2010

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 bleak 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.

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

The threat to quota system poses on our institutions and economy

Published on 15/03/2010

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?

**Let's encourage
diversity in our
schools to
promote
competition and
innovation**

Photo: courtesy 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.

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.

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

he economic benefit of making education an export commodity

Published on 22/03/2010

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.

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

Lets embrace creative destruction for progress

Published on 29/03/2010

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 holloi 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 Shinkansen.

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.

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

Should we embrace soccernomics... Or Golfnomics?

Published on 12/04/2010

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, channelling 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?

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

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

Published on 19/04/2010

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.

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

Is Kenya missing out by relegating culture to the sidelines?

Published on 26/04/2010

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 dotting 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 Ruwenzoris.

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 is 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 repackage 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?

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

Eurobond may ease domestic borrowing

Published on 03/05/2010

By Tabitha Areba

With its credit rating risk improving, stalled infrastructure projects and high liquidity, time is ripe for Kenya to seek funds from the international capital market.

Last week, the National Science and Economic Council recommended to the Government the need to issue a Eurobond.

Analysts believe the move will reduce reliance on domestic borrowing, which may crowd out domestic borrowers.

"If the funds are used to boost the private sector through infrastructure, schooling and better healthcare the crowding factor is reduced by competition," says XN Iraki, lecturer at the University of Nairobi, School of Business.

This has been witnessed in the way banks have drastically reduced their base lending rates.

But, how prepared is the Government to face the challenge?

Key risks

Analysts say key risks abound, and it is how the country handles the eurobond issue that will determine its success.

"The biggest risk is default if the country fails to pay. Remember a bond is another way of raising money, a competitor to bank credit," says Iraki.

However, he is quick to add that luckily, the Government is not known to default.

"The key risk is failure to achieve full subscription of the issue. This will have further negative implications on how people view Kenya as a borrower," said Bonice Misoka, Investment Associate at British American Asset managers.

Iraki also contends that it a challenge if the bond is undersubscribed and the country fails to raise the money needed.

When investors give money to a country, they look at natural resources, political status and the extent of citizen participation in Government processes.

Global ratings

International rating agencies issue two ratings on a country — economical and political — which determine the cost of borrowing.

For Kenya, the issue of credit rating, which has been low due to political instability, has improved.

According to Standard and Poor, the rating stood at B+ in 2008, a signal that the country was qualified to tap into the international capital markets.

However, this has since slipped to BB — stable, according to the Aprils ratings by the agency. Misoka says if a country's rating is low, the cost of credit will be high as investors will expect to be compensated for taking higher risk.

"For a country like Kenya, the credit rating risk can fluctuate quite often as seen in the past. We have recently seen Kenya's credit rating improve," says Job Kihumba Executive Director, Standard Investment Bank.

"If our rating is high, we could get lower interest rates, meaning we are unlikely to default," says Iraki.

Kenya has been postponing the eurobond issue for five years from the time the Narc Government was in power.

The most current reasons for shelving the issue are post-election violence and the global financial crisis. The country's division over the referendum and the 2012 general elections are also likely to scare off foreign investors.

"We have been caught in the five-year cycle. However, if the constitution review goes on smoothly, we are likely to get good rates for the eurobond," says Iraki.

Besides subscription and credit rating, some experts say the issue could expose the shilling to exchange rate risks.

Borrowing instrument

"The main risk to an issuer related to eurobond is 'currency risk'. A Eurobond issue is practically a borrowing in foreign currency," said Mr Kihumba.

Kenya is not alone in this quest. Most African countries like Tanzania, Gabon and Ghana are eyeing the international capital market for funds.

"It is a cheaper source of funds, cheaper than loans from banks. Compare the interest rates in Kenya with say UK or USA. Others would suggest it is the vogue. It is a much quicker way to raise money," says Iraki.

Domestic interest rate is higher, ranging between 10 per cent and 12 per cent, compared to between five per cent and seven per cent in the international market.

Kihumba says issuing a eurobond is a way of accessing credit with fewer conditions because it is commercial as opposed to bilateral or multilateral credit.

Issues by African countries are likely to be successful because emerging and frontier markets are offering attractive yields compared to developed countries.

Tanzania has revived its plans to issue its first eurobond, worth \$500 million this year to finance infrastructure projects

Growing potential

Ghana and Gabon in 2007 became the first African countries outside South Africa to issue eurobonds.

Angola plans to issue \$4 billion in bonds in June but analysts say issuance is more likely to total \$500 million-\$1.5 billion

There should be no worries about the success rate, as international investors are likely to seek higher and attractive yields from emerging and frontier markets.

Investors have been looking to tap into the potential of the poorest continent, which enjoyed five years of improved growth until last year.

"Competition for funds is high, and reputation matters. We are not the only people seeking funds, funds flow to where they are safest," says Iraki.

Kenya is safe, and investors could entrust the Government with Sh40 billion, but how well will the Government spend to achieve its targets?

From loans to donor funding, cases of misappropriation of funds are rife. Iraki warns that it is a risk if the money is not put to planned use.

The forgotten catalyst of economic growth

Published on 04/05/2010

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 devotes 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.

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

Tough love: The case of CCK and Safaricom

Published on 17/05/2010

By XN Iraki

Safaricom and her sibling rivals, Yu, Orange and Zain have different reactions to the new rules from the Communication Commission of Kenya (CCK) that limit their most strategic option; the ability to change prices or tariffs at will.

Safaricom is unhappy, feeling targeted for being too successful. The smaller siblings feel the father, or is it mother, (read Government) is fighting for them, because the bigger brother seems too domineering, eating all the bread, and leaving them with leftovers to fight over.

However, keen observers might ask why the regulator came up with the rules only after Safaricom market share reached 78 per cent. Why not when Safaricom share was 25 per cent? Is CCK justified in making this move?

Was dominance of Safaricom not inevitable considering that the nearest rival has changed names twice already, and may change yet again?

It seems to me that the growth in mobile phone industry took us all, including CCK, by surprise. The growth was unprecedented and unexpected, Only 10 years ago, newly registered firms, Safaricom and Kencell (now Zain) got licenses with the rider that they should double the 300,000 fixed lines, which was an incredible feat at the time. And just so you know, it took me two years to get a fixed line.

What issues are CCK, Safaricom and the rest debating?

First, regulation usually comes after the industry has grown. In fact, lack of regulation is often a big incentive to growth of most new industries. Eventually regulators have to come in to ensure order and protect consumers. Some even argue that regulators come in to let investors know the Government exists.

Optimal regulation

Regulator's biggest test is ensuring regulation is optimal, like salt in food, and ensuring politics or lobbyists do not influence its decisions. Often the effectiveness of a regulation is measured after its implementation, despite the use of many economics models.

