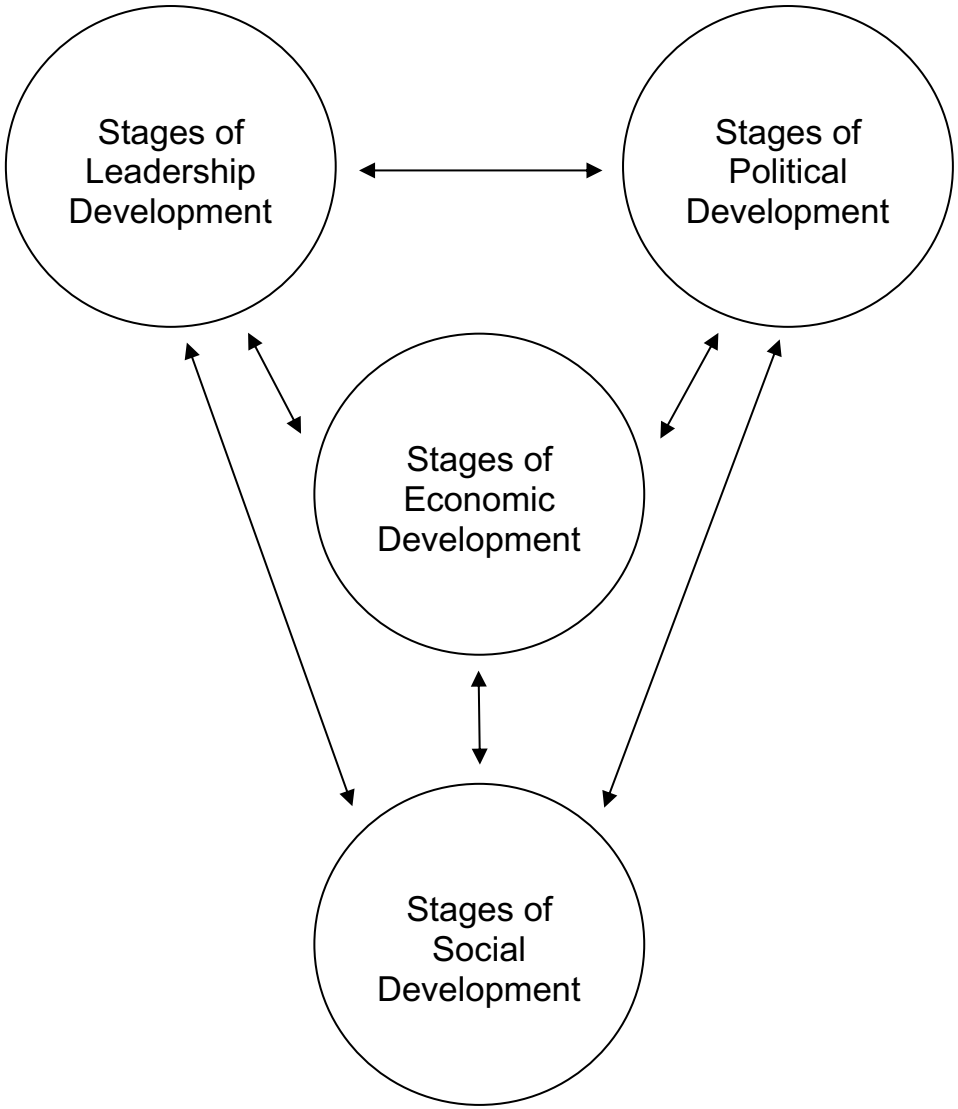
A group of integrated frameworks to direct dialogue around the complex leadership, political, social and economic issues facing Eritrea

Hypothesis:

Leadership, Political, Social and Economic Stages of Development Are Linked (Ex. p6)

- **Leadership** evolves through eight stages
- **Political** systems evolve sequentially and qualitatively reflecting the eight "Stages of Leadership"
- **Social** evolution is mirrored in the eight stages of "Leadership-Political Systems"
- The **Economic** system is both driven by **Leadership-Political** and **Social** stages and is the source of funds for realising each stage, a true symbiosis.
- **There must be harmony between each of the four factors.** Advance in one factor ahead of other factors will cause discord that will eventually result in a reversion to a lower order of social equilibrium

