

David Ricardo's theory of comparative advantage and its implication for development in Sub-Saharan Africa

A decolonial view

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ABSTRACT

The Euro-American predominance of understandings and narratives of development has produced the current global world order, where African-centered solutions and alternatives to the problems of poverty and underdevelopment on the continent are ignored or inferiorised. Drawing awareness from a decolonial view and deploying the concept of the decoloniality of power and knowledge itself, this article seeks to conduct a thorough interrogation of David Ricardo's theory of comparative advantage. According to Auriacombe (in Schurink and Auriacombe 2010:435 and Auriacombe 2012:98) "due to the different ontological and epistemological beliefs of researchers belonging to different paradigms, the criteria for trustworthy, credible research can never meet everyone's approval", therefore, given this reality, the aim of the article is to show that another worldview exists which could help Africa out of its development quagmire. Using the theory of the coloniality of knowledge in particular, this article illustrates how the notion of increasing returns helped in the economic transformation of Spain. It will also show how countries in sub-Saharan Africa can learn from the Spanish example about the importance of adding value to its natural resources. This article argues that the full liberation and development of the continent will only come to fruition with the implementation of African-centered policies, such as increasing returns and adding value to the natural resources which we export to other parts of the world. It is through this policy that jobs can be created and poverty alleviated on the continent, which will kick-start Africa's journey towards overall development.

INTRODUCTION

Africa is rich in natural and human resources, and is in fact one of the most naturally endowed

continents in the world. Despite this, however, it is currently one of the poorest continents in the world (Ayittey 2005:46). Africa has rich soils that are suitable for agricultural cultivation, yet millions of people on the continent go hungry (Abubakar 1989:28). It has abundant water resources for irrigation, transportation and hydroelectric power generation, but still uses less energy than almost any of the major cities in the developed world (Acemoglu and Robinson 2012:20).

Carmody (2011:2) aptly describes the African development quagmire as a 'paradox of plenty', underscoring the fact that although Africa is a very resource-rich continent, the majority of its people continue to live in abject poverty and economic deprivation. The resources available on the continent are staggering: it contains 42% of the world's bauxite, 38% of its uranium, 42% of its gold, 88% of its diamonds and 10% of its proven oil reserves (Bush 2007:32). South Africa alone has 88% of the world's platinum, while Africa also has 52% of the world's manganese, 54% of its cobalt and 82% of its chromium stocks (Gordon and Wolpe 1998:55). Despite all these natural resources, why does more than half the population of sub-Saharan Africa live on less than US \$1.25 a day? (World Bank 2010:37).

This article attempts to highlight the fact that the theory of comparative advantage, which was developed by David Ricardo and which is indeed one of the intellectual building blocks of the current era of international trade and globalisation, is incapable of extricating the continent from poverty, unemployment and underdevelopment. Despite the fact that between 2000 and 2010, six of the fastest growing economies in the world were the African countries of Angola, Nigeria, Ethiopia, Mozambique, Chad and Rwanda (The Economist 2011), this rapid economic growth has not benefitted ordinary Africans. This article interrogates the intellectual roots of David Ricardo's theory and its relevance or lack thereof for alleviating poverty and reducing unemployment and underdevelopment on the continent. There is evidence in the literature, that in spite of the high growth rates recorded on the continent, poverty still persists, and in spite of its wealth of natural resources, sub-Saharan Africa has only managed to increase its per capita income from \$429 to \$639, which is a gain of \$210, in over 60 years of independence (Mills and Herbst 2012:3). Deploying the notion of decoloniality of knowledge, this article will show that Africa may not escape this economic limbo if it continues to believe in the efficacy of theories and epistemologies which are wholly Western, Eurocentric and not rooted in the socio-economic realities of the continent. There are alternative narratives on theories of development, as evidenced by the remarkable transformation of South-East Asian countries.

THE THEORY OF COMPARATIVE ADVANTAGE

David Ricardo was not the first economist to use the term 'comparative advantage', as there are references to the term as far back as the early part of the 19th century (Jones 1961:163; Irwin 1996:21). Robert Torrens made allusions to the concept of comparative advantage in his article entitled *Essay on the External Corn Trade* (Jones 1961:163). It was after this article that David Ricardo popularised the idea in his 1817 book entitled *On the Principles of Political Economy and Taxation*. The idea appeared again in James Mill's *Elements of Political Economy* in 1822 (Machlup 1977:15; Roberts 2006:20). It came to dominate international economic thinking and development policies when John Stuart Mills published



the critically acclaimed book *Principles of Political Economy* in 1848 (Boudreaux 2004:375; Irwin 1996:21; Buchanan and Young 2002:400; Machlup 1977:15; Roberts 2006:20; Jones 1961:163).

The benefit of free trade or international trade between countries in the modern world was first highlighted in the economics and development literature by one of the classical economists, Adam Smith, in his book entitled *The Wealth of Nations* (2003:20). Adam Smith referred to it as the concept of absolute advantages in production. This is how he explained it: "If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage" (Smith 2003:20).