Back to Safaricom and rivals. It is obvious that Safaricom's success is enviable. I have a feeling the firm has anthropologists and psychologists in its strategy teams who help the firm understand the Kenyan consumers, including their peculiarity. Just look at their adverts and how they identify with Kenya.

Remember their tariff names and M-pesa? What of their ability to stratify the Kenyan consumers using cards of different denominations. We even have a proxy measure for the economic well being of any town in Kenya, with the highest denomination of Safaricom cards available.

What of Safaricom's rivals? Zain's soft underbelly is constant change of name and products, which confuses the market. Imagine a superstar who changes his name that often? On the other hand, Zain is too young, and seems to have learnt that Kenyans love price cuts. But building a brand takes time and money.

Orange should not complain. They had monopoly in fixed lines for too long, and might be finding it hard to compete in a liberalised market. They also abandoned fixed lines too soon, which were a great asset for families, and Internet.

So what can CCK and mobile phone firms do?

Let us accept that in business, success begets success. It will be difficult to curtail Safaricom's success. The sale of Safaricom shares in the Stock Exchange puts it ahead of the pack in terms of brand identification.

Unless the Government wants to go the US federal Government way, and break up Safaricom legally, like American Telephone and Telegraph (AT&T), her growth in near future is assured as long as she remains innovative in her products and marketing.

Monopolies are bad because they end up dictating the price. Moreover, monopolies usually have the money to do research and development. Big firms file more patents, and are able to come up with new products and ideas, and sometimes buy-up rivals that threaten their dominance.

How can regulators stop their bad ways?

The regulator, like CCK, can license more players, and lower the licensing fee, so that new entrants can quickly break-even. Competition is the accepted method of protecting the consumer, by giving them more choices, and improved goods and services at lower prices.

Formidable adversary

Are the four mobile service providers enough for the Kenyan market? Safari ants, though small, are a formidable adversary, able to beat even an elephant.

The regulator should allow number migration to tame the dominance of Safaricom. Many people stick with Safaricom because of their friends. The CCK can level the ground by ensuring number migration is free.

Newer entrants should also take the initiative to be more innovative, like using local languages in their adverts and tariffs. They also should also be wise and not confront Safaricom head-on, for they will lose that war. Instead, they should read history and learn a few tricks from Shaka the Zulu.

The younger siblings should also consider mergers to get the strength, and stamina, to challenge Safaricom. I know this, because when my brothers and sisters were in the same school with me, I could intimidate any bully.

Unfortunately, it is hard to gain market share in a market that has already matured. Look at the soft drink, or even media industries where a few firms dominate the industry. Curiously, liberalisation of the market invariably leads to consolidation as a means to fend off competition.

But what if the issue goes to court? That would be interesting to watch anyone trying to prove that Safaricom is a monopoly or not. After all, with all the serious talk to the constitution and the economy, we are in need of harmless entertainment.

Regrettably, the CCK can actually do nothing. Time will deal with Safaricom. Wasn't there a time Leyland, Ford and other models ruled the Kenyan road? Where are they today? One time GM ruled the car market. But last year, it filed for bankruptcy. IBM at one time dominated the computer market. What of today?

Firms have a lifespan; they are born, grow and eventually, they die. It is unlikely Safaricom will defy this pattern in the long run.

The CCK's attempt to inject more competition into the telecommunication industry should be extended to other industries and professions. Too many monopolies in this country need to be shaken to increase efficiency and benefit the consumers' pockets.

But I wonder, when mobile service providers will start giving us free phones when we sign up as they do in the US?

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

Is the new constitution worth its price tag?

Published on 25/05/2010

By XN Iraki

The current debate on whether the Government should fund the "Yes" campaign because the constitution is a Government project is diversionary; constitution making has always been a Government project, paid by taxpayers.

From the Bomas delegates meetings to commissioners who tried to give us a new Constitution before the 2005 referendum, to the IIEC and committee of experts and civic education, the taxpayers have been the paymasters. In fact this is the reason why some pundits suggest the government should fund both Yes and No sides to ensure a level playing ground; Since the "no" proponents also pay taxes.

The heat generated by the attempt to fund "yes" campaign from taxpayer's money may mask the real costs of constitution making. Some costs are explicit, like salaries and rents, while others are hidden, and may not be realised for generations to come.

Are they justified?

Let us look at these costs, and see if they are justified.

We start with the political costs generated by the Constitution making process, which has divided the country into two opposing camps. This division disperses the political energy and goodwill needed to solve our national problems.

What has become clear is that Kenya oscillates from one extreme to the other; we moved from single party to multiplicity of parties. Now we have moved from grand coalition to "Yes" and "No" groups.

Such political flip-flopping is costly, because it sucks energy from other sectors, creates opportunities for rent seeking, and makes the country vulnerable to outside interferences.

Keen observers may note that since the grand coalition came to power, it has become easier for other countries to get what they want in Kenya, furthering their strategic interests. As we debate the constitution, other nations are watching and possibly plotting how to further entrench their interests.

More political costs could emerge once we implement the draft constitution from paying for the devolved Governments, paying subsidies for uneconomical counties with most of the revenues going to salary payments, instead of development.

The pressure to get "devolution" dividends through more jobs at grassroots may be another addition to political cost. We are not even counting the costs of running elections, and investors are holding their breath till a clear political direction emerges.

But we have forgotten that great nations have convergent goals, despite divergence of political opinions. No one has told us what will happen to the many districts if the new constitution goes through. It will be very costly to retain them, which might happen, since there are political considerations to retain them.

Constitution making also has social costs. As we debate, our differences are reinforced, and the new devolved governments may reinforce further these differences, which are already cemented by the quota system in schools.

The counties, some even sporting ethnic sounding names, may end up reducing diversity as locals try to "own" the county, excluding the outsiders. The current system of recruiting teachers from their locality is a sign of things to come.

Some may even stretch the truth, and suggest that biological diversity will be reduced, since mixed marriages will be few. But it is diversity that makes cities so vibrant leading to innovations and entrepreneurship. The economic costs will be most explicit. The draft focuses more on resources sharing, not resource generation. Most will be disappointed, because scarcity will not end, and we shall still have to work. Few might even become rich, but there will never be a substitute for responsibility and entrepreneurship.

Being downplayed

Clearly, the economic costs of the new draft are being downplayed. We are trying to solve an economic problem politically. Kenyans may not be interested in the new constitution per se, and most will not even read it. It is all about economics to them. They want jobs, and higher standards of living.

In fact, most may not care the sort of government we get, as long as economic welfare is guaranteed. Have you noticed that the affluent people are not as politically charged as the less affluent? Why was there fighting in Mathare Valley during post poll chaos, and not Muthaiga, which is as mixed ethnically?

But other costs are not that explicit. We have to consider learning costs, because the new political system will not be mastered overnight. There might be missteps; we envisage the central government having lots of control on the counties, not very different from the current local Governments.

