Compass for Economic Policy Reform in Africa

by

Peter Alexander Egom

Talking Points

1. **Economic Index Numbers**

1.1 Any national economy of the globe has two discernible moneyflows market structures. The one is its money supply market structure or its financial circulation of money. This is made up of its currency and financial markets. And the other is its money demand and use market structure or its industrial circulation of money which consists of its industrial/commodity market.

1.2 When the money supply market structure of a national economy is anchored to, and driven by, the debt theory and practice of the monetary unit, the fractional reserve principle and practice of central banking goes automatically to work within it to foster into existence the twin inflationary and fiscalist phenomena of Public Sector Borrowing Requirement, PSBR, and Interest. It is PSBR and Interest which interpose an ever increasing gap of industrial outsourcing and domestic resource unemployment between an economy's money supply market structure and its money demand and use market structure.

1.3 But when the money supply market structure of a national economy is anchored to, and driven by, the commodity theory and practice of the monetary unit, the full reserve principle and practice of central banking goes automatically to work within it to eliminate the presence of the twin inflationary and fiscalist phenomena of PSBR and Interest within its moneyflows market structure. And, accordingly, there will be no gap of industrial-outsourcing and domestic resource unemployment between an economy's money supply market structure and its money demand and use market structure. This is so because the self-financing and value-adding private sector is now at the centre of the moneyflows market structure of an industrial in-sourcing economy.

1.4 It is the job of the economic theory and practice of index numbers to measure the range of gaps of industrial outsourcing and domestic resource unemployment which fractional reserve and full reserve principles and practice of central banking could wedge, in theory, between any economy's money supply market structure and its money demand and use market structure. Hence, we learn, as follows, from the economic theory and practice of index numbers about the necessary binary packages of payment standards and market rules that make an economy an industrial outsourcer or an industrial in-sourcer.

1.4.1 Any economy on the fixed rate gold commodity standard uses the Purchasing Power Parity Theorem, PPPT, to eliminate any industrial outsourcing gap between its money supply market structure and its money demand and use market structure. Here the numerical value of the General Economic Index Number, GEIN, which is a measure of the degree of the gold demonetisation of a national currency in its currency market, is equal to unity.

1.4.2 Any economy on the fixed or floating rate gold exchange debt standard uses the Interest Parity Theorem, IPT, to interpose a growing gap of industrial outsourcing and domestic resource unemployment between its money supply market structure and its money demand and use market structure. Here, its GEIN ranges in value from just below unity to and plus 0.25 as the inflation of PSBR and Interest eats up the gold content of an economy's currency.

1.4.3 Any economy on the fixed or floating rate currency board debt standard uses the Import Parity Pricing Theorem, IPPT, to interpose an ever widening gap of industrial out-sourcing and domestic resource unemployment between its money supply market structure and its money demand and use market structure. Thus, its GEIN ranges in value from 0.25 to zero as imported inflation makes nonsense of the gold content of its currency. However, an economy on the fixed rate currency board debt standard can transform itself into an industrial in-sourcer and local- value - adder if it does as Friedrich List canvasses in *National Systems of Political Economy, Jena 1841*, by using exchange control measures to domesticate its industrial resource use.

1.5 Thus, the gold commodity payments standard and the PPPT market rule are to an industrial in-sourcing or local content growing nation what the gold exchange debt standard and the IPT market rule are to a gradual but steady industrial out-sourcing nation and what the currency board debt standard and the fiscally unprotected IPPT market rule are to the endemic and colonial industrial outsourcer of a nation. In other words, as the GEIN value of any economy moves up towards its unity upper boundary value, so is that economy increasingly a local content grower and an industrial in-sourcer, but as the GEIN value of any economy moves steadily towards its zero lower boundary value, so is that economy increasingly a local content blighter and an industrial outsourcer. It follows from this that any economy on the fractional reserve principle and practice of a central banking is an economy that is inevitably on the wane with regard to local content but any economy that is consistently on the full reserve principle and practice of central banking is an economy that is sustainably on the ascendant with regard to local content.

2. Global Fractional Reserve Central Banking

2.1 The globe has worked, from 1819 to this day, the fractional reserve principle and practice of central banking. And for this reason the inflationary and fiscalist phenomena of PSBR and Interest have continued to divide the world of trading and paying nations into two unequal groups. In the one group, we find the nations of the West whose money supply market structures produce and manage the international means of trade and payments. They are on the gold exchange debt standard and use the IPT market rule, in unison, to create an increasing gap of resource unemployment between the global money supply market structure and the global money demand and use market structure. And in the other group, one finds the non-convertible currency nations of the rest of the world which trade and pay abroad in the convertible currencies of the nations of the West. However,when these use fiscal measures to control the intrusion of the convertible currencies of the West into the management of their domestic patterns of resource use, we say that they are industrial in-sourcing and developmental States as one finds them in China, South Korea, Taiwan, India etc. But when these allow the Structural Adjustment Programmes of the IMF and the World Bank to eliminate whatever of the *infant industry protective walls* they have managed to build around themselves since the early 1960s, we say that they are chronic and neo-colonial industrial out-sourcers as one finds them especially in the Sub-Saharan African nations of Nigeria, Ghana, Zambia, Cote d'Ivoire etc.

2.2 Thus from December 1958 to this day, the global economy on the floating-rate gold exchange debt standard has thrown up a new three-legged structure in the international division of labour among and between the trading and paying nations of the globe as follows:

2.2.1 The reserve currency nations of the West are now mainly into the inflationary and out-sourcing casino capitalism of the global services/tertiary sector.

2.2.2 The Listian developmental States of the East have taken over the industrial capitalism of the global secondary/manufacturing sector.