Leadership, Political, Social and Economic Stages are Integrated



Leadership Stages

Stage	Descriptor	Description
I	Lawlessness; instability	No real leadership; the family is exposed to bands of bandits and other villains. This threat induces people to gather into clans for mutual protection and in doing so lo give up some theoretical freedoms to the clan/tribe
II	Stable clan or tribal chiefs	The chief and super structure of the clan or tribe provides leadership and meet most social needs quite well. Historically this has been disrupted by colonialism or tribal warfare. The solution at this stage is the creation of the nation
III	Unenlightened ruling class of nation states	National boundaries having been established and defended a ruling class emerges as the leadership entity. They care little for other classes until revolution or moral insight strike
IV	Enlightened ruling class impose order	Moral insight with or without revolution creates a new idea. The rich and powerful feel moral obligation to improve the situation of all citizens. A huge step in the evolution of human kind
V	General rights democracy	Citizens' rights unfold to include political rights. The leadership may be taken still from the enlightened class or alternates with say a labour/workers class. However, the overall beliefs of human equality are held by all. The means of achievement are debated
VI	General and special rights democracy	Here the context of leadership is general rights but now special interest rights emerge for women, the disabled, gays, ethnic minorities. These can conflict with general rights and may undermine economic progress. A sense of "world community" starts to develop but is ephemeral
VII	Imposed and enlightened world order	**Supposition:** For some reason some nations impose an enlightened world order on the rest world and on many of their own citizens who would rather satisfy their own direct needs. This imposed world order must be accompanied with requisite political social and economic institutions and paradigms
VIII	Consenting world order	As with the imposition of national enlightenment in Stage IV imposition evolves into a consensual process where the belief set of everybody includes a world order in which the general human rights are respected for all citizens of the planet

Source of Energy at Each Leadership Stage

Stage	Descriptor	Source of Energy
I	Lawlessness; instability	Primal, limbic system drives; Jungian ethnic mythology unleashed on outsiders
II	Stable clan or tribal chiefs	The sustenance of the tribe, its mythology, ritual beliefs and structure; life has a fair degree of order and meaning within the context of the tribe. Change/improvement/progress is no part of the mythology
III	Unenlightened ruling class of nation states	Self interest of the ruling elite is the major source of energy; (his demands the impoverishment, physical and spiritual, of the majority
IV	Enlightened ruling class, imposed order	Fear of invasion (Japan, South Korea, Taiwan, Singapore) blended with a growing respect for the general human rights of each individual citizen. This respect is usually imposed from the top
V	General rights democracy	A moral and fervent belief in the social, political and economic rights of all citizens and a national distrust of personality based leadership
VI	General and special rights democracy	A moral and fervent belief in the rights of special groups (women, ethnic minorities, the disabled, AIDs patients etc). This causes tension between special and general rights. A confusing phase
VII	Imposed and enlightened world order	Supposition: Fear of nuclear or ecological disaster and or a moral and fervent belief in the social, political and economic rights of all world citizens. This belief will have to transcend individual interest in the developed world and deny the concept of suzerainty of nation states. People will have to die for their beliefs
VIII	Consenting world order	A new phase of evolution for the human species

Leadership Stages - Some Rough Examples

Stage	Descriptor	Countries
I	Lawlessness; Instability	Serbia, Bosnia, Somalia, Angola, Mozambique, Haiti, Afghanistan, Kurds. (Difficult to sustain In long term)
II	Stable clan or tribal chiefs	Pure vibrant tribal structures are few; traditional tribal thinking tends to block human progress and expose the tribe to sever exploitation by larger social groupings. However, when Stage III behaviour gets totally unliveable people often revert to tribalism because tribalism often does provide relatively certain and satisfactory leadership, political and social condition
III	Unenlightened ruling class of nation states	Most of South America, most of Africa, Iran, Iraq, North Korea, Burma, India, China
IV	Enlightened ruling class, imposed order	Singapore, South Korea, Taiwan, Thailand, Japan, Malaysia
V	General rights democracy	Australia, Switzerland, Germany, UK, France, New Zealand
VI	General and special rights democracy	USA, Holland, Canada, Denmark, Sweden
VII	Imposed and enlightened world order	None
VIII	Consenting world order	

