

ETHIOPIA 2050
'A TREE IS KNOWN BY ITS FRUIT': CITY AGGLOMERATIONS AND ECONOMIC GROWTH

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I begin this speech by discussing death. Thomas Nagel and Partha Dasgupta have a more elegant discussion of this.

But there are at least three circumstances of death we should distinguish. There is death that comes naturally to one in the fullness of time; there is death that comes not from one's hands before one's time; and there is death that is brought on one by one's own deliberate action. Regardless of your population ethics, I know you will join me in condemning all the deaths of the second kind wherever they occur in our country.

I intend to argue in my speech that there are predictable forces that drive the future of our society, and indeed, the future of other societies as well. As Dambisa Moyo articulated, these forces include:

- 1) Changing Demography with all its consequences
- 2) Inequality—in income, education and opportunities
- 3) Scarcity of Commodities, including scarcity of capital
- 4) Technological Innovation (the development & deployment of technologies and what this means for society and the economy)

In the past, Ethiopia's paths to development had envisaged agriculture as the basis for economic growth—a political necessity and, were it to be realized, a stimulus for economic development. But because we, as a nation, have been unable to revolutionize agricultural output, and because we have squandered roughly fifty years without adding to or protecting the inherent productive value of the land (soil erosion, deforestation, etc.), it is time to organize ourselves differently than we have attempted to do so in the past. 'Farming until you cannot bear it anymore' has had a dark side and harmful effects on agricultural communities. We need to intentionally include cities as the basis for economic growth and macroeconomic policy making.

One new way of organizing our society is by building mini-megalopolis – a set of roughly adjacent city agglomerations forming a continuous urban region. This approach should add to the growth of the country's GDP; use the agglomerations as an engine of the country's economy; and by implication, reimagine the impact and deploy the insight into how infrastructure plans and economic development policies should be directed to initiate or improve regional integration in Ethiopia.

In addition, it will be argued that cities are dynamic centers of exchange, innovation, and economic growth and provide the platform where people, ideas, and capital come together.

As a consequence, regulations and political schemes that limit urban development constrain the movement of labor and capital, reduce the potential for income mobility and rising standard of living over time.

Because this is a speech on a futuristic impression of Ethiopia in 2050, I don't intend to suggest a hypothesis or test one. I merely wish to imagine with you an Ethiopia 30 years from now. As a consequence, "I am ready to accept all accusations, allegations, anger, or *whatever else you might cast in my direction*, but I *am* determined to succeed".

PLEASE IMAGINE

Ladies and gentlemen, imagine that healthy communities matter because they are essential for sustaining vibrant market democracies. Once we understand that, then it is not simply enough for a country to experience strong economic growth. How it is distributed becomes very important. As might be expected, people who love their community wish to stay in that community but expect growth to benefit them as well. "If we care about the community, we need to care about the geographic distribution of growth".

Imagine further, consistent with Central Place Theory, that we have the following conditions: flat featureless plane; even distribution of rural population; an even distribution of purchasing power; no transportation infrastructure (at first); i.e., nothing affects transportation costs except distance; and that economic agents are economically rational, i.e. consumers minimize costs; frequently shop at closest opportunity; and that retailers maximize profits or maximize trade areas.

Imagine as well that federalism as a conflict-reducing device has enabled the country to prevent violence among different groups within the country. That Francis Fukuyama's three important pillars for a democracy, namely, a strong government, the rule of law, and democratic accountability are present. Please also imagine that we value free markets, cherish and enforce private property rights. Furthermore, please imagine that the government of the day is focused on building prosperity with a few critical objectives, namely, to create jobs, to provide basic services efficiently, and run a clean government, a la Paul Collier.

With these in mind, I dare suggest to you that we can offer diagnoses, and even contingent predictions to suggest the way forward for our country.

With the goal of enhancing the richness of our conversation, I will, in the following paragraphs, cite as evidence, key economic variables of the Ethiopian economy. That will be followed by an argument of what must be done so as to avoid economic stagnation and decline to mitigate at least some of the social, political and economic problems that failure would entail.

KEY VARIABLES

Globalization has been good to many countries and it has also changed our understanding of the rest of the world. Some countries benefited more from globalization than others did, and as Ian Bremmer notes, the future of globalization is not very clear at the moment. China, who

practices state capitalism, relies heavily on state owned enterprises, and its objectives are to ensure economic and political stability in its country and spheres of influence.

In the West and elsewhere, new technologies are making production more efficient and are lowering costs of production.

As Bremmer's insight suggests, the marketplace for commodities, the export of most developing countries including Ethiopia, is becoming more globalized—meaning, more competition. The market for goods and services, on the other hand, will become less global. This has to do with the fact that the share of labor in its production is declining rapidly because of technology and automation. What does this mean? It means that the search for cheap labor to produce goods and services is declining as the rise of the middle class in at least some countries (where it is possible to find skilled labor) has increased wages. This is providing producers' incentives to further automate production, and produce where the consumers are.