The ideological foundations of the theory of international trade, which gave birth to the idea of comparative advantage, were very prominent in the writings of Adam Smith (Smith, 2003), who argued that all unutilised resources in a country must be allocated to the production of surplus goods for export, and that the surplus must be 'vented abroad' in order to generate much-needed income to enhance the development of local economies. Smith (2003:20) explained that: "When the produce of any particular branch of industry exceeds what the demand of the country requires, the surplus must be sent abroad, and exchanged for something for which there is a demand at home. Without such exportation, a part of the productive labour of the country must cease, and the value of its annual produce diminishes" (Smith 2003:20).

Following in the footsteps of Adam Smith and Robert Torrens, David Ricardo formulated his theory of comparative advantage (Jones 1961:163). David Ricardo (cited in Machlup 1977:15; Roberts 2006:20) used the examples of Portugal specialising in wine and England specialising in cloth to show the necessity for countries to focus on those goods in which they have comparative advantage over other countries. In the same vein, the country's imports will be scarce goods. It is important to understand that Ricardo's theory (cited in Boudreaux 2004:375; Jones 1961:163; Buchanan and Yoon 2002:400) of comparative advantage was premised on the following assumptions:

- There are two countries and two commodities.
- There will be perfect competition (both in commodities and factor markets).
- The cost of production is measured in terms of labour, and the value of a commodity is measured in terms of labour hours/days required to produce it.
- Labour is the only factor of production, and other factors, such as natural resources, are ignored.
- The cost of labour in both developed and developing countries is similar.
- Labour is perfectly mobile within a country, but perfectly immobile between countries.
- International trade between countries is not encumbered by any kind of barrier or tariffs.
- Production is subject to constant returns to scale.
- There is no possibility of technological changes altering the factors of production.
- A barter economy is the sole means of trade between countries.
- Full employment exists in both countries, ignoring the realities of life in many developing countries of the world, especially in Africa, which experience poverty, unemployment and underemployment.

- Transport is not viewed as a factor of production (cited in Irwin 1996:21; Buchanan and Young 2002:400; Boudreaux 2004:375; Machlup 1977:15; Roberts 2006:20).

On the basis of some of these assumptions, David Ricardo (cited in Irwin 1996:21) developed his theory of comparative advantage, which he believed was inherent to Portugal's production of wine and England's manufacturing of cloth. This is how he explained it: "To produce the wine in Portugal might require only the labour of 80 men for one year, and to produce the cloth in the same might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth. This exchange might even take place notwithstanding that the commodity imported by Portugal could be produced there with less labour than in England. Though she could make cloth with the labour of 90 men, she would import it from a country where it required the labour of 100 men to produce it, because it would be advantageous to her rather to employ her capital in the production of wine, for which she would obtain more cloth from England, than she could produce by diverting a portion of her capital from the cultivation of vines to the manufacture of cloth" (cited in Irwin 1996:21).

DECOLONIALITY AND ITS RELEVANCE TO SUB-SAHARAN AFRICA

Some scholars both in the developed and developing countries of the world question the relevance of the idea of the decoloniality perspective in the 21st century, when it is more than 50 years since most countries in sub-Saharan Africa achieved political independence from their European colonial masters (Ndlovu-Getsheni 2012:73). The valid truth is that the theory of decoloniality is still very relevant, because Africa is still mired in socio-economic doldrums and there is a need to decolonise, indigenise and Africanise many of the theories that shape the discourse and direction of development on the continent (Ndlovu-Getsheni 2012:73). Walter Mignolo (1995:28) is of the view that the decolonial view gives prerogative to the life encounters and worldview of those whom the French psychiatrist Frantz Fanon referred to as the 'wretched of the earth' (cited in Ndlovu-Getsheni 2013:2). This is how Walter Mignolo explained it: "The wretched are defined by the colonial wound, and the colonial wound, physical and psychological is a consequence of racism, the hegemonic discourse that questions the humanity of all those who do not belong to the locus of enunciation of those who assign the standard of classification and assign to themselves the right to classify" (cited in Ndlovu-Getsheni 2013b:2).

A discourse of development that is not decolonised presents paradigms and theories which may be a hindrance to the development of the continent. It is true that colonial administrations have been dismantled throughout Africa, but the reality on the ground is that coloniality is still very much present on the continent. Ramon Grosfoguel (2007:219) elaborated on this by stating the following: "One of the most powerful myths of the twentieth century was the notion that the elimination of colonial administrations amounted to the decolonisation of the world. This led to the myth of a 'post-colonial' world. The heterogeneous and multiple global structures put in place over a period of 450 years did not evaporate with the juridical-political decolonisation of the periphery over the past 50 years. We continue to live under



the same 'colonial power matrix'. With juridical-political decolonisation we moved from a period of 'global colonialism' to the current period of 'global coloniality'. Although 'colonial administrations' have been almost entirely eradicated and the majority of the periphery is politically organised into independent states, non-European people are still living under crude European/Euro American exploitation and domination. The old colonial hierarchies of European versus non-Europeans remain in place and are entangled with the 'international division of labour' and accumulation of capital at a world-scale" (Grosfoguel 2007:219).