Political Stages
Linked to Leadership Stages

- First we need to identify the main political descriptors and their broad evolution

- Using the descriptions we can then summarise them from the eight stages of leadership perspective

Main Political Descriptors

We can broadly describe any political system by looking at nine variables

1. **The Role of the Armed Forces:** This goes from sustaining personality based leadership through to national defence and ultimately offensive action to maintain world order

2. **The Role of Religion:** This goes initially from an inhibitor of progress to the support of personality leaders through to providing the basis of general human rights and possibly world order

3. **The Role of Law:** Comes initially out of a gun, passes through a stage of being a support for illegitimate leadership, transmogrifies into a support for democratic process and ultimately will become world based transcending national suzerainty

4. **The Role of the Civil Service:** Initially almost non-existent. Develops as the servant of illegitimate leadership. Transmogrifies into a bastion of support for citizens' rights then declines into a self interested self sustaining bureaucracy. Evolves finally as the servants of a world order

5. **Redistributive processes:** That redistribute wealth from the advantaged to the disadvantaged. The three short term redistributive processes are union power, progressive income taxes, tariffs on luxury items. The main long term redistributive process is education. Redistribution increases as countries move through the stages

6. **Enfranchisement:** Initially there is none, then ruling elite develop some sort of elite council on chamber in which there is voting. This transmogrifies into property suffrage, male suffrage and ultimately universal suffrage. Enfranchisement however is a fiction without: a free press, freedom from corruption and a literate population. So potentially confusing I am tempted to leave it out

Main Political Descriptors (continued)

7. **The existence of freedom of association and choice leading to multi-party politics:** Initially there is no vote, no choice and no multi-party politics. This evolves usually into a de facto one party situation. The one party situation first operates on a factional basis finally evolving to multi-party politics where politicians can truly be held accountable. At a world level we are likely to go through a "period of imposed enlightenment" before coming to a world based voting system

8. **Unionisation:** Initially unions are banned; enlightened leaders create special legislation to promote unions as long as they are not too negative to the national purpose. They tend to grow in power and sometimes block national improvement. From this point they tend to decline as work becomes intellect rather than manually based. Unions have been one of the main forces of economic redistribution

9. **Freedom of speech/press:** Initially none, emerges as an idea but is curtailed by censorship; slowly evolves to a substantially free press with confusions over such things as racism and pornography

Political Development Linked to the Stages of Leadership

Stage	Descriptor	Armed Forces	Religion	Law	Civil Service
I	Lawlessness; Instability	Sustains power of band leaders	Not a major factor	The gun	None
II	Stable clan or tribal chiefs	Part of tribal myth- ology to defend and perhaps raid others	Used to sustain the myths of the tribe and leadership	Tribal custom and practice, very varied	Inner council of the tribe
III	Unenlightened ruling class of nation states	Used to sustain ruling class often corrupt and involved in commerce	Used to suppress the lower classes	Used to suppress the lower classes	Run the mechanics of exploitation, corruption and suppression of the people
IV	Enlightened ruling class, imposed order	Used to defend national Interest; not involved in commerce	The theocratic base of enlightenment; some secular influence	Used to make leaders accountable; not used for suppression	The civil service is a small enlightened elite untainted by corruption
V	General rights democracy	Separate from the state, largely conscripted	Totally separate from the state, declining in influence	Totally separate from politics. All citizens have access to unbiased law	Similar to above but growing in size and diminishing in general capability
VI	General and special rights democracy	Declines in size; becomes professional and defence oriented	Low influence and in conflict with some special interests	Massive effort put into defining special rights while general rights slowly wither	Becomes a self sustaining self Interested monster employing huge numbers of people. Still however takes moral high ground
VII	Imposed and enlightened world order	Willing to die to impose human rights on lower stage nations	The philosophical base for a world order but no secular influence	World court with teeth to bring to account unenlightened rules	Small dedicated uncorrupt group that give their lives to the idea of human social and economic rights for the world
VIII	Consenting world order	Not needed to any large extent	Probably a new synthesis	World law for all world citizens	Done at a local level with world overview