2.2.3 The endemically fragile States of Sub-Saharan Africa and Latin America are still entrapped in the outsourcing and peripheral capitalism of global primary/extractive sector.

2.3 However, the current three-tier industrial structure of the global economy is not sustainable. For as the budgeoning stock of non-gold international reserves is kept and managed in the financial systems of the West without being put to productive use either in the West or in the non-reserve currency nations of the rest of the world, then the crash and speculation money which is thus bottled up in the financial systems of West will cause the global economy to implode, by the by. In short, the current three-tier global economy is top-heavy with crash money and will keel over sooner than later.

2.4 What is more, the three-tier global economy, which is top-heavy with crash money within its first tier of reserve currency nations creates the relentless streams of Africans and other peoples from non-reserve currency nations who want to see Paris and die. This gives rise to racial tensions and clashes in the West especially now that the nations of the West outsource industrial jobs to China and India etc. So, it is the top-heaviness of the global money supply market structure which is responsible for the immigration pressure on the reserve currency nations of the West from the peoples of the non-reserve currency nations of the world.

2.5 Hence, it is becoming clear to most peoples of the globe that justice and peace on earth can only be established and sustained if the peoples of the world are enabled to reside and work in their own autauchtonous areas and nations of origin. Thus, global justice and peace demands the existence of a global market development and management initiative which is targeted at minimizing, arresting and reversing the job and welfare-seeking flow of immigration of people from the rural areas to the urban areas and from the non-reserve currency nations of the rest of the world to the reserve currency nations of the West. In other words, the current floating rate fractional reserve principle and practice of central banking, which is responsible for the current three-tier industrial structure of the global economy creates the relentless streams of migration of people from the rural areas to the urban areas, and from the non-reserve currency nations to the reserve nations of the globe. Therefore, global justice and peace demands the existence and working of the fixed rate full reserve principle and practice of central banking which will arrest and reverse the flow of migration of people from the rural areas to the urban areas and from the non-reserve currency nations to the reserve currency nations of the globe. Such an industrial ruralisation road-map for the global economy is what the concept and practice of Banks for Regional Settlements, BRS, addresses at the global level. And, BAS: Bank for African settlements, is the Euro-African variant of BRS.

3. Global Full Reserve Central Banking

3.1 Banks for Regional Settlements, BRS, of which BAS: Bank for African Settlements, is the Euro-African variant, is the banking vehicle which the full reserve principle and practice of central banking will soon begin to use in transforming the global economy from the current and capitalist two-tier structure of reserve and non-reserve currencies to the emergent and communitarian one-tier structure of reserve currencies all.

3.2 For public sector debt money generates, through the twin fiscalist and inflationary phenomena of Public Sector Borrowing Requirement, PSBR, and Interest, the current and capitalist global economy with its standard two-tier structure of reserve and non-reserve currencies. But, interest-free private sector commodity money will generate the new and coming global economy of justice and peace with a single-tier-structure of reserve currencies only. So, every regional variant of BRS builds a convertible currency bridge between some current reserve currencies of the West and some current non-reserve currencies of Asia or Africa or Latin-America.

3.3 Specific BRSs will as a rule be head-quartered in and operated from strategic reserve currency oases of the West. It is from there that they will canalize the flow of risk-ready and excess non-gold international reserves from the West to their regional non-reserve currency nations to support and underwrite the deepening of their capital and commodity markets for their steady growth in home-made jobs, goods and services. In this way, the money supply market structures and money demand and use market structures of the specific BRS nations of the West and the specific BRS nations of Africa, Asia or Latin-America will become severally convergent in their respective home-bases and thereby create balanced growth in the local content of jobs, goods and services in the West as in Africa or in Asia or in Latin America. Thus, a BRS like BAS is, indeed, the win-win market development and management initiative, which under the current floating rate and global two-tier structure of reserve and non-reserve currencies, will steadily grow local content in the reserve currency nations of Europe as well as in the regional pocket of the emerging reserve currency nations of the Sub-Saharan African sub-continent. BAS will, indeed chase China, India and other far Eastern and non-convertible currency industrial buffers from SSA.

3.4 Consequently, the NEPAD initiative of 2001 is the unique and win-win market development and management initiative for establishing and growing an exclusive co-prosperity economic zone between Europe and Sub-Saharan Africa: SSA. Europe and SSA,therefore, need to use, in equal partnership, the NEPAD initiative to devise and build a deep and resilient monetary, financial and industrial bridge between their respective networks of currency, financial and industrial markets and to use this *Mandela currency convertibility bridge* as the corridor for developing the exclusive Euro-African co-prosperity market zone of balanced growth in home-made jobs, goods and services. It is BAS, Bank for African Settlements, that bonds SSA to Europe in the exclusive Euro-African partnership for equal growth, development and mutual respect.

4. Conclusion

4.1 The floating exchange rate system has since the early 1970s made SSA to look like an economic basket case which the world can afford to ignore with impunity and, these days, with the derisive concept of *afro-pessimism*. But the fact of the matter is that this very floating exchange rate system has, since December 1958, been undermining the industrial foundations of the nations of the reserve currency West and now turning the West into a global economic basket case which depends on China and the Far East Tigers for their supply of manufactured goods.

4.2 SSA is not happy with being unable to provide job, food and social security for her peoples and decidedly not in carrying on as the economic backyard of any power, Chinese or European. And neither is Europe happy about losing the African industrial market terrain to China. So, what to do.

4.3 Europe and Africa must join hands and effort, through the BAS initiative, to establish and grow a Euro-African co-prosperity zone of balanced growth in local content for all parties concerned. Indeed, SSA is the *rejected stone* which has now turned out to be the *cornerstone* for any viable global effort at giving sustainable lease of local content life to the sagging and money-inflation-soaked economies of Europe and North America.