The decolonial narrative is necessitated by resistance and the search for alternative narratives and theories, which takes into consideration the knowledge, encounters, views of countries which were casualties of slavery, colonialism and apartheid (cited in Ndlovu-Getsheni, 2013b:2). Decoloniality is deeply shaped by the perspectives, writings and epistemologies of prominent scholars like Ndlovu-Getsheni, Aime Cesaire, Frantz Fanon, Immanuel Wallerstein, Steve Biko, Amilcar Cabral, Kwame Nkrumah, Grosfoguel, Mignolo and others (Cesaire 1972:84; Fanon 1968b:32; Biko 1978:25; Mignolo 1995:34; Wiredu 1996:38, Grosfoguel 2011:5; Wallerstein 1991:15; Ndlovu-Getsheni 2013b:2).

A decolonial view on the discourses of development takes full cognisance of the deleterious effects of slavery, colonialism and imperialism on the conditions of life on the continent. The objective of this perspective is to unfurl epistemic views and perspectives interwoven in Euro-centric ideas and theories, such as the theory of comparative advantage. Through this process, the decolonial interrogation would help Africans to imagine alternative worldviews, theories, policies and ideas in the discourse of development. This is because coloniality is active in this century and it is the pre-eminent paradigm which shapes development discourses and policy making on the continent (Grosfoguel 2007:219). Ndlovu-Getsheni (2013b:10) explained it this way: "What Africans must be vigilant against is the trap of ending up normalising and universalising coloniality as a natural state of the world. It must be unmasked, resisted and destroyed because it produced a world order that can only be sustained through a combination of violence, deceit, hypocrisy and lies" (Ndlovu-Getsheni 2013b:10).

It is crucial that the author differentiates between colonialism and coloniality, in order to unveil a better understanding of the issues being discussed. A leading authority on decoloniality, Nelson Maldonado-Torres (2007:242), described coloniality in the following words: "Coloniality is different from colonialism. Colonialism denotes a political and economic relation in which the sovereignty of a nation or a people rests on the power of another nation, which makes such a nation an empire. Coloniality, instead, refers to long-standing patterns of power that emerged as a result of colonialism, but that define culture, labour, inter-subjectivity relations, and knowledge production well beyond the strict limits of colonial administrations. Thus, coloniality survives colonialism. It is maintained alive in books, in the criteria for academic performance, in cultural patterns, in common sense, in the self-image of peoples, in aspirations of self, and so many other aspects of our modern experience. In a way, as modern subjects, we breathe coloniality all the time and every day" (Maldonado-Torres 2007:243).

The decolonial perspective precludes the appearance of a 'decolonial turn' (Mignolo 1995:34; 2005:33) which pivots on the dire need for the decolonisation of all knowledge which suffered under colonial exploitation, humiliation and deprivation (Ndlovu-Getsheni 2013b:7). It is directed towards the knowledge of those people who bore the brunt of the

brutal legacies of slavery, colonialism and apartheid. The concept is intended to achieve the total liberation of people in the developing world, who continue to live and suffer under 'Western and European global matrices of power' (Ndlovu-Getsheni 2013b:7). Maldonado-Torres (Torres 2006:114) explained the concept of a 'decolonial turn' as follows: "The decolonial turn (different from its linguistic or the pragmatic turn) refers to the decisive recognition and propagation of decolonisation as an ethical, political and epistemic project in the twentieth century. The project reflects changes in historical consciousness, agency, and knowledge and it also involves a method or series of methods that facilitates the task of decolonisation at the material and epistemic levels" (Maldonado-Torres 2006:114).

Anibal Quijano theorised about the four strands of coloniality, and the one which is useful for this article is his concept of 'the coloniality of knowledge' (Quijano, 2000:220 and 2007:170). The aim of this type of coloniality is to underline the process through which Europe and European theories, such as the theory of "comparative advantage", are classified as the unshared sphere of knowledge creation. This means that European narratives and theories of development, such as the theory of comparative advantage, whereby African countries are required to continuously produce and export raw materials *ad infinitum*, are only valid and useful for Europeans, and are not feasible in developing countries such as those in Africa (Suarex-Krabble 2009:8). Aime Cesaire (1972:84) vehemently denounced the idea of universalising European theories of development while ignoring the socio-cultural realities on the continent. This is how it is argued: "Provincialism? Absolutely not. I'm not going to confine myself to some narrow particularism. Nor do I intend to lose myself in a disembodied universalism. There are two ways to lose one self: through walled-in segregation in the particular, or through dissolution into the 'universal'. My idea of the universal is that of a universal rich with all that is particular, rich with all particulars, the deepening and co-existence of all particulars" (Aime Cesaire 1972:84).

The Peruvian sociologist Anibal Quijano elaborated on the concept of coloniality of knowledge, when he held that: "Europe's hegemony over the new model of global power concentrated all forms of the control of subjectivity, culture, and especially knowledge and the production of knowledge under its hegemony" (Quijano 2000:220). He explained further that this resulted in "simultaneous denial of knowledge production to the conquered peoples and repression of traditional modes of knowledge production, and on the basis of the superiority/inferiority relationship enforced by the hierarchical structure" (Quijano 2000:225).