Political Development Linked to tile Stages of Leadership (cont'd)

Stage	Descriptor	Redistribution	Enfranchisement	Multiple Parties	Unions	Free Speech
I	Lawlessness; Instability	Upwards	None	None	None	None
II	Stable clan or tribal chiefs	Tribal custom ensures relative distributions	The council with the chief's casting vote	None	None	At council
III	Unenlightened ruling class of nation states	Upwards, tax a game	Perhaps for the elite	Factions of the self interested elite	Sometimes part of power structure, usually none	None
IV	Enlightened ruling class, imposed order	Tax a moral responsibility	Probably at least male suffrage	De facto, limited to intra party factions	Beginnings of unions special powers	Censorship is normal
V	General rights democracy	Steep progressive income tax with a moral responsibility	Universal suffrage	Yes, at least two parties	Powerful force in society for redistribution	Censorship reduced
VI	General and special rights democracy	Steepness flattens, avoidance is accepted, moderate moral basis	Block voting of special interest groups	Multiple parties	Declining force in society	No censorship
VII	Imposed and enlightened world order	World progressive tax imposed	Votes for the enlightened IV-VI, none for I-III	Consolidation of parties around new ideology	Not always relevant	No censorship
VIII	Consenting world order		Votes for everybody at local, regional and planetary level	More variety appears again	Not very relevant	No censorship

Social Needs/Stages Linked to Leadership-Political Stages

- First we need to identify and explore five key "social condition" needs

- Using these five descriptors we can then summarise them from the perspective of leadership-political stages of development

Social Needs Linked to Leadership-Political Stages of Development

There are five social needs that are met by society at large

- **Physical Safety:** At a basic level we need to be free from enslavement and murder; at a more sophisticated level free from imprisonment without trial or disappearance. These rights are basic and normally a *sine qua non* in a civilized society

- **Food and Shelter:** At a basic level there is a need for day to day physical sustenance; this evolves into certainty of sustenance; ultimately passes beyond "needs" into "wants" for a diverse range of sophisticated foodstuffs. Shelter goes through similar stages

- **Education:** Should evolve from a tribal system through primary, secondary and tertiary levels. Education of the whole population providing .a key input into the economic system's development. Education often does *not* evolve through requisite stages. Taxes are used to educate elite groups to a university level absorbing funds more effectively used for the primary education of the general population

- **Health Care:** Should again evolve through a focus on general sanitation to general primary health then provincial/local health centres and ultimately capital city hospitals. In reality interest groups conspire against this evolution. Health resources typically being absorbed disproportionately by elite groups for elite medical procedures

- **Age Security:** Evolves from tribal or family support towards universal coverage which then tends to corrupt into a "grey power" self interest group that can absorb 5-14% of GNP (including health care)

Social Needs in Relation to Leadership/Political Stages

Stage	Leadership Stage	Physical Safety	Food & Shelter	Education	Health Care	Age Security
II	Lawlessness; instability	Prime concern and not satisfied	Problematic	None	None	None - you don't grow old
II	Stable clan or tribal chiefs	Largely satisfied	Usually satisfied	Informal - OK for needs	Witch doctors	The family structure
III	Unenlightened ruling class of nation states	A problem for poor and weak factions	A problem for the poor; ruling class fine	Only really for ruling class	Good for ruling class; lip service for poor	Family for ruling class; little for the poor
IV	Enlightened ruling class, imposed order	Pretty well guaranteed except for extremists	Provided for nearly everybody	Start of compulsory primary education; secondary is constrained by economics	General health care provided but constrained by stage of economic development	Beginnings of pension schemes to force savings for investment
V	General rights democracy	Absolutely guaranteed	For everybody except on the fringes	Compulsory to 16 years; 100% literacy	Communicable diseases eliminated; growing health industry	Treated as a right; GNP defines amount
VI	General and special rights democracy	In theory guaranteed but crime on the increase	Guaranteed but relativities coming out of balance	Guaranteed but an increasing number of drop outs at bottom end	Guaranteed but a polarisation in service availability	Currently universal but soon to be undermined as a state responsibility
VII	Imposed and enlightened world order	Guaranteed	Guaranteed by world social system	Guaranteed to 14, 100% literacy	All communicable diseases eliminated	Appropriate food and shelter guaranteed for aged
VIII	Consenting world order	Imposed by a world army prepared to die for its beliefs	Developed world GNP allocated to undeveloped through taxes	To 16 years and access to universities	Universal access to primary health care	As above quality, limited by economics