Furthermore, one by-product of globalism is anger in some countries at the prospect of job losses. This in turn has given rise to politicians who are calling for higher tariffs and enact policies to restrict trade.

At the center of all of this is the crucial factor of the movement of capital. As everyone here realizes, the holders of capital assets enjoy certain privileges. Katharina Pistor calls these: a) priority (in cases of competing claims); b) durability, which allows capital to grow; c) convertibility, which enables past gains to be locked in; and, d) universality, which ensures that all of the other privileges are retained globally. The implications here are crucial: those countries that are unstable, chaotic, mired in corruption and mal-governance, and curtailing these four privileges are unlikely to attract new capital.

Closer to home, we have a population growth rate of 2.31%, an eye popping doubling of the population in just 30 years (2050) using the simplest method of calculation; an urban population of 20.3%; and an urban working age population of 12.8 million people compared to a rural working population of 40.8 million persons. In my opinion, Ethiopia is a microcosm of a world facing a population explosion as the United Nations itself forecast that the global population would exceed 9.7 billion in 2050. The continent of Africa will be home for over 40% of the world population by the end of this century. Making matters worse, enormous gaps remain between what the stated development agenda was and what is reality.

In terms of revenue generated in land use fees—a highly neglected variable, the following data is very instructive:

Rural Land Use Fee generated \$330.0, \$437.8 and \$410.9 Million for 2014/15—2016/17; while Urban Land Use Fee generated \$1,276.7, \$2,528.2, and \$2,677.8 for the same period. The performance rate for Rural Land Use is 93.8% and for Urban Land Use, 105.9%. This is a classic example of the consequences of developing land at different levels.

When it comes to mobile technology, the country has 58,080,626 users for 2016/2017; and total data and Internet use stands at 16,505,225 for the same year. This is indicative of the state of development, diffusion and deployment of new technologies, and what that means for society and the economy.

Finally, when we look at the number of total investment projects and the amount of capital, the picture emerges that, in the main, only three regions, Tigray, Amhara, Oromia, and one city, Addis Ababa are the main beneficiaries as follows:

Tigray	49 (\$207m)	45 (\$112)	21 (\$66)
Amhara	4 (\$10m)	7 (\$14)	42 (\$105)
Oromia	304 (\$1,398)	26 (\$346)	19 (\$336)
Addis A.	31 (\$2,382)	755 (\$6,148)	376 (\$8,308)

(Data: National Bank of Ethiopia, for 2014/15, 2015/16, and 2016/17)

This, in my view, is evidence that, despite the highly publicized investment boom in the country, the number and size of those investments have not panned out as desired.

The Structure of Cities and towns in Ethiopia:

UNESCO provides useful data on the population size of cities and towns in Ethiopia. The country has just one city over a million people; three cities with populations between 201K to 300K; six with population between 101K to 200K; 11 with 50K to 100K; 30 between 25K to 50K; 43 with populations between 10K to 25K; and 11 with population of less than 10K. The data further reveal that we do not have a single city with population ranges between 301K and one million. Imagine the opportunity cost in economies of scale.

Finally, the data also attest to the fact that Ethiopia and the United States have one number in common: and that number is 81. 81% of Ethiopia's population resides in rural areas, while 81% of the U.S population resides in urban areas! These rural populations are what Anne-Marie Slaughter and Yuliya Panfil call the 'invisible people', locked out of the formal economy, and for the most part, unable to vote, travel, or access medical and educational benefits. "It is not that they are undeserving and unqualified, it's that they are *also* data poor".

WHAT SHOULD WE DO THEN?

Allow me to offer a modest proposal.

As everyone here recognizes, "...the main source of private sector independence in *developed countries* and thus also property rights protection, is the private sector's productive efficiency, that comes only through constant competition." But there is also a second source, and it is numbers. When few entities dominate the private sector, it is easy for them to get into an arrangement with the government. But when the number of firms is very large, their interests diverge and sometimes oppose. This is the lesson that emerges when we consider the data on the number of cities and, perhaps, the concentrated production as well as power that seems to have been vested in just one or two cities. What would ensue if we were to develop mini-large cities or "mini-megalopolis" in the form of a set of roughly adjacent city agglomerations forming a continuous urban region?

For example, what would happen if we were to form an agglomeration between Addis Ababa and Nazret; Jimma and Aawasa; Bahir Dar and Gondar; Jimma and Sodo; Dire Dawa, Harar and Jijiga; how about between Arba Minch, Yirga Alem and Awassa; Mekele and Adigrat; Goba and Ginir; Nekemte and Gimbi; Dese, Kombolcha and Woldiya?

