Development Report 2003
Financing Africa's Development: Enhancing the role of Private Finance

Section 1: Context

Chapter 2: The historical context

Part 2: Africa south of the Sahara in historical context: 500 - 2002
Author: Prof. S J Terreblanche

1. Introduction

The economic performance of Africa[1] was over a period of more than 1000 years much more inferior than that of Asia (excluding Japan) and Latin America. Its performance was even more inferior if compared with that of the advanced capitalist world (Tables 1 and 3).

Colonialism and slavery played dominant roles in Africa over the last 500 years. The Portuguese pattern of colonialism lasted for almost 500 years but brought about almost no infrastructural development (in both and the institutional and the physical sense of the word) and even less socio-economic development. Colonialism in South Africa was, however, qualitatively different from that in other African countries. It was a version of settler colonialism similar to the version of colonialism practiced by European countries in the America's and in Australasia from the 16th until the 19th century. After this version of colonialism formally ended in South Africa in 1910 the descendants of European settlers extended it for almost a century. Although this version of colonialism was also exploitative, its longevity and its perpetuation in an extended form brought about much more infrastructural and socio-economic development than occurred in other African countries. The fact that South Africa is today the most developed and the most modern country in Africa is - paradoxically enough - the result of deeper and longer involvement of the colonial countries in South Africa. The developmental problems facing South Africa today are qualitatively different from those of Africa. Consequently, this paper concentrates mainly on the growth and developmental problems of the rest of Africa.

2. The history of Africa over the last 500 years: a short overview

2.1 The pre-colonial period and slavery (until ± 1880)

It is rather ironic that the main economic value of Africa for the rest of the world during the pre-colonial period was the "export" of slaves. It is estimated that Muslim slave traders "exported" ± 8 million slaves from Africa to the Middle East and the Arabic world from 700

[1] Africa will refer here to Africa south of the Sahara. North African countries are excluded from the sample because they do not share many of the problems and characteristics that are considered typical of the remaining group of African economies.

to 1600. Western slave traders "exported", in their turn, an estimated 12 million slaves to the Americas from 16th until the 19th century. The slaves from Africa played an invaluable role in the process of European colonialisation of the Americas.[2] The European colonisers in the Americas developed an almost insatiable demand for African slave labour – who fortuitously had immunity against European pestilences while the indigenous population groups in the Americas died in droves due to their lack of immunity.

Both versions of the slave trade were exceptionally cruel and caused serious social and political disruption in Africa. The European slave trade also disrupted the promising and constructive trade links that had been established from about 1450 between the western seaboard of Africa and Europe. While the slave trade was very profitable for the Europeans involved, the trade links were even more advantageous for Africa because they offered the potential for permanent technical and cultural interactions between Europe and Africa. This relationship, unfortunately, never developed to its full potential (see Davidson, 1992: chapter 2 and Austin, 1987: chapter 4).

The European slave-traders befriended African coastal tribes and paid them with guns, copper, gin and rum for capturing slaves from tribes living in the interior. This instigated chronic hostility and warfare between tribes living along the coast and those in the interior. Some of the tribal wars of the 20th century can be regarded as an extension of the conflicts instigated by the slave-traders.[3] It is in all probability not possible to determine the devastating effect the slave trade exerted for more than a thousand years on the African psyche. (See Davidson, 1994: 334 - 342 and Legum 1999: 4 - 5).