Economics

Four lead thoughts in relating economics to other factors

Firstly: "Economic Development is the only way to improve social condition; Economic development is fuelled by high levels of investment and the diffusion of technology. High levels of investment will not take place if there are prematurely high levels of spending on social conditions or consumption". Countries will either be in a **virtuous cycle** of savings → investment → productive growth → improved living standards or a **doom loop** of premature expenditure on social items and consumption, low investment, no growth, debt, instability.

Secondly: Political development is not in itself costly. From an economic point of view of the nine political descriptors only one "the Armed Forces" would absorb more than 1 % of GDP. However, total enfranchisement with multi-party politics can lead to a "doom loop" if this results in spending premature amounts of GDP on health, education and welfare and enforcing premature union power. Premature expenditure reduced investment, premature union power further reduces the quantum of investment and often the productivity of what investment is committed.

Thirdly: Lack of political development to Stage IV at least is costly as the economy will not develop due to corruption and monopolistic/cartelization of the economy by the unenlightened elite.

Fourth and lastly: The nature of national economic development is a function of a nation's size and history. For small countries like Eritrea economic development is about competition in traded products. Therefore economic policy must reflect the status of competitors not just one's own domestic environment.

From the basis of these lead thoughts now let's explore

- Stage related economic descriptors
- Stage related political and social expenditures
- General principles applicable to small stage IV development economies in today's competitive traded products environment (here I have purposefully shifted from the general to the case specific, the general is too broad)

Stage Related Economic Descriptors

(page 21)

Most of this data has been sourced from the UN and World Bank. However there is no intent to imply percentage point accuracy rather to suggest broad averages and trends through the stages

GNP and Other Economic Descriptors for a Small Country

Stage	Leadership Stage	Prof. Rostow	GNP/ Head	% of GNP in Traded Products	% Pop. Rural	% GNP in Agric.	Red ist. thru Tax etc.	% Inv'ment
I	Lawlessness; Instability	?	<$200	Zero	Varies	+ 90	Zero	Zero
II	Stable clan or tribal chiefs	Traditional	<$500	Low	90%	+ 80	Zero	5% Stable
III	Unenlightened ruling class of nation states	Pre-conditions for take off	<$2,000	5-10	~60%	30-60	Close to Zero	5-10% Stable
IV	Enlightened ruling class, imposed order	Take off	~$7,500	20-30	~40%	15-20	20%+	10%+ Growing
V	General rights democracy	Drive for maturity	~$12,500	30-40	~20%	3-5	30-40%	20-30%+ Growing
VI	General and special rights democracy	High mass consumption	~$20,000	40+	~10%	3	40%+	20% Failing
VII	Imposed and enlightened world order	?	?	?	?	?	?	?
Trends as development takes place:			Grows	Increases	Declines	Declines	Grows and then stabilises	Grows and then declines

Stage Related Political and Social Expenditures

(page 23)

- As intimated before other than the cost of the armed forces, direct political expenditures are relatively low. Expenditures on the armed forces are very much a function of the defence environment.

- These data points also came from the UN and World Bank, and are also meant only to be indicative. The biggest difference in patterns of expenditure at a detailed level of analysis are between communist and market economies, communist countries spending higher levels of GNP on social expenditures earlier than capitalist countries. This is achieved through control of individual consumption.