Addis with its nearly three million people, and Nazret with its nearly 214K residents would be an ideal agglomeration, and it may already be happening. The largest city in the country, and the fourth largest city, with Bishoftu, tenth largest, in the middle, would be ideal by any imagination.

Why the agglomeration?

1) Why am I suggesting this as an intentional growth plan by policy makers? The answer is because this is the real world. And in the real world, we need an economics that can integrate resources, social stability, and the environment into one cohesive, realistic, internally driven, long term framework.

2) The UN states that by 2050, 68% of the world population will live in urban areas. And as stated before, 81% of Ethiopia's population resides in rural areas and away from the centers of economic activity and contributing marginally to gross domestic product. Worldwide agglomerations produce \$30 trillion in GDP, roughly 35% of the world's output, according to Euromonitor International.

3) According to Euromonitor International's very robust study, 20 megalopolis have been identified: nine in North America, seven in Asia Pacific, three in Europe and one in Latin America. These accounted for 35% of global GDP in 2018 and made up 9% of global population.

4) The agglomeration of cities adds to the richness of our analysis when we consider the sheer economic size and contributions they espouse to the country's GDP.

5) As demonstrated around the world, agglomerations are the engines of the global economy.

6) Their impact provides insights into how infrastructure plans and economic development policies should be directed to initiate or improve regional integration in Ethiopia.

7) By their very nature, cities are dynamic centers of exchange, innovations and economic growth. They also provide the platform where people, ideas, and capital come together.

8) Cities are one of the best forms of a powerful impulse to unite a people. Rather than continue the fault lines of mainly cultural politics currently underway, cities help converge cultures as opposed to merely co-exist.

9) Properly executed, agglomerations would bring economic activity closer to where people already reside.

10) Governments, consumers and business can share benefits in effective megalopolis integration. Government initiatives in establishing mega regional development plans can trigger positive benefit from better transport links, in turn triggering more robust housing

markets. Better infrastructure (with economies of scale) can open up new markets to business and improve mobility of goods, ideas as well as culture, benefiting everyone.

11) A bonus in the case of Ethiopia, agglomerations would reduce urban migration mostly to Addis, thereby reducing unwanted and unplanned urban sprawl, and the competition for “ownership”.

12) Furthermore, based on the particularities of the pairing of the cities planned or chosen, agglomeration brings economic growth and development closer to the people, thereby helping to convince all that economic growth is being distributed roughly equally within the country.

13) Agglomerations would lend to the empowerment of the populace, amplify local pride, and break the psychological brick wall that the center of the Ethiopian universe is Addis Ababa.

14) A by-product of a pro-agglomerations policy is that it would make regulations that limit urban development unnecessary and irrelevant as well as backward, as these would reduce the potential for income mobility and rising standard of living over time.

15) The implications on workforce development of this simple proposal could be astounding, and include: hundreds of thousands of jobs created in engineering, water development, construction, services, transportation, infrastructure development, banking, land development, surveying, IT, support services, and a whole host of other domestically generated employment. It has the potential to expand the talent pool to include new career realities to take advantage of untapped opportunities for growth and profit.

It will dawn a new era of a workplace that requires everyone to adopt to new cultural norms; gain new language fluency, especially around technical ideas and tools; adjust to more collaborative work processes; and adjust to physical changes in the work environment (working from home, working remotely, or sharing work stations). It could usher in the concept of workforce longevity as a competitive advantage. It would help hasten the creation of a talent revolution because the future of work is being shaped by technological and talent-driven innovations.

Finally, and most importantly, the impact on the nation would be to usher in an attitudinal and a structural reset where competition would be based on who is efficient, who applies research, who anticipates better the labor structures, markets and conditions by engaging in career-focused, talent-related conversations throughout the country. It would help us build an Ethiopia where being young is not suspicious, where aging is not a problem. This, I think, is a goal worth pursuing if we were to avoid making future generations heirs of poverty!

As I conclude this aspirational speech, I recognize little has been said about the resources required to accomplish this agenda. Yet, aspirations are not the domain of the wealthy alone, they are the undeniable part of the human drive. In every country, there are people who wish to become the masters of their own destiny rather than remain the captured politics of someone else. While competition and conflict among us may be inevitable, we can also assuage these problems by the vision we set, by how those visions anticipate the future, and in what degree these anticipations bring people together for a common and shared purpose.

Suffice it to state that what is important, gets measured, and what is measured, gets managed for.

This is one vision we must consider; that the leadership of the country at all levels must countenance; and one that you in this room should embrace if we were to tell a positive story in 2050. Because achieving extraordinary results overtime requires commitment, foresight, and accountability, we hereby declare that this occasion is the commencement of a new era, and that we intend to hold ourselves accountable to those who come after us!

THANK YOU.

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