2.2. The main period of European colonialism/imperialism in Africa (± 1880 - 1960/70)

To identify the true nature of European colonialism/imperialism in Africa during the 19th and 20th centuries, it is important to make a clear distinction between European colonialism in the Americas and Australasia, on the one hand, and European imperialism in Africa and Asia on the other. We can define colonialism as the extension of the sphere of influence of the mother country through the establishment of *permanent* settlements for immigrants from the mother country in colonies with the purpose of creating a "New Spain" or a "New Britain" as a cultural and political extension of the mother countries. Imperialism, on the other hand, can be defined as the extension of the sphere of influence of the mother country through military and economic conquest to establish the sovereignty of the mother country in the conquered land and to enable the mother country and its corporations to exploit the natural resources and the indigenous labour force of the colonies to the benefit of the mother country with little concern for the development needs of the indigenous people in the conquered land.[4] In terms of these definitions the European colonialism in

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[2] The historian Eric Fonder is of the opinion that "the centrality of slavery in the development of the New World can't be stressed enough. Most people believe that slavery was an aberration. Actually, free labour was the aberration. Without slavery, the New world would not have been developed" (Quoted in the *Special Issue of Newsweek*, 1992:67)"

[3] The historian John Reader calculates that without the slave trade, Africa's population might have been anything from 40 to 100 percent larger in 1850 than the actual figure of 50 - 60 million. (Reader, *Biography of the Continent*, 1999). Colin Legum alleges that "much of Sub-Saharan Africa was devastated by the slave trade - first with the Arab states of the Middle East, and later with the colonizers of the New World" (Legum,1999:4).

[4] "Imperialism often is applied to the outward thrust of European society - which began in the 15th century. *Most commonly, it refers to European expansionism in the period following the American Revolution, when Britain and France, in particular, shifted their interest from the New World and of colonies of white settlement to*

Africa at the end of the 19th century and for the greater part of the 20th century was *par excellence* a form of aggressive and exploitative industrial *imperialism*. It happened during a period of intensified rivalry between the industrializing countries of Europe - and especially between Britain, France and Germany. In the quest to secure control over scarce natural resources and markets - regarded as of strategic importance for the industrialisation process, - several European countries got involved in the "scramble for Africa". At the Berlin Conference on Africa in 1986, Africa was divided up amongst European countries in a rather reckless manner demonstrating very little concern for the ethnic, cultural and political diversity of the African people.

During the almost 100 years of European imperialism in Africa, natural resources and African labour were exploited, and even plundered, in a ruthless manner - again with almost no consideration for the long term socio-economic and developmental interests of the indigenous people. Consequently, the less than 100 years of European imperialism in Africa was not only very exploitative but also caused immeasurable social disruption and human suffering. In contrast with European colonialism in the Americas and Australasia, European imperialism in Africa had shallow historical roots and its disadvantages outweighed its advantages by a wide margin - again in comparison with European colonialism in the Americas, Australasia and South Africa.

Looking at it from a narrow economic point of view, European imperialism in Africa was, ironically enough - as long as it lasted, to the advantage of Africa. (See Table 1 for the per capita growth from 1870 - 1913 and from 1950 - 1973). The exploitation of natural resources brought European capital and entrepreneurship to Africa. These activities had "spin-off" effects that brought about an increase in the per capita income in African countries, but unfortunately, only in a temporary manner. The advanced capitalist world experienced its "golden age" during the third quarter of the 20th century. During this period the annual per capita growth in the advanced capitalist world was almost 4% and the demand for minerals and agricultural products from African countries was constantly at a high level. This enabled Africa to maintain an annual growth rate of 2,07% from 1950 to 1973.

During the century-long European imperialism in Africa, the per capita income of Africa increased from $444 in 1870 to $1365 in 1973 (in 1990 US dollars). Unfortunately, income became very unequally distributed, not only *between* different parts of Africa (with a large concentration of income in South Africa), but also *within* countries (see section 3.5). During the same period the traditional economic independence of Africans was recklessly destroyed by European imperialism and replaced by a growing *dependency* of Africa on the advanced capitalist world.