The celebrated Nigerian intellectual, Claude Ake (1979:125) in his book titled *Democracy and Development* argued that one of the reasons for the failure of development being rooted in the African socio-cultural milieu is that the development paradigms and theories implemented by policy makers on the continent are Euro-American concepts, which are indifferent to the African condition. Ake's (1979:125) narrative re-echoes the views of the Kenyan intellectual, Ali Mazuri (1968:82), who expressed discontent at the inability of Africans to disentangle themselves from the servitude of 'alien paradigms' or remove themselves from what Karl Marx sees as "false systems of political, social and moral concepts" created in order to maintain the knowledge domination of the leading world powers who have controlled the world through slavery, colonialism, imperialism and now coloniality (cited in Mazuri 1968:82). Ake (1979:125) hinted at the imperialist content and agenda of



the theories of development, which are embedded in 'the social science paradigms' and knowledge propounded in Africa through the educational system that African countries inherited at the time of their independence.

SHORTCOMINGS OF THE THEORY OF COMPARATIVE ADVANTAGE AND ITS IMPLICATIONS FOR DEVELOPMENT IN AFRICA

Fully incorporated into the thesis of Ricardo is the classical mindset of a British economist, when England was already an industrialised country, in comparison to the situation in Portugal (Boudreaux 2004:375; Irwin 1996:21; Buchanan and Young 2002:400). If one closely examines Ricardo's (cited in Irwin 1996:21) choice of products – wine (agricultural) and cloth (manufactured goods) – it is clear that England will reap all the benefits of international trade between it and the rest of the world, especially with regard to the poor developing countries of Africa (Mehmet 1999:49). In considering the ramifications of this theory for Africa's development, it becomes apparent that the market is an unreliable tool for the protection of jobs and alleviation of poverty in Africa (Mehmet 1999:49). If countries in Africa implement the theory of Ricardo in its entirety and specialise in the continuous export of raw materials, they will not reap the benefits of international trade and will continue to be mired in endemic poverty, because countries such as England, which specialise in manufacturing, will create more jobs, increase their revenue and ultimately enjoy the fruits of globalisation and international trade (Boudreaux 2004:375; Jones 1961: 163; Buchanan and Young 2002:400).

For example, Reinert (2008:106) has identified three main flaws in Ricardo's theory. The first shortcoming is that Ricardo formulated his theory without paying attention to historical analysis, technological change, increasing returns and synergies that are involved in trade (Irwin 1996:21). Secondly, like many who live in Africa already know, advancements in technology will not allow cocoa producers on the continent to make more profit than countries like Switzerland making chocolate and who add increasing returns to their business (Reinert 2008:106). Finally, the fact remains that Ricardo's theory is only applicable to countries involved in manufacturing activities (Reinert 2008:106; Irwin 1966:21; Mehmet 1999:49). Developing countries in Africa which specialise in exporting raw materials are ultimately specialising in poverty, according to Reinert (2008:106), as diminishing returns will inevitably reduce the profit margin of poor countries. Colonialism and then globalisation were premised on these flawed ideological views of Smith and Ricardo, and the effect of colonialism on economic growth and development in Africa is apparent, as Africa remains the primary producers of raw materials and natural resources, while the creation of jobs and alleviation of poverty, which are the main tenets of development, have eluded the continent (Harvey 2005:29).

One of the renowned classical economists, Adam Smith, enthused about the virtues of international trade, and his theory greatly influenced David Ricardo's theory of comparative advantage (Machlup 1977:15; Roberts 2006:20). Smith's assertion that international trade will ultimately bring about development and prosperity for all nations was built on faulty foundations (Smith 1999:35; Machlup 1977:19; Mehmet 1999:50). It has been proven to

be a false and hollow promise, as many people in Africa are still experiencing poverty and underdevelopment, despite the hegemony of globalisation (Pezzoli 1997:560). Many researchers in the field of development are aware of the intractable problems of poverty, unemployment and underdevelopment, which are endemic in developing countries of the world, especially those in Africa (Timberlake 1985:35; Morgan and Solarz 1994:65 Ukwandu 2014:235). Myint (1970:235) observed that David Ricardo was silent or maybe naive with regard to the domestic impact of comparative advantage on poverty and employment in a developing country that specialises in agricultural products, while developed countries specialise in manufacturing and its ancillary benefits (cited in Mehmet 1999:50).

In reality, the theory of comparative advantage has a negative effect on job creation, exacerbates poverty and is akin to specialising in poverty and underdevelopment (Ukwandu 2014:233). This happens because, as mentioned earlier, concentrating solely on exporting raw materials will inhibit the ability of developing countries to add value to their resources, which will in turn diminish the revenues accruable to the countries from exports (Ukwandu 2014:234). Mehmet (1999:50) demolished the basic assumptions of Ricardo's theory, suggesting that Ricardo's analysis is static because it is based on constant costs, with no gains for productivity that may arise from technological advancements, and that there is free mobility of labour domestically, but not internationally. In conclusion, since the movement of capital is free globally, England, and indeed most of the developed countries of the world, will forever enjoy the comparative advantage inherent to manufacturing, which means more jobs and more technological and industrial development. All these advantages of the developed world in the global economy are to the detriment of poor and developing countries, such as those in Africa, where the majority of people still suffer as a result of poverty and deprivation (Mehmet 1999:50).