Few Kenyans have asked what the billions used in Constitution writing could have achieved, had it been channelled to alternative uses; what economists call, the opportunity cost. Is our model for constitution making the most effective and efficient? Should we take civic education to adults or children? What would be the value of the money used in constitution making if it was invested?

And then there is the 'cost of contradiction'.

We are devolving the country into smaller units, while the world is moving in the opposite direction. We are trying to fast track the East African Community as Europe moves towards a political union, with countries surrendering more powers to the supra institutions. It is mentally and economically costly to resolve this contradiction.

We are thinking inwards when the rest of the world is exploring the outer fringes of the universe, with President Obama recently making a bold statement that we could send man to Mars in our lifetime.

The other cost is that we have neglected other aspects of our national life, including the costs of raising a generation intoxicated with politics. We are a country defined by politics, from single partism, multipartism, and now grand coalition-ism.

Innovations from Stone Age through Iron Age, Bronze Age, the space age and so on have defined the lot of other nations and civilisations. Some suggest that our nation is a prisoner of social scientists and their emotions laden theories, as opposed to practitioners like scientists, and engineers, the doers.

Check the professional backgrounds of those who tasked with mid-wifing a new constitution from Lancaster to present CoE. Was Benjamin Franklin, the famous scientist, an outlier in the team that drafted the American constitution?

The biggest cost is that we have spent so much energy focusing on the symptoms of our national problems, not the real causes. It might be easier to write a new constitution than solve our problems, which include crime and joblessness, and the economic fact that the demand for resources far outstrips the supply.

This imbalance will not be removed overnight, even if the country adopts the constitution. It will demand our creativity, innovations and ingenuity. That reality will soon emerge.

The only way to justify these costs is to come up with a constitution that will spur economic growth, create jobs, and raise our standards of living and aspirations, which should happen in our lifetime.

The pain of controlling consumer prices

Published on 28/06/2010

By XN Iraki

The advocates of price controls either must be suffering from selective amnesia or must have something up their sleeves. Those who lived through the age of price controls in 1970s know its evils and know why eventually prices were freed, left to the "invisible hands of the market" to quote Adam Smith the classical economist.

The advocates even know the benefits of market economy and the evils of command system or communism system. Even communist China has seen the power of the market.

Though I never saw the Union Jack come down, I recall vividly being dispatched to buy sugar in mid 1970s. I found a queue but that was not my surprise, it was humbly informed by the

shopkeeper that to buy sugar, I needed to buy tea leaves and a few other items. Shortages of essential commodities was very common at that time when prices were fixed or capped.

If the evils of price controls are so well known, why are we still toying with the idea, why are we trying to re-introduce a tired and moribund idea? Why would one think of price controls, an idea tried by communists for 70 years and found unworkable?

Big confusion

It may be that our politicians are confusing price controls with regulation. Price controls or price capping is a crude method of stopping the upward spiral in prices. It is often not based on anything but the mood of politicians or bureaucrats. It is popular for that reason!

Though a number are greedy, the truth is that few businessmen or entrepreneurs are in business for charity. Rather, they are motivated by profits. That profit is uncertain, if the market is competitive. The Kenyan markets particularly for essential goods are not competitive.

There are too few suppliers in the oil industry and there might be too few millers in maize industry. Regulation comes in to ensure that an industry is competitive and no businessman or firm is a monopoly. Regulations ought to take care of market failures.

It might not be an exaggeration to state that our regulators have not been very successful, the reason we are resorting to old tired ideas. What are the likely consequences if the bill becomes law? We have been here before, lots of shortages. Capping prices is a Herculean task. If you control the price of maize flour, shall you also control the price of fertilisers, labour, transport, seeds, milling and all the activities along the supply chain? How shall you ensure the costly compliance?

Black market

Clearly, capping will punish everyone. How? If a two-kilogramme packet of unga costs Sh20 in Kenya, I can make lots of money by buying in bulk and smuggling it to Uganda or the neighbouring countries where the prices are not controlled.

I may not even cross the borders; I can sell it in Kenya because of shortage. Price controls create the black market.

Smuggling is likely to become a lucrative business with price controls. We have seen black markets in currency markets where an official exchange rate and a black market rate co-exist.

Why would anyone produce a good that is price controlled if entrepreneurs and businessmen are driven by profits? It is likely that investors will shift away from any industry that is price controlled. This will make the shortages worse. Why should I grow maize and someone sets the price for me? The bill would make lots of sense if the government was growing maize!

Manufacturers were quick to point out, there will be lots of job losses as investors shy away, who knows what next to be price capped?

The consequences of price capping are so obvious that one would struggle to find a good reason for the idea.

There is, however, a possibility that our politicians have run out of options to bring down the prices and fear the political backlash.

Others observers have boldly suggested that the bill might be a ploy to sway voters in the coming referendum. Are there better alternatives than price capping?

Invisible hand

Why not let the invisible hand of the market work, making every sector competitive? A good example, those who travel to Nakuru may have noticed that bus fares adjust upwards very slowly despite the rise in petrol price over the years.

It is not that matatu owners in that town do not like money, the route is very competitive. There are so many alternatives to Nakuru, from Moline to Mololine to Easycoach.

It is for the same reason that airfares are so high in Africa, there is not much competition. In the US, buses are often more expensive than flights!

The suggestion in the current budget for setting a Commodity Futures Exchange is an idea whose time has come. Such a market will create more competition for commodities like maize leading to better prices. Such an initiative is better than price capping.

National security

Most countries despite WTO rules give subsidies to farmers citing national security or strategic concerns. That might be another option. If we ensured that farmers got a fair return for their maize or any other crop, the supply of maize would go up and the price of maize flour would naturally go down.

But it is the taxpayers who pay for subsidies and such an arrangement is likely to create lots of "ghost farmers" Recall the Guarantee minimum returns (GMR) systems in the 1970s? And what happened to cheap flour for the poor project?

What of getting substitutes to price caps through innovations? Who said we must eat Ugali? Why not use biogas instead kerosene? Who said cars must run on petrol? Why not a car I can charge like my mobile phone?

The best alternative for now remains regulation whose main objective should be to ensure competition, we need a Kenyan version of the US Sherman Act with the Government boldly moving to break monopolies and cartels. My suspicion is that the regulators might be unduly influenced by politicians, who often appoint them.

It seems that despite its popularity, price capping will take us back in time.

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

Is education really a catalyst for economic growth in Kenya?

Published on 13/07/2010

By XN Iraki

The telecommunications sector is currently competing with education as Kenya's most vibrant sectors. The benefits of the former are obvious, mobile phones and M-Pesa have made life easier for all of us, saving us time to think, be innovative or idle around.

The benefits of education, more schooling are not that obvious and are not assured. However, few are willing to agree with the previous statement, particularly if active students. In public forums and in our homes, we keep reminding the younger generation that education is the key to success.