Any attempt to explain the lack of economic growth and the endemic poverty in Africa over the last 30 years will be incomplete if the negative influences exerted by the European slave trade and imperialism are not taken into account. Perhaps the most serious characteristic of centuries of slavery and a century of exploitative imperialism was the relentless assault on the dignity and humanity of the black people of Africa. Although slavery and colonialism could not destroy the dignity and humanity of the African people, it

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Asia, and later, to Africa, to colonies already populated by yellow, brown and black men. Less often, imperialism is applied to ancient and medieval empires - to the growth of Rome, of chine, of Islam, of the Mongols or the Incas. *Preferably,* the term should be used to describe the expansion of all technologically advanced peoples at the expense of the technologically backward...". (Winks, Encyclopedia America, Nr. 14:20.)

did create a paralysing minority complex in Africans towards their erstwhile European masters. Slavery and colonialism also exerted a destructive effect on the family and social structures and causing civil conflict and deviant behavior patterns with immeasurable negative effects on the long-term well-being and development potential of the African people. (See Davidson, 1992 and Davidson, 1997).

2.3. The decolonialisation process during the height of the Cold War and reasonable economic growth in the first 10 to 15 years of the post-colonial period (1957 - 1973)

A strong current against colonialism swept through the developing world after the Second World War. After independence was granted to colonies in Indochina and Indonesia in the 1940s, this current reached Africa at the end of the 1950s. As the hostilities of the Cold War became more intense during the 1950s, the United States pressurised the remaining colonial powers in Europe to urgently grant independence to their remaining colonies in order to avert Soviet inspired anti-colonial wars. From 1957 to 1973 the majority of the African colonies became independent.[5] Almost all the African countries to which independence was granted were - from a political economic, social and judicial point of view - ill-prepared for it.[6] In spite of the unpreparedness of many ex-colonies for the daunting challenges of independence, the process of decolonialisation was also driven by a tidal wave of enthusiasm amongst over-confident African leaders for freedom or Uhuru. Their enthusiasm was, however, not based on an ability to serve their people, but by a desire to get their hands on the levers of power and the attendant privileges. In many African countries - poor political institutions without the necessary checks and balances - the victorious political elite rapidly became authoritarian leaders or military dictators with little concern for the developmental needs of their people.[7]

Decolonialisation in Africa happened, unfortunately, not only too hastily but also on a wrong footing. The political elite was not prepared for the responsibility to govern on behalf of their impoverished population. Bureaucracies with the necessary capacity and with a culture of service were non-existent. The highly needed institutional and physical infrastructures to consolidate the different countries into economically functional operative units were not in place. At independence artificial “nation-states” were created comprising irreconcilable groups and without the unifying effect of a well-developed nation.[8] In Europe the modern state grew slowly out of the formation of relatively homogenous nations with a single language and a single culture, whereas in Africa rather feeble boundaries and feeble state machinery were created by the colonial powers before the nation was formed. (Legum, 1999: 14).

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[5] Ghana (1957) and Guinea (1958) became independent in the late 1950s. More than thirty countries in Africa become independent in the 1960s and a further eight in the early 1970. Angola and Mozambique became independent in 1975. Zimbabwe became independent in 1980 and Namibia in (1990).

[6] Houphauet-Boigny of the Ivory Coast told Colin Legum in 1960 that his country would only be ready for independence in the lifetime of his grandson. Two years later he was forced for his own survival to lead his country into independence (Legum, 1999: 7-8). President Se’kou Taure of Gunea said in 1958 that the inhabitants of Africa preferred “poverty in liberty to wealth and slavery” - which, with hindsight, proved to be sadly prophetic statement! (See Martin: 58).

[7] Claude Ake (1996) argues that the main obstacle to development in Africa is political: "The political context of the development project has rendered it imprable. In post-colonial Africa the premium of power is exceptionally high, and the institutional mechanisms for moderating political competition are lacking. As a result political competitive tends to assume the character of warfare" (p16).

[8] A country like Tanganyika had one hundred and fifty-six ethnic communities or tribes. Nigeria had three national groups and one sub-national group, in addition to some eighty minority groups.