Another major limitation of Ricardo's theory is that it is based on only two countries and two commodities. The reality proves the irrelevance of the theory to development in Africa, as the continent contains 53 countries which export many commodities to other countries of the world. Since Africa trades with many countries and in different commodities, it is therefore difficult for the theory to be applied to this continent (Machlup 1977:24; Roberts 2006:29).

In David Ricardo's theory, the value of goods is shown in terms of the labour utilised in the production of the goods. An interrogation of the labour theory of value by various economists has revealed many flaws in this narrative (Mehmet 1999:50; Boudreaux 2004:375; Irwin 1996:28; Buchanan and Yoon 2002:400). In the real world, the value of goods and services is expressed in monetary terms and not in terms of labour costs (Boudreaux 2004:375). Another flaw of the theory of comparative advantage is that it overly concentrates on the supply of goods and services, while ignoring the demand side of the equation (Mehmet 1999:50). In an African context, it is apparent that the theory is steeped in a colonial and neo-colonial mindset and worldview, as it is geared towards the endless supply of mineral resources from developing countries, with no mention of the demands or needs of those countries (Ukwandu 2014:230).

In the author's view, one immediately becomes aware of the weaknesses embedded in the theory of comparative advantage, based on insights provided by Mehmet (1999:55), and one can appreciate the argument of Reinert (2008:110) that countries which continue to export raw materials without adding value to these materials will experience poverty and underdevelopment for a long time to come. This is because these raw materials are



fluctuating around a boom-bust cycle, which results in the instability of foreign earnings (Mehmet 1999:55). The Ricardian theory of comparative advantage is not useful to developing countries of the world, especially those in sub-Saharan Africa, who have suffered from what the Latin American intellectual Walter Mignolo (1995:8) called 'the colonial wound'. This refers to the period of massive exploitation on an unprecedented scale of the developing countries of the world by the European colonial masters, who made little or no effort to enhance the development of those countries which were located mostly in Latin America, Africa and Asia.

There is massive poverty, unemployment and underdevelopment on the African continent, even though the theory of comparative advantage talked about full employment. The assumption of full employment shows its irrelevance to the socio-economic conditions prevailing on the continent, as the costs of production and labour continue to change in Africa, which has a very young demography. The theory is oblivious to the fact that African countries are very dynamic and constantly changing, and these changes include the labour force, capital, technology, and even the discovery of natural resources in these countries (Ukwandu 2014:233).

The Ricardian theory underscores the virtues and benefits of free trade, and enthuses about the unfounded idea of complete specialisation, whereby England will specialise fully in cloth, while Portugal will specialise fully in wine. The fact remains that this type of complete specialisation in international trade is unrealistic, and the narrative is therefore based on economic myth and fantasy. When this theory is compared to the interests and living conditions of people in many countries of sub-Saharan Africa, the weaknesses become glaring. The German economist List (cited in Reinert 2008:106) offered timely advice when he described the devastating effect of unfettered free trade, globalisation and specialisation on poor and developing countries that do not yet possess the technical and manufacturing wherewithal to compete with other developed countries. His warning was heeded in Asia, first by Japan and later by South Korea, Malaysia, Singapore and, more recently, Vietnam. It would be a herculean task for countries in Africa to jumpstart economic growth, job creation, poverty alleviation and meaningful development and transformation by fully adhering to the tenets of Ricardo's theory. This is how List (cited in Reinert 2008:106) expressed his doubts: "Under the existing conditions of the world, the result of general free trade would not be a universal republic, but, on the contrary a universal subjection of the less advanced nations to the supremacy of the predominant manufacturing, commercial and naval power (developed countries). A universal republic i.e. a union of the nations of the earth... can only be realized if a larger number of nationalities attain to as nearly the same degree as possible of industry and civilization, political and power" (Reinert 2008:106).

The dangers of an unguided and unregulated market during this age of globalisation, as advocated by proponents of free trade and complete specialisation, such as David Ricardo, were expressed by Polanyi (1957:73) and Harvey (2005). Polanyi (1957:73) warned about allowing the market to control all facets of human life, especially for those who live in developing countries of the world, such as those in Africa. He expressed his views as follows: "To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in demotion of society. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as victims of acute

social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardised, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society" (Polanyi 1957:73).

Rostow's (1960) views contradicted the theory of David Ricardo, as he indicated that foreign trade can only help to reduce poverty and accelerate development in underdeveloped countries if those countries in the primary-producing sector are involved in the partial or semi-processing of the primary product, through which they can maximise their profits (Rostow 1960:56). This exposed the flaws in the narrative of Ricardo, and this practice of setting African countries on the path of becoming perpetual exporters of raw materials can be traced back to the period of colonial rule on the continent. During this period, British colonial industrial development in African countries was designed to severely impoverish the continent and its people. For example, in a country such as Ghana, fruits were harvested and exported to Britain to be processed, bottled and subsequently re-exported back to Ghana at a higher price (Offiong 2002:45). Cocoa was planted and harvested in Mozambique and exported to Portugal, where it was processed and exported back to Mozambique as chocolate (Offiong 2002:48). The same situation was found in varying degrees in Kenya, Sudan and Ivory Coast, as well as most of colonial Africa. The fact that most African countries during colonial rule were prevented from becoming involved in processing or adding value to the natural resources produced in their countries contributed to the poverty and underdevelopment of post-colonial Africa.