There is enough evidence that the belief in education as the route to personal and national progress is deeply ingrained in our psyche. Our national budget commits more money to Ministry of Education than any other. Parents only relax when their last born gets out of school and is employed.

Back to school

Today, universities have opened campuses in every small town and hamlet. CEOs and even politicians are back to school in large numbers.

It is as even going to school is now the "in thing" and if you are not schooling, you are not cool enough.

Conversations among the middle class are always punctuated by boisterous remarks on where their children are schooling and how much they pay per term.

Is this investment in education worthy? Can we count on education as the major catalyst for economic growth?

Universally and on average, educated people earn more, live longer and healthier lives. The private benefits of education are obvious.

What of the national benefits? Incidentally, all countries subsidise education. The thinking is that education has many spill overs and without such subsidies, few would be willing to pay or invest in education.

By spill overs, we are referring to third party benefits. If you live next to a cabinet minister's home guarded by armed soldiers, you will benefit from that security even though you may not pay for it. In fact, the rent in that neighbourhood may go up for that reason only.

The same reasoning can be used in education. You can employ a well-educated person even though you never paid for his education, hence the need for the public subsidy.

Maximum benefits

Our concern, however, is whether the nation reaps maximum benefits or returns from this taxpayers' money.

First, we have not prioritised our investment in education. Are there any courses that we think are strategic and therefore needs more funding?

If you look at Higher Education Loans Board, students are given the same priority irrespective of whether they are pursuing archaeology, medicine or nuclear engineering at the university.

This prioritisation would catalyse Vision 2030. A good example is renewable energy from wind to geothermal, which got a big boost in this year's budget. Will universities access that money for research in that area?

We can learn from others; when former Soviet Union launched the world's first artificial satellite, The Sputnik in 1957, the US education went through an overhaul, not just in content but also in curriculum delivery methodology.

Within a period of 10 years, the US landed on the moon, and 30 years later, won the cold war without a bullet being fired.

The race to the moon and victory in the Cold War were won not on the barren surface of the moon or the trenches of Europe, but in the classroom.

Yet the number of high school students whose ambition is to be musicians and movie stars is a matter of concern. The failure rate in high school mathematics is a national shame. The crusade to abolish practical subjects in our schools has never faded 25 years after introduction of 844.

Lopsided enrolment

By failing to prioritise our public investment in education, we have lopsided enrollment with more students in social sciences. That is why you find that even in our polytechnics, institutes of science and technology, and universities have more students enrolled in social sciences than "hard sciences."

Private investors in education have taken cue and focused on "soft area" where all you need is a teacher and a classroom. In higher education, the market has failed to match supply and demand, while the regulators have not stepped in to correct the anomaly. The non-prioritisation is not just in terms of courses but levels too. Lots of emphasis nowadays is on degrees.

But the great strength of other countries is in the middle levels which emphasis practicality.

Degree level and beyond focus more on abstract theories that may either be outdated or have no practical use.

Pseudo-educated men

But more poignant is that degree holders feel they have an entitlement, the society should give them good jobs, preferably office-based irrespective of the market reality or what they studied and where they studied.

Many employers have often raised concerns over this attitude. Our country is now awash with educated and pseudo-educated young men who are unwilling to understand the job market reality, yet their education is a sunk cost.

Lots of people also seem to believe that more education will make up for their incompetence or failings.

Yet, like pregnancy, such failings are impossible to hide, and employers are willing to dig it up through outsourced interviews and aptitude tests.

What comes out clearly is that while we believe education is the key to success, we do not tell the young people what they are supposed to open.

Wrong door

After going through schooling, which is irreversible, some find they opened the wrong door or used the wrong key. The problem is not mitigated by our lip service to meritocracy.

Education is very different from other services because the returns take long to accrue and information asymmetry is rife.

The problem is compounded by our herd mentality; we prefer to pursue popular courses even when one of the topics in popular course is on the laws of supply and demand!

If education will remain a catalyst for economic growth, it must be well targeted, and realistic. Once we have become a middle income and prosperous country, we can pursue education for its own sake, to satisfy our curiosity.

To be a catalyst of economic growth, education must be driven by our desire to be more productive, not earn more with less effort. It must be global in perspective; bringing services closer to the people does not work in education. -The writer is a lecturer at the University of Nairobi, School of Business.

Beyond the new Constitution: The economic prospects of generation Y

Published on 09/08/2010

A recent report by PriceWaterhouseCoopers (PWC) focusing on the characteristics of Kenya's generation Y, born between 1980 and 1990 should be a wake up call for policy makers, employers, educators and even parents.

In the next few years, that generation will produce majority of leaders and workers in both the public and private sectors. Their attitudes will even determine the success of the new constitution and our economy.

PWC report should be read alongside a recent article in the July 10, 2010 edition of Newsweek entitled, 'Creativity Crisis'. The article reported an observed decrease in creativity in the US starting in 1990. The reasons behind this are not clear but too much TV watching and video games are prime suspects.

The Newsweek finding is a matter of concern since studies find that there is higher correlation between childhood creativity and lifelong accomplishment than between childhood IQ and life long accomplishment.

What is more interesting is that while creativity is decreasing, Intelligence Quotient (IQ) is on the rise, with each generation scoring about 10 points higher than the previous one (so called Flynn effect). Creativity is one of the forgotten catalysts of economic growth.

The PWC reported that Kenya's generation Y is more technology savvy, optimistic, confident, self-reliant, entrepreneurial and environmentally-minded. The report did not focus on IQ and creativity scores, which would have added great insights into generation Y.

There is a high chance that we mistake ability to use technical equipments like phones and computers with intelligence and creativity. How many of the generation Y aspire to be scientists or engineers, areas that demand lots of creativity?

If PWC can do a follow up on this generation creativity levels, we could have a better picture of their likely roles as catalysts of economic growth, for that is what is expected from this generation beyond implementing the new constitution and enjoying its fruits.

Some observers even boldly suggest that generation Y may be less creative than their parents. The environment does not demand generation Y to solve any serious socio-economic problems. Many parents have also complained that this generation is less serious, preferring leisure to work. Without concrete data, this may remain just a speculation or conjecture.

Other observers ask, albeit politely, why we have so many problems in this country from unemployment to crime yet we have more graduates than any other time in the past. Data from Kenya Intellectual Property Institute (KIPI) show very few patents registered by Kenyans. Generation Y can always retort, "give us time." But Bill Gates was 19 when he came up with Microsoft.

Anecdotal evidence seems to suggest that creativity is often a result of adversity. Some have often asked why those who grew up in the rural areas seem to excel not just in school but in life too. They have the advantage of adversity, walking to school, milking cows and doing other chores. Urbanites take for granted things like power and tap water.