GNP, Political and Social Expenditures for a Small Country by Stage

Stage	Leadership Stage	GNP	Armed Forces		Education		Health		Social Welfare		Investment	
			%	$*	%	$	%	$	%	$	%	$
I	Lawlessness; instability	<200	50	100	0	0	0	0	0	0	0	0
II	Stable clan or tribal chiefs or regions	<500	10	50	Low	Low	low	Low	Low	Low	5	25
III	Unenlightened ruling class of nation states	<2,000	15-20	350	3-6	90	3-5	80	1	20	5-20	100-200
IV	I Enlightened ruling class, imposed order	~7,500	Drops to 5 or less	375	3-6	340	5+	375	5	375	10+	750
V	General rights democracy	~12,500	2-5	400	6	750	7+	875	10+	1,250	20-30+	3,125
VI	General and special rights democracy	~20,000	2-55	700	6	1,200	9+	1,800	15+	3,000	20+	4,000
Trend		Up	Down	Down	Up	Up	Up	Up	Up	Way up	Swings	Up

** Dollar figures need to be adjusted for Domestic Purchasing Price Parity*

General Economic Principles

For a small country that wants to develop at a compound rate of between 5-10% p.a. assuming food and physical security has been attained

- The economy must be biased heavily to traded products
  - Small economies cannot produce effectively, automobiles, computers, aeroplanes, ships, machine tools. Therefore to pay for these **producer** goods small economies must eventually export 30-50% of GNP
  - A traded goods orientation will bring in foreign investment
  - Foreign investment will bring with it management, knowledge, technology and quality standards
- Investment in excess of replacement must reach 10-20% of GNP. With an investment/output ratio of 3:1 and 1% population growth, 10% investment in productive resources is the absolute minimum to get lift off into compound growth
- Investment must take place in sectors that have outstanding competitive advantage against other traded products and be focussed on developing skill and service clusters (Porter. This will almost certainly **not** be agriculture
- There will/must be a first lead sector. The first lead sector will
  - Initially absorb high proportions of financial and human capital
  - Demand cluster competency and infrastructure facilities to support it
  - Expand rapidly and then hit a flat spot
  - Excess cash flow from "first" lead sector must then be channelled into the "second" lead sector
  - Start all over again

continued...

...continued

- Consumption must be curtailed. High investment levels require high levels of savings and the denial of consumption for a couple of decades. State pension funds and tariffs are the best devices. This is a problem that pre mass consumption societies like the UK never had to face
- Education and Health Expenditure must not absorb investment capital. Expenditure in health should be focussed on primary health $14 per head addresses 75% of disease burden in developing countries. Not on city hospitals where 50% plus of the budget addresses 5-10% of the population who should pay anyway. Expenditures on education must focus on primary and secondary education. This provides a productive base for the elite to manage. The elite will always pay for their own education. Education is the most powerful redistribution and economic tool
- Expenditures on the armed forces are paradoxical. Often the emotional energy required to create focus and social cohesion is an external threat. This requires defence expenditure. An unfortunate waste. The best thing to do is to limit expenditure - turn the army into a national school
- Avoid the trap of regionalism; regionalism has good political roots but its unlawful economics. It is working against gravity. No country in the world has improved its standard of living without urbanising. Why, because urban living is efficient from a cost and productivity point of view. Regional policies deny the principles of economies of scale and clustering. They waste resources that could be used for growth enhancing investment
- Minimise corruption either through an elite, well paid, motivated civil service or through the reduction of regulation. Regulation being the source of corrupt activity
- Make economic development and businessmen the stars of your country. If you do not have your best and brightest children striving to become businessmen you will never compete against those countries that do. **Development will not take place if business is despised**
- Flatten out the distribution of consumption with taxes and forced savings. A rich self satisfied elite will not work nor reinvest their profits into the next boom sector
- Strive for stability in economics and regulation. Investors hate instability in inflation, taxes. interest rates or regulation

Summary

Leadership	
I	Lawless
II	Tribe
III	Unenlightened
IV	Enlightened
V	General Democracy
VI	General and Special Democracy

Political Development	
I	– Armed Forces – Religion – Law – Civil Service – Redistribution – Enfranchisement – Association – Unions – Press
II	
III	
IV	
V	
VI	

Economics

I	
II	– GNP/Head – % Traded Products – % Rural – % Agricultural – % Redistribution – % Investment
III	
IV	
V	
VI	

I	
II	– %GNP and % GNP ○ Army ○ Education ○ Health ○ Welfare
III	
IV	
V	
VI	

"Social Condition"

I	
II	– Physical Safety – Education – Health Care – Social Security
III	
IV	
V	
VI	

Where Does Eritrea Sit?