Myrdal (1956:27) argues that market forces will tend, cumulatively, to accentuate international inequalities, and a quite normal result of unhampered trade between two countries, of which one is industrial and the other underdeveloped, is the ignition of a cumulative process leading to the impoverishment and stagnation of the latter. This is another argument which accentuated the weakness of the Ricardian theory. Myrdal (1956:28) is of the belief that international trade has some positives and negatives, and the positives of international trade during the colonial era, even in the present global economy, tend to accrue more to developed countries, while developing countries tend to accumulate many of the negatives. In the case of colonial Africa, the only outcome of the trade was unfavourable terms of trade between African colonies and their European colonial masters. Mills and Herbst (2012:5) are of the view that it is very difficult for countries exporting only commodities or raw materials to achieve development. This is because of the fluctuations inherent in the prices of those commodities on the international market. Africa can only achieve real development and reduce poverty and unemployment if the political leaders on the continent find a way to add value to all the commodities produced in Africa.

THE SPANISH EXAMPLE: LESSONS FOR AFRICAN COUNTRIES ON THE ROLE OF INCREASING RETURNS IN DEVELOPMENT

This narrative of adding value is brilliantly articulated by Reinert (2008:106), who stated that countries which specialise in the export of raw materials will find it difficult to achieve



development because of the law of increasing and diminishing returns. The concept of increasing returns will allow African countries to add value to the myriad of natural resources available on the continent. Adam Smith alluded to increasing returns in his pin factory analogy (Reinert, 2008:110). During the Middle Ages, Antonio Serra and Genovesi (cited in Reinert 2008:115) expounded on the role of increasing returns in the economic growth and development of parts of Italy, but emphasised that this has to be underpinned by good governance, since it was good governance within the city states of Italy that facilitated the growth of trade, commerce and investment, which led many of the city states to add value to their natural resources, as well as increasing their earnings, thereby stimulating economic growth and development.

Reinert (2008:106) gave an example of the rise and decline of Spain as incontrovertible evidence of the cause of poverty in Africa. In 1558, Spain's Minister of Finance, Luis Ortiz, wrote the following to King Philip II (cited in Reinert 2008:108): "From the raw materials from Spain and the West Indies particularly silk, iron and conchinilla (a red dye) which cost them 1 Florin, the foreigners produce finished goods which they all sell back to Spain for between 10 and 100 Florins. Spain is in this way subject to greater humiliations from the rest of Europe than those they themselves impose on the Indians. In exchange for gold and silver the Spaniards offer trinkets of greater or lesser value; but by buying back their raw materials at an exorbitant price, the Spaniards are made the laughing stock of Europe" (cited in Reinert 2008:108).

The incontrovertible idea embedded in this letter to King Philip is that a finished product might cost up to one hundred times the price of the raw materials needed for the product. As Reinert (2008:106) noted, if efforts are devoted to adding value to the raw materials produced in Africa, many additional jobs and earnings could be generated. He explained that between the raw materials exported and the finished products, there are numerous economic activities that will help to reduce poverty, create employment and promote the technological advancement that is usually associated with this process. Some of these activities which Reinert (2008:115) mentioned include an industrial process that creates a knowledge economy, mechanisation and improved technology, division of labour and, above all, increasing returns. However, it is difficult for Africa to carry out these activities because poor governance has not allowed those in power to find a way to improve the lot of their citizens, due to the fact that the status quo favours them and their allies.

In light of the above, it can be argued that despite the abundance of natural resources in Africa, it will be difficult for African countries to achieve development because if one takes the concepts of diminishing and increasing returns into account, unless African governments add value to their natural resources through increasing returns, the continent is doomed to perpetual poverty and underdevelopment. However, adding value through increasing returns is not possible without good governance, and this is why this study argues that good governance is the missing link in Africa's elusive quest for development. It is the practice of good governance that will enable African governments to realise that their poor governance is subjecting millions of Africans to penury and underdevelopment. In other words, good governance plays a vital role in Africa's elusive quest for development.

Mills (1848 cited in Ukwandu 2014:233) outlined the merits and demerits of increasing and diminishing returns in the life of a nation in the following words: "I [comprehend] the elimination of diminishing returns to be not only an error, but the most serious one,

to be found in the whole field of political economy. The question is more important and fundamental than any other: it involves the whole subject of the causes of poverty... and unless this matter be thoroughly understood, it is to no purpose proceeding any further in our inquiry" (Mills 1848, cited in Ukwandu 2014:233).