Let us be realistic, a generation similar to Y was common in developed countries after World War II, buoyed by the recovering economies.

education system

The only difference is these countries created challenging goals for their generation, which kept them busy and raised their aspirations. Americas wanted to walk on the moon, which they did. The Japanese and Germans put all their energy into industrialisation; they are still reaping the benefits.

Could we learn from these countries and channel the creativity and restlessness of generation Y into productive pursuits, into ensuring that they transform the economic and political landscapes of this nation? After all, they want challenging and interesting work. Here is a suggested agenda for Kenya's generation Y.

The starting point is reforming the education system so that our kids can be challenged to generate new and useful ideas instead of cramming inert ideas. Is anyone surprised that we stop reading after school preferring rumours, hearsays and gossips? Can we challenge kids to learn by themselves instead being tutored all the time even during the holidays? How does a graduate student go for tuition?

Creativity is about doing things, not being taught. Just watch your young kids handling toys. Will our kids pursue science and technology instead of courses that appear big in name but empty in content?

The second agenda for generation Y is creating a harmonised Kenya where your tribal tag is no longer an issue, where one is valued for what he or she can contribute to the society not which tribal leader he is affiliated to.

The third agenda is creating new enterprises and jobs, PWC report they are entrepreneurial. Will this be the first generation to create truly Kenyan multinationals like IBM, Google, Toyota and other global brands?

If this generation creates many jobs, it will disperse the tribal tensions resulting from competition for scarce resources like land.

The other agenda is to be "creative destroyers." Can they destroy the old order without causing social upheavals? Can they create alternative political and economic systems that tap into the strength of our traditional societies and cross-pollinate them with modernisation? Voting for the new constitution is such an example of creative destruction. Can they take our firms and transform them into world-class firms?

Generation Y is environmentally minded. Their next agenda is making this country green (no that one!) with forests, pristine streams and golf courses. Can they use their creativity to make our deserts bloom and make our cities world class? Can they ensure that one-day salmon will swim in Nairobi River upstream looking for their birthplace to spawn? Can they turn Kenya into a Costa Rica in our lifetime?

Such an environment will make our lives better and more satisfying. Can they industrialise this country without smoke stacks, leapfrogging this country into post-industrial age characterized by information and knowledge? Can they turn Nyandarua's Happy Valley (Remember Lord Errol) into Silicon Valley?

insular thinking

Can this generation be made of global citizens, who will be proud of their Kenyan heritage but regard this small planet as their home to take care of? Can generation Y make this planet their playground dispersing our insular thinking and making Kenya a magnet for adventurers, investors, tourists and all the ambitious?

Will this generation soon get bored with this small planet and explore the rest of the Solar System and Milky Way? Shall they be the first to build a colony on planet Mars?

Generation Y has a chance to transform this nation by addressing the given agendas and exploiting their energy, creativity and ingenuity. If this generation can take the new constitution and fuse it with Vision 2030, this country can truly be reborn.

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

Insecurity is Kenya's soft under belly

Published on 16/08/2010

XN IRAKI

You may never have heard of him but Reginald Levy will always be a legend.

In 1972, he captained a hijacked Belgium airliner, which was later stormed by Israel commandos. Among the commandos was Ehud Barak, the current Israel defence minister and Benjamin Netanyahu the current Israel Prime Minister.

Using wit and unbelievable patience, he kept the hijackers busy giving Israel Government time to elaborately prepare for a successful rescue mission that saw all passengers free and unharmed. This episode alone shows how seriously Israel takes security of its citizens wherever they are on this small planet.

Does our Government take our security as seriously? Does our ratified Constitution take security as seriously beyond the Bill of Rights? Let us be blunt, we can write the best Constitution in the world, but its success lies in the security of citizens and their property.

Security is not just physical, but emotional too. Citizens are likely to be more economically productive if they feel secure both at home and at the place of work. Security is the secret catalyst of economic growth.

One of the reasons Kenyans may have voted overwhelmingly for the new

Constitution is because they expect it to guarantee them security as they pursue their economic interests.

Cost of security

They hope that tribal clashes, which punctuate general elections every five years, will be a thing of the past. They also hope that what is referred to as normal thuggery will end. The economic cost of security has often been under-estimated but it goes beyond the wages and salaries of police officers, other security agencies and even private security that include high walls, dogs, security guards and CCTV cameras. There is also loss of productivity as workers worry at home and place of work.

The economic consequences of insecurity are there for all to see. A world-class city like Nairobi is ghost city at night, meaning that 50 per cent of the city's productive capacity is unexploited.

The concept of 24-hour economy is alien in Kenya. The economic activities that take place at night are not glamorous. They range from beer drinking, prostitution, thuggery and conmanship. What is more costly to city dwellers is the cost of private security and walls.

The other problem is the unreasonable rent for any estate or suburb that is considered secure. Nairobians are forever paying a security premium, which is considered as part of their rent. A lot of productive time is wasted in general alertness; how many parking yards remind their customer of parking at their own risk?

How many hotels, airports and other public places keep reminding us 'chungu mizigo yako'? Matters are made worse when we coin phrases to poke fun at our own insecurity, a good example is Nairobi robbery. The number of investors, tourists and even adventurers who are put off by insecurity is quite high. This is particularly so when insecurity is a matter of perception.

One of the most surprising developments in Nairobi is the number of compounds surrounded by razor wires that are commonly found in war torn countries like Iraq and Afghanistan.

In the countryside, insecurity is a big issue aided by more focus on urban areas. Provision of security and other public services is also adversely affected by the traditional kingship system, which protect evildoers.

The vacuum left by passing on of old order makes matters worse. For instance, burning thieves was a traditional punishment but now is it really used?

The other cause of insecurity is false belief that we should all be equal where those who do well economically are terrorised in to fright or involuntary migration either to the cities or even abroad.

Some observers say almost to the point of conviction that lack of heroes like Reginald Levy has made crime an attractive route to misplaced heroism. The other causes include the defanging of chiefs, teachers and parents by modernity.

Enough lamentations, where do we go from here?

We hope devolution leads to more security in the country and therefore unlock the economic potential.

We hope that the restructured provincial administration will increase security. We can also increase security by going back to basics; parents, teachers and other officials must rediscover their roles without passing the buck.

Parents expect teachers to prepare the next generation to be responsible citizen; teachers also expect the same of parents. With such unfulfilled expectations, many kids fall through the cracks. Have you noted the youthfulness of those involved in crime? I am a victim of such illegal tax collectors with a broken arm as I write...

Dreams turn nightmares

Vision 2030 and the new constitution all espouse our beliefs and aspiration but many dreams are cut short or turned into nightmares courtesy of insecurity. If this country has to be transformed, we must deal with insecurity so that we all pursue our economic dreams to the best of our potential. Security is not a government project it is a collective project.

If we have to attract tourists and entrepreneurs, to get high returns and turn the reluctant wheel of progress, we must confront insecurity and maybe borrow a leaf from Israelites and their no-nonsense response to matters of security.