It would be useful to do a detailed analysis of Eritrea now and its aspirations however, that is not the purpose of this document. At a general level:

Leadership: Eritrea is in Stage IV and shows few signs of regression to Stage III. However regression must always be guarded against

Political Development: Broadly in Stage IV also. However it is being pressured to move to Stage V earlier than it should. Additionally all its brain power and energy is assigned to the civil service not commerce. This is very dangerous.

Social Condition: Eritrea would aspire to a Stage IV social condition, however, if you look at the costs of Stage IV (p23) there is a contradiction. For example a Stage IV education system alone costs three times the total Eritrean GNP per head of population

Economics: Eritrea is at Stage I but in my opinion could **quickly** improve this position

Insights/Ideas
From the Dialogue Model

The best way to expose insights is to return to the issues facing Eritrea

Taking Leadership and Political Development as a Whole

- Leadership can easily regress to becoming unenlightened so this must be prevented. The usual prescription for this is full blown Stage V or VI democracy. However this took Europe 200-300 years to attain and is still fragile. Furthermore **no** rapidly developing country is even a Stage V democracy - note the political status of Japan, Korea, Singapore, Taiwan, Thailand. Premature democracy votes high proportions of GNP to non-productive sectors bleeding off funds for investment which is critical for growth. This still leaves open the question of how to stop hubris polluting enlightened rulers.

  The answer is to have, intra-party, factionalised, democratic processes within the ruling elite. This is how most of the NICs have actually functioned; how most of them get accountability for leadership.
- Most political descriptors, army, religion, law, civil service, enfranchisement, unions and redistribution can be developed to Stage IV or V, without the threat of economic dissipation as they cost very little. So go ahead and enshrine these rights as part of being enlightened
- Full multi-party democracy should wait probably 3-4 decades. Only then will there be a critical mass of educated people ready to take on the responsibilities of participating in and running a Stage V or VI democracy

In summary

- Create political accountability through intra-party factional processes

- Provide the nation with most Stage IV and some V political rights

- Hold back on multi-party democracy

The people of any nation used to living at Stage III or II will be more than delighted with this package of rights. Only when Stage III memories die will the next generation push for full Stage IV rights. Furthermore this prescription enhances the chances of economic progress.

Insights/Ideas
Social Conditions

- People only expect the next stage of development from where they are today. That is, if they are currently living in Agordat and their physical safety and food security is still at risk they are not politically motivated by Stage IV or V education, health and age security issues. People are looking to move their life's circumstances down the chart and to the rights of the chart (page 17) and frankly they don't expect a hell of a lot of progress
- The provision of physical safety and even food security is ultimately not very expensive and has only positive impact on realising economic development. A **must**
- Having great moral compassion for all one's people and striving to provide fully developed Stage IV education and health services is idealistic, impracticable, destructive and unfair
  - It is idealistic: because people only expect/want what is a little better than today, i.e. a shift down the page and to the right
  - It is impracticable: because true Stage IV education, health and welfare budgets would totally absorb the whole GNP of a Stage III let alone a Stage II economy
  - It is destructive: because it creates false expectations and prevents productive investment, the only route to wealth creation
  - It is unfair: because in practice elite consumers and service providers absorb all the benefit. Let them pay
- Health and education spending should respect the budget and focus on the ordinary people not the elite. The need for old age security should be leveraged to encourage very high levels of personal savings, 30-40%. This curtails divisive displays of wealth and also provides the fuel for investment

In summary

- Guarantee physical safety and food security immediately

- Provide people with their next horizon not perfection. This horizon may be different in Agordat or Nacfa or Asmara

- Provide health and education to the base of the population within total budget constraints. Spend little on elite health or education facilities. User pays should be the rule for the elite