There are modern advocates of the power of increasing returns, as opposed to diminishing returns, as the key to alleviating poverty, increasing employment and ensuring subsequent development for developing countries battling with poverty and underdevelopment, but which wholly rely on commodities as their main source of revenue (Marshall cited in Prendergest 1992:7; Krugman 1990:35). Marshall (cited in Prendergest 1992:7) argued that diminishing returns is one of the main causes of poverty in the developing countries of the world, as it focuses on a resource that cannot generate more wealth or jobs in the long run. Mills' (cited in Prendergest 1992:7) theory was given further credence by Marshall when he suggested that the best development policy includes levying more taxes on activities with diminishing returns, in order for the State to support and even subsidise those activities with increasing returns. He also advised that nations which want to be developed and prosperous should direct their production towards those activities in which technical and knowledge-related progress are to be found (Prendergest 1992:7).

Thunen (2009:40) postulated that in a map of civilized societies, activities with increasing returns are mostly located within the walls of the city, where there are different types of economic activities that generate more wealth for the city and its inhabitants, thereby facilitating the creation of jobs and reduction of poverty. He further explained that once one moves away from the city center, the use of capital and technology to generate wealth and employment decreases, and one is faced with activities with diminishing returns, such as fishing, hunting etc., which depend on the vagaries of weather to be sustainable. The view of Thunen (2009:40) is that as long as a society concentrates on activities with diminishing returns, it is impossible to reduce poverty and unemployment, as there is no technical progress embedded in these activities. He provides a template for African countries which seek real development, but this is still difficult without good governance, as these countries will continue to run into what Mills (1848, cited in Prendergest 1992:7) called 'the flexible wall of diminishing returns'.

THE NOTION OF INCREASING RETURNS AS A POSSIBLE SOLUTION TO THE POVERTY, UNEMPLOYMENT AND UNDERDEVELOPMENT IN AFRICA

According to the *Economist* magazine (2011), eight of the world's top 20 fastest growing economies of the past decade are in sub-Saharan Africa, and the list includes Angola, Congo, Ethiopia, Lesotho, Malawi, Nigeria, Rwanda and Tanzania. The major weakness of the theory of comparative advantage is evident in the fact that if the theory was relevant to African countries, the impressive GDP figures amassed by these countries would have led to total and overall development in their economies. The fact remains that despite almost a decade of economic growth, which relied heavily on the export of commodities; these countries are still mired in abject poverty, unemployment and underdevelopment. The reason for this is because they have been exporting their natural resources cheaply and



without adding value to those products, and it is impossible for real development to be achieved under such circumstances. African solutions to African problems are timely and much-needed in this scenario. It is the concept of adding value to natural commodities that will help African countries to exorcise the triple demons of poverty, unemployment and underdevelopment. The solution will come from neither Europe nor America, and will not be found by uncritically adopting their epistemologies and development paradigms, without tweaking them to conform to our socio-cultural milieus. This intellectual servitude will keep the continent in economic limbo *ad infinitum*.

In critically examining the full consequences of David Ricardo's theory of comparative advantage from the decolonial perspective, it becomes very clear to policy makers, researchers and intellectuals in Africa that it is possible, and indeed urgent, that we break free from the shackles of European and American-centred theories of development, which are inimical to the holistic development of the continent. It is time to chart a new and different course of action. Africa must not continue to kowtow to every knowledge and insight dished out by Europe and North America. It is time to rethink and re-evaluate the development policies being implemented on the continent. Wallerstein (1991:3) elaborated on the benefits to researchers and policy makers in the developing countries of the world, especially those in Africa, of periodically reassessing their development policies and programmes. According to Wallerstein, it is vital that we in Africa sometimes 'unthink' some of our hypotheses and conjectures in view of the rapid changes taking place in the world. In his view, unthinking the basic fundamentals of our economic and social ideologies is vital in an ever-changing world (Wallerstein 1991:3). This is how he explained it: "It is quite normal for scholars and scientists to rethink issues. When important new evidence undermines old theories and predictions do not hold, we are pressed to rethink our premises. In that sense, much of nineteenth-century social science, in the form of specific hypotheses, is constantly being rethought. But in addition to rethinking, which is 'normal', I believe we need to 'unthink' nineteenth-century social science, because many of its presumptions which, in my view, are misleading and constrictive still have far too strong a hold on our mentalities. These presumptions, once considered liberating of the spirit, serve today as a central intellectual barrier to useful analysis of the social world" (Wallerstein 1991:15).

It is evident that the solution to the myriads of developmental problems afflicting Africa can only come from African intellectuals, policy makers and political leaders. National and continental liberation and development will only be feasible when we water the seeds of indigenous knowledge and find African solutions to African problems. Kwame Nkrumah (cited in Oppong 2013:35), the first President of the independent Republic of Ghana, articulated this view as follows: "We must seek an African view to the problems of Africa. This does not mean that Western techniques and methods are not applicable to Africa. It does mean, however, that in Ghana we must look at every problem from the African point of view... our whole educational system must be geared to producing a scientifically-technically minded people... I believe that one of the most important services which Ghana can perform for Africa is to devise a system of education based at its University level on concrete studies of the problems of the tropical world. The University will be the co-coordinating body for education research... Only with a population so educated can we hope to face the tremendous problems which confront any country attempting to raise the standard of life in a tropical zone" (cited in Oppong 2013:35).