There is no country that has recorded spectacular economic growth without confronting security issues head on and our young nation cannot be an exception.

The writer is a lecturer at the University of Nairobi, School of Business. xniraki@gmail.com

Only competition will shape Kenya's economic future

Published on 23/08/2010

By XN Iraki

The competition pitting Zain against her rival, Safaricom is a sign of things to come. Such competition should have come earlier; a logical outcome of market liberalisation.

Competition after all is the defining characteristic of the market system that underlies capitalism.

The rush to buy or activate Zain lines is a clear indicator that customers are spoilt for choices.

It might also be an indicator that despite new entrants, there is not enough competition in telecommunication sector and customers have been looking for freedom to switch to rivals without heavy costs.

Some observers feel a few firms were left to dominate the market for too long, making it hard for any new entrant to gain any substantial market share.

This is not unique to telecommunication sector; imagine a new entrant competing against Coca Cola in the soft drink industry.

Once a market has matured, it becomes very hard to wrestle market from rivals, the reason Safaricom dominance may be with us for sometime. What does Zain-Safaricom competition portend? Who will win or lose? Should this competition be extended to other sectors?

Economics 101 suggests that economics is about supply and demand.

One writer even comically suggested that if you teach a parrot to say supply and demand, it would become an economist.

In the Zain-Safaricom duel, customers want services, supplied by mobile phone firms; the networks are not important to them since they are hard to differentiate beyond the brand names. Price therefore becomes the competitive tool; no wonder the rush for Zain lines after the recent price cut.

Operating costs

This price cut has intended and unintended consequences. In the short run, customers will shift to Zain. The cut may also gnaw on Safaricom's goodwill with some concluding they have been overcharged in the past.

Safaricom is unlikely to cut charges instantly; her big size means her operating costs are high.

NSE seems to suggest Safaricom is not moved. Safaricom might also suffer from under-capacity and therefore fail to reap from economies of scale if too many customers jump to her competitors. It is hard to explain why Safaricom could not pre-empt Zain's move.

The duel is made interesting by the recently gazetted rules, which have targeted the dominant player in the market.

How would customers react if Communication Commission of Kenya (CCK), though unlikely, reversed Zain's cut? What is not in doubt is that the customers will be the beneficiaries in the short run. When elephants fight grass will not suffer this time.

We should not, however, celebrate this cut wholeheartedly; there might be some unintended consequences.

How will the cut affect the small players, yu and Orange? Will they be driven out of business because of high set up costs since they are new?

Could we see a wave of consolidation in telecommunications sector akin to what is happening in the banking sector? Such consolidations are better than letting firms collapse or withdraw from our country.

Consolidation is not uncommon in the telecoms sector in other countries. In the US, some "baby bells," spawned by the breaking up of the giant AT &T in 1984, have merged to become more competitive and take advantage of economies of scale.

This duel may also make Kenya an exciting battleground as the 'mothers' of key players in the country's telecom sector pour cash and talent to fight for market share. Yu has already fired a salvo with cheaper sms.

Vodafone will not sit and watch its market share shrink. It might also be eager to consolidate Michael Joseph's legacy, no wonder he will be in Safaricom board for sometime.

Orange Telkom and yu are unlikely to keep quite as the giants harass them in the marketplace.

They could react by focusing more on new revenue streams, which are more profitable and buffered from intense competition. These include money transfer, Internet and entertainment.

The price wars also indicate that we have not done enough in our regulatory regime. The Monopolies and Price Control Act of 1998 need an overhaul to reflect the competitive realities.

In the long run, mobile phone firms will be forced to shift from using price as the only competitive tool. Quality, reputation, innovation and understanding the customers are likely to become better competitive tools than old-fashioned price.

Where do we go from here?

One weapon we can use to catalyse our economic growth, anchor the new constitution and attain Vision 2030 is to institutionalise competition, the hallmark of market system. Competition driven by creativity kept capitalism alive as communism withered.

We should inject competition in other sectors to benefit the customer through lower and better services.

Several sectors are ripe for competition. They include transport, particularly railway and air transport, and privatisation of the prison services like some countries have done.

Others are provision of water services, and road construction. Monopoly stifles innovation. Some observers note politics is another area that needs competition; there is too much dominance by a few political parties, which at times collude.

But too much competition has led to shortcuts in brewing chang'aa and subsequent deaths. There should be well-balanced regulation to ensure competition is not chaotic and is beneficial to all consumers.

—The writer is a lecturer at the University of Nairobi, School of Business.

After the new Constitution fanfare, Kenya needs rebooting economic insight

Published on 13/09/2010

Related Stories

[Bake county cake first before sharing it out](#)

[Dissolve urban councils and let county governments get on with the job](#)

[The team that delivered the proposed laws](#)

[Go slow on reforms, minister urges Saitoti](#)

[MPs demand regional balance in constitutional team](#)

[Bill of Rights not a blank cheque for truants](#)

WITH XN IRAKI

On the day the new Constitution was being promulgated, the military displayed their big hardware that spewed smoke and noise but are meant to spew death.

The country has more hardware in terms of buildings, roads, and other infrastructure which are our attempt to make our life easier. Cars, TVs, phones and other modern gadgets are also part of our hardware.

On the same day, there was an attempt to showcase our software, our thought process through music and poetry. This left a lot to be desired including letting the master of ceremony sing the national anthem for us. All these displays are behind us and so is the old constitution whose echoes haunt us.

The new document promised a rebirth for our nation. This rebirth will not be complete without rebooting our software — our thought process, our altitudes, aspirations and perspectives.



Members of the armed forces showcase their equipment at the promulgation of the new Constitution. The country has more 'hardware' to make our life easier. PHOTO: FILE]

While the Constitution gives the general framework on how to run the country, the fine details are left to individuals and institutions. It is these details that may matter in our quest to make Kenya the Swahili Tiger. Which Kenyan software needs rebooting or reprogramming?

Economists do not underestimate the power of institutions and culture through which our thought processes are shaped, preserved and transmitted from one generation to the next.

Reforms

Reforming our institutions will not be an option if the new Constitution will achieve its objective, transforming the country economically, socially and even emotionally, so that we can enjoy higher standards of living but in harmony with each other, self and nature.

Which institutions need reforming, rebooting?

Currently, the reforms focus on the former provincial administration in an indirect admission that you cannot run this country without it. This administration seems to be the link between counties and central government and our policymakers seem not have come up with an alternative, for now.

Our education needs reform particularly in content. What should our children learn to be successful within the new political dispensation and within Vision 2030. In the last 25 years, we have debated endlessly over 8-4-4. The debate was, however, lopsided towards the number of subjects to be taught and how to distribute the 16 years among primary, secondary and university. A-level had the same 16 years.

education reforms

Science and technology, the new economic goldmines are yet to get their place in the national psyche. The emphasis should now shift to content and its relevance to our national goals.

Few countries ever made a complete transformation without rebooting their education system. Education is the medium through which national values, aspirations and even dreams are transmitted. It is not accidental that the ministry of Education has the biggest budget allocation. It is another issue if this allocation is reflected in our GDP growth rate figures.

Reforms in education should go beyond content to management.

Remember the first model of governance that Kenyans come across is in schools.

How efficiently are our schools run? How much do they inspire the next generation?

Our families need reforms too. We need to make parents more responsible. In fact one way to stimulate the economy is to make families more responsible.

We shift most responsibilities to schools and government leading to the current social vices from crime to dependency where young people have refused to take responsibilities.

Outside home and school, we are influenced by the media, the church, the Government and market system. These institutions need rebooting too.

The media should perhaps put some emphasis on hard issues like science and technology beyond soap operas and comedies.

The church needs rebooting after taking the No position in the recent referendum. The government is rebooting but it should go beyond provincial administration and vetting of judges.

economic systems

What of the small time conmen and bribe takers, and those who will be working under the judges from policemen to clerks, will they be vetted too?

Our economic systems need rebooting to reward the hard workers not the deal makers. There are too many idlers in this country who go by such fancy names as brokers. That group includes fraudsters.

The proliferation of NGOs and churches may be a realisation by many Kenyans that you do not need to work that hard to make money. We cannot develop when most people prefer to reap from where they never sowed. We need incentives within our economic systems to make them more rewarding to risk takers not rent seekers.

A bigger concern is in the counties where most Kenyans live. What type of bylaws will they come up with, how friendly will they be to entrepreneurs?

Currently, every small town has yellow coated parking fee collectors who swarm around you like bees. Will this change? Will city council sell vehicle cramps as scrap metal? Will counties come up with better ways to generate revenues or they will start charging pedestrians for parking their footsteps?

We need to reform our means to generate new ideas, we love doing things the same ways, why for example do we have lost identity cards, driving licences, passports and other documents yet we can easily affix telephone numbers or addresses to them?

Why do we register so few patents? Creativity and ingenuity are the new currency.

Think of the services you receive every day, how can they be delivered better? How can we teach better? How can we travel faster? How can we get more maize per acre? How can we make computers faster? How can we design cheaper houses, safer cars and roads? Doing it better and cheaper is the hallmark of civilisation.

against our cultures

In rebooting these institutions, we shall run against our cultures which are often very conservative. How did it take 100 years to number buildings in Nairobi and get postal codes?

We love showing off our high performance vehicles, small phones and flat screens but how they work is a mystery to us. Students in high school will recite songs by famous singer but fail in poetry.

Why do we still fear witchdoctors after 100 years of Christianity? Why is female circumcision still an issue today? Why is dowry still counted in goats and other animals?

We may have new constitution but our thought processes must be rebooted.

Rebooting our socio-cultural systems will take time but can be done. The West did that through renaissance which spawned new thinking leading to economic and cultural revival. Our renaissance will not come through the new

Constitution only; it will demand a change in our institutions and selves — that cannot be outsourced.

The writer is a lecturer at the University of Nairobi, School of Business. xniraki@gmail.com.

Harnessing the economic power of science and technology

Published on 21/09/2010

By XN Iraki

The recent announcement by the Minister of Higher Education that future funding of university courses will favour science and technology is likely to shake up higher education in Kenya.

Should this worry us or should we celebrate? Does our economic future lie in science and technology? Let us first give credit where it is due. The minister's move is bold and likely to be resisted; some lecturers have already voiced their concern.

Such resistance was witnessed at Harvard University when its former president Lawrence Summers tried to "shake up" the university. Needless to say, most of lecturers are in humanities and paid the same salaries as scientists and other "hard thinkers."

They will protect their tuft.

However, the minister is right. The Government should correct "market imperfections."

Few can doubt that enrollment in humanities is higher than in science and technology in both private and public universities.

Curiously, lack of jobs has not been a good enough incentive to correct the enrolment. It is instructive to note that this loop sided enrolment in favour of humanities applies to Kenyans studying abroad too.

Education regulation

Educational suppliers, the owners of schools and colleges can never tell the consumers, the students that their courses will not get them any job.

The consumers often discover this too late after going through school. It is no wonder Kenya has too many career students.

To protect such vulnerable members of the society, the Government should regulate the education system. I suspect education policymakers have always known about this asymmetry in enrollment, but have never been that bold.

Could the minister's science background be source of his boldness? That science and technology are not part of our national psyche is not debatable. Winners in school drama festival perform at State House, but not winners in science congress. Our media rarely focus on science and technology. Their shows have made our children believe the future lies in showbiz.

The number of high school kids whose ambition is to be musicians and actors is annoyingly high. Our Scientists are rarely glorified, and we rarely make use of their cause and effect thinking.

While Americans had them in their constitution writing team, we never included them in our CoE. Some argue that scientists and their technology counterparts are not "noisy" and are therefore, left out in political contests.

They find politicking too amorphous. Rarely do we nominate them as MPs or to other public jobs. We need affirmative action based on science/humanities instead of gender.

Our image of a scientist or engineer is a "boring" guy with some women claiming they cannot marry such characters even if moneyed. This is largely a stereotype.

What the minister is doing should have been done long ago. We all react to incentives and funding will shift the balance of enrolment and economic power to science and technology.

This will not stop some universities from offering a Bachelor of Science in Archaeology, a subject that fascinates me. Why do we study about early man from Zinjanthropus to Austropethecines when we do not know enough about the living man?

Spirit of new constitution

The minister will come against a deeply entrenched tradition. But should we not reshape our education and its contents in the spirit of the new Constitution?

Without such a move, our institutions shall not voluntarily change. After all, there are enough students in humanities courtesy of our high population growth and our students' failure to do research on job trends.

The Government and private sector have also let our kids down. There are few comprehensive reports, which will be the hottest jobs in the next 20 years as we try to attain Vision 2030.

See for example data on 'tomorrow's jobs' from the US bureau of labour statistics website.

Most students rely on peers in making decisions on careers, surprisingly even at graduate level. We seem to love herd mentality.

The importance of shifting to science and technology is so obvious to even non-scientists that we should not wait for such a directive from a minister.

Unfortunately, most see science and technology through gadgets. We love the fastest car, the phone with most features, the plasma TV, and all other technologies, but rarely do we appreciate the thinking that went into such gadgets.

Making a difference

Why else do we love pirating software? Yet science and technology should be seen as a culture, a way of life, where we ceaselessly harness science and technology to make our life easier. We love enjoying the fruits of science and technology, but not generating them.

Will the minister's bold move make a difference? In the long run it will. We are likely to get a critical mass of population who appreciate science.

Such a mass will change our way of thinking, away from rent seeking to solving practical problems, away from blaming each other and our past to taking responsibility for our actions.