The German intellectual List (cited in Reinert 2008:106) corroborated this narrative of Nkrumah when he opined that countries which specialise only in the export of materials, neglecting the policy of adding value to those commodities, will only be specialising in poverty, unemployment and underdevelopment. Jobs can only be created when African countries take a step towards adding value to the natural resources which they export, as this will create the synergy needed for industrialisation. As a result of African governments having neglected this principle and embarked on the unprecedented exploitation and export of natural resources, as prescribed by David Ricardo and his fellow scholars, economic growth has not translated into development in Africa. Africa can only create job opportunities for its citizens when it starts to add value to the raw materials it is exporting to the developed countries of the world. This concept of increasing returns, as List (1885, cited in Reinert 2008:106) suggests, is an important principle of good governance, which is absent in the African polity. The continuous export of raw materials without adding value to them will only lead to Africa specialising in poverty and economic stagnation, and what has been experienced in Africa after more than 50 years of political independence validates this view.

The notion of adding value to natural resources or beneficiation has been a pivotal component of the ruling African National Congress (ANC) since it came to power in South Africa in the 1990s. This is evidenced by the two critical components of its manufacturing and developmental policy:

“That developed countries exploit developing countries by buying cheap resources and then adding value to their own benefit. Coffee and cocoa/chocolate are two commonly quoted examples where the growers of the raw material receive very little relative to the value of the final product. Often the exporters of the raw materials later import the final product at much higher cost. The fact that many of our mines are foreign owned add to the view that the true value of minerals is not received by South Africa” (cited in Eunomix 2015).

The role of beneficiation in kick-starting economic growth, job creation and poverty alleviation was succinctly captured in the Industrial Policy Action Plan (IPAP, 2014/15–2016/17) that was published by the South African government. The government advanced its reasons for beneficiation and adding value to the country’s vast mineral wealth as follows: “South Africa faces the challenge of diversifying away from mining and resource extraction towards a manufacturing, value-adding and job-creating economy. Minerals downstream beneficiation and minerals upstream (inputs) have been identified as a key ‘pillar’ of South Africa’s reindustrialisation push. The aim is to ensure that more value is added to domestic mineral products before export, so as to extract greater economic value and employment from the country’s remaining mineral resources, while at the same time using minerals sector demand to develop mining input industries (capital goods, consumables and services). Although South Africa is endowed with exceptional mineral resources, further downstream and upstream beneficiation has not fully reached its economic potential, mainly due to structural conditions within key value-chains” (cited in Eunomix 2015).

This proves that there is no way in which Africans can benefit from the present economic growth and development witnessed on the continent without adding value to the raw materials that the continent is exporting to other countries of the world (Economist 2011).



David Ricardo's theory of comparative advantage will leave African countries still desperately poor, without jobs and development, in spite of the huge mineral wealth of the continent (Bush 2007:25; Gordon and Wolpe 1998:55). It is time for policy makers and researchers on the continent to chart a new and different course and implement policies that will unleash the manufacturing potential of the continent and its people.

The salient role of adding value and how this will contribute to the development of the continent can be seen in its multiplier effect on a tiny sector such as timber in South Africa. Swart (Cited in Ukwandu 2014:234) explained that a piece of wood used for the back of a shoe brush can sell for R1,60 at wholesale prices, but by adding value to the same wood by including bristles, the same wood will retail at R16 in the store. In other words, there is a 1000% increase in value. Many of the timber plantations in South Africa are forced to sell their timber without adding value to it, since the cost of the machines needed to undertake this task is very high, and without government support, it is impossible for them to add value to the product, which would increase their earnings and even create more employment opportunities. This lack of support by those in power in South Africa is found throughout the continent and stymies development in Africa. It is much more convenient for the policy makers on the continent to bemoan the evils of globalisation, colonialism and apartheid, but no one has raised the important question of what politicians have done with the resources available to them. Poor governance has not allowed Africa to take advantage of the resources on the continent.

RECOMMENDATIONS

This article, in providing a decolonial critique of David Ricardo's theory of comparative advantage, endeavours to highlight a variety of limitations inherent to the theories of development, which are not centered on the African context. The view helps to generate development knowledge and paradigms that are cognisant of the needs and aspirations of the continent, so that a solution can be found to the myriad of problems, such as poverty and unemployment. Nabudere (2006:7) emphasised these goals: "Pursuing knowledge production that can renovate African culture, defend African people's dignity and civilisational achievements, and contribute afresh to a new global agenda that can push us out of the crisis of modernity as promoted by European Enlightenment. Such knowledge must be relevant to the current needs of the masses, which they can use to bring about a social transformation out of their present plight. As there cannot be such a thing as the advancement of science for its own sake, those who pursue 'science for its own sake' find that their knowledge is used for purposes, which they may never have intended it for" (Nabudere 2006:7).

The celebrated Palestinian intellectual and a leading authority on post-colonial studies, Edward Said (1978:16), supported Nabudere's view that Western-centric knowledge and epistemologies, such as David Ricardo's theory of comparative advantage, are not produced for their own sake. Instead, their sole purpose has been the enslavement, exploitation, control and administration of non-European populations. This is the main reason why the decolonial perspective is a theory that is embedded in the total liberation of African people from European intellectual tyranny.

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