That is how a nation progresses, by confronting its problems head on. But more importantly is that science and technology are likely to create more jobs and enterprises than humanities. You are more likely to get a start up from science and technology campus than humanity campuses.

Think of Silicon Valley (and Caltech), MIT or India Institute of Technology. India, USA, Japan or even Taiwan have reaped from science and technology which even changed their brand.

We know Google, Tata, Sony and other science-based firms, but very little about the other aspects about these countries.

We rarely hear of the Amish in the USA or the Indian reservations such as Choctaw, where bead work rivals Masai's. Curiously, no one has seen the need to teach Hindi, the dominant language in India here in Kenya!

China has leaped economically because of her emphasis on science and technology.

Where do we go from here?

In line with the much taunted political rebirth through the new Constitution, our education must go through a rebirth by shifting to science and technology.

The incentives being offered by the ministry of higher education through funding should hopefully make more students see the leverage science and technology offers to themselves and the economy in terms of jobs and entrepreneurship opportunities.

research and developments

Name any large firm in the world and chances are it is science or technology based. IBM has more employees than all Kenyan teachers from primary to university!

By shifting to science and technology, we are likely to lay a firm foundation for Vision 2030. The minister should extend the funding incentives to research and development (R&D), we need Nobel prizes in sciences.

After all, no country was built by words, but by work and hard thinking espoused by science and technology. Even proponents of humanities appreciate the power of science and technology by

calling themselves "social sciences". This does not mean we shall not need humanities; they inspire us, and give us a framework for understanding ourselves, our relationships with the rest of humanity and our final fate after our sojourn on this small planet.

The minister seems to be saying loudly that all courses are equal, but some are more equal than others, a fact borne by history and economic reality

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

Understanding China's tyranny and the secret to economic success

Published on 27/09/2010

By XN Iraki

In 1970s, one could easily have landed in jail for being seen around the Libyan or Chinese embassy. Today, not only does Libya own property in Kenya, but Chinese are building our roads. More interesting, China seems the place to be whether for leisure, conferences, studying or just to appear cool.

Made in China has slowly replaced Made in England and Made in Japan. Closer home, Chinese is being taught in our universities, yet Hindi the dominant language of India is not despite the longer presence of Indians in Kenya and the fact that India is closer to Kenya geographically than China.

China's economic growth in the last two decades has outpaced the Asian Tigers and we know more about Chinese economic prowess than her communist inclinations. It seems the Chinese economic miracle has defied the common belief that economic powers must be democracies. Albert Keidel of the Foreign Service Research Institute even suggests that China will overcome US as world's biggest economy by 2040.

Chinese secret

Some boldly argue that the Chinese just imported their offshore success, are they not the dominant entrepreneurs in Singapore, Taiwan, Malaysia and other successful Asian economies? Others argue quiet convincingly that China had a 100 years experiment in highly successful capitalist Hong Kong whose control she got back from UK in 1997. The experiment is just being replicated on the mainland.

Others think that the big Chinese population translates into many creative minds, which have been put into use both at home and abroad particularly in science and technology. Though we are resisting Higher Education Minister Ruto's directive on funding for science and technology in universities, we can learn from the Chinese who emphasise science and technology.

You rarely meet Chinese studying political science or public administration in the West, like us, they study computer science, medicine, and hard sciences, making themselves indispensable both at home and abroad. Just peruse the website of major universities in the west for key faculty

names in science and technology. When we go online to apply for US diversity lottery, the Chinese are getting H1b visas because their skills are in high demand.

Samuel Huntington author of Clash of civilisations and the remaking of the world order argues that China is a civilisation masquerading as a nation. Could the deep Chinese roots dating back to BC be the secret behind their success and confidence?

past failures

Others explain Chinese economic success as an attempt to exorcise the ghosts of her past failures from defeat in the opium wars by UK and being overrun by the Japanese in Manchuria just before World War II. Yet some view her success as driven by the desire to prove to the world that the Asian values are superior to western values.

But the secret behind Chinese success is more parsimonious; they long realised that politics can be a hindrance to economic growth. While we harangue over policies, projects, sharing money, and other niceties of democracy, the Chinese are implementing what they think is right.

After all, despite the differences in cultures, the principles of managing countries are generally known. How do you explain Michuki's apparent success in whatever he does? He just implements what he thinks is right or is known to be right. Delayed policy implementations are goldmines for rent seekers and dealmakers.

Democracy demands consultations and some deal making. Did the Chinese realise this and prefer some authoritarianism? Do we expect China to become more democratic as her economy expands and affluence spreads? Is this not the path followed by South Korea and Singapore, on their way to becoming economic powers?

Alexander Gerschenkron had long observed in 1962 that the later an economy starts the catch-up process, the faster it should be able to modernise. China has therefore benefited from the accumulation of knowledge, innovations and technology from all over the world. Her catch up started much later than Asian Tigers.

economic interests

As New York Columnist Thomas Friedman notes, US landed on the moon, won in World War II because everyone in the country pulled in the same direction. The Chinese success is partly due to the same reason they are pulling together, with super-ordinate goals, they even want to land on the moon as they pursue their economic interests worldwide.

We have rarely pulled together, preferring to pursue our personal, tribal or parochial interests. National energy is dispersed and little is achieved. Every time we try to pull together, opposing forces tear us apart. In politics, we take the term opposition scientifically, like friction.

From the founding of our republic, we have always opposed each other, either publicly through political pronouncements and at times physically as post-election violence showed. Even in grand coalition, divisions often boil over as the factions bid their time for 2012. In private, we oppose each other deriving lots fun in disparaging and belittling each other's ideas.

Like the Chinese, we need to form the Kenyan civilisation, with Kenyan values. The success of Chinese and other successful nations is due to their identity and confidence, which they sell as a brand, and use to pursue their economic and strategic interests. We hope that counties will not dilute our Kenyaness.

The freedom enshrined in the new Constitution is not useful if not buttressed on national and personal responsibility. The Chinese have always realised that their destiny lies in their own hands, a fact they have known in their long encounter with other civilisations some which they tried to keep off through the Great Wall. On the contrary, we rely too much on donors, NGOs, relatives and fate.

Democracy is not enough catalyst for economic growth. Rather, it still needs the invisible hand of the government to pull together, a feat no individual can. China must have figured this out and outdone democracies like India.

Finally, some food for thought, though China and US are different politically, they are similar in two major ways. One, each is pursuing her economic interests through market system and globally. Secondly, both have largely kept religion from public life, clearly separating state from church.

China's success seems unstoppable and the world's economic of gravity will shift towards the Pacific before finally ending in the Indian Ocean, courtesy of India. Yet, with our new Constitution, we seem to have chosen the Indian route, based on democracy in pursuit of economic growth. The Chinese model may teach us a few lessons but we may not learn fast enough, our fascination with the West is too deep.