In his book, *The Black Mans' Burden* (1992), historian Basil Davidson, blames the failure of post-independence Africa on the uncritical adoption of the nation-state at independence within the framework of the "nationless" nation-states. African nationalism naturally led to what Davidson called "nation-statism", a negative destructive and artificial form of post-colonial nationalism. Responding to Davidson, another historian, Joseph Ki-Zerbo of Burkina Faso, agreed, "the nation-state has become Africa's principle burden". (Quoted by Legum, 1999: 13). On top of the doubtful nature of the new "nation-state", the size of most of the new states was also too small to attain economic viability on its own - not even over the long term.[9]

It would perhaps be more correct to suggest that the erstwhile colonial powers did not grant independence to their colonies in Africa, but simply abandoned them politically while keeping them as a source of natural resources. The destructive effects of almost one hundred years of exploitative imperialism were very much augmented by the rather irresponsible manner in which the European countries "detached" themselves from their colonial "feifdoms" in Africa. A French agronomist, Rene Dumont, captured the disservice that was done to the colonies at independence in his 1966 book, *False Start in Africa*. It is rather sad that Africa has been, since this false start, permanently on the losing side in the economic "running-match" between other countries and continents of the world.

A factor that quite seriously compromised development towards nationhood and economic viability in the early years of independence was the superpower rivalry in Africa during the 1950s and 1960s. Both the USA and the Soviet Union - and also China when it became a bitter rival of the USSR - tried desperately to fill the gap that was created when the European countries left Africa. Unfortunately, neither the USA nor the USSR (or China) had any knowledge or understanding of the peculiar circumstances and development needs of Africa and these countries were also not really interested in the socio-economic development of Africa, but only in the military, strategic and prestige value of Africa in the Cold War rivalry.[10]

The ideological and military rivalry of the superpowers reached its zenith when Nikita Khrushchev was prime minister of the Soviet Union. Under Soviet influence several African countries experimented with socialism with devastating results - inter alia due to the poor bureaucratic capacity of the new states. The Cold War rivalry in Africa also promoted the emergence of military dictatorships supported by either the USA, the USSR (or China). After Khrushchev was unseated in 1964, the superpower rivalry in Africa subsided and Africa became very much marginalised - firstly abandoned by its colonial masters and then neglected by the superpowers. After the oil crisis of 1973 and the commencement of stagflation, the marginalisation and the neglect of Africa became almost complete. When the superpowers withdrew their rivalry in Africa from 1965 onwards, there was already enough military hardware in Africa - mainly from USA and USSR - to maintain

[9] More than half of the total population of Africa lived in five big countries. The other half lived in six countries with populations between fifteen and twenty-four million, eighteen countries with population between five and ten million, ten countries with population between two and three million and eight countries with populations between half a million and two million.

[10] The best example of the destructive nature of superpower rivalry is the fiasco that developed after the independence of Belgium Congo on 30 June 1960. Belgium's military intervention to squash a mutiny of the army in an already "independent" country and to keep the Soviet Union out, open up the Pandora's box that propelled Congo's conflict into the international arena. The large-scale involvement of the United States in the Congo was also not helpful. The instability in the Congo continues to this day (see Laidi, 1990: 4).

military *coups d'état* and endemic conflicts.[11] (See Laidi 1990: chapters 1 and 2). It is quite remarkable that in the almost 50 years that have expired since the process of decolonialisation in Africa commenced, the highest per capita growth rate was attained during the first 10 or 15 years of independence - i.e. until 1973.[12]

2.4 The effects of stagflation in the 1970s on the economic performance of Africa (1973 - 1980)

A rather unfortunate coincidence of historical events mainly in the western world over the past 30 years exerted very negative effects on economic growth and development in Africa. The Egypt-Israel war of 1973 and the creation of OPEC gave rise to a sharp increase in the price of oil. This led to a worldwide downturn in economic growth. The stagflation of the 1970s had important ramifications for the economic system and economic policy that were in place during the third quarter of the century. The Bretton Woods system of controlled exchange rates and the system of mixed-capitalism in which governments played active roles were based on the Keynesian socio-economic synthesis that enjoyed - during this third quarter - almost unanimous support word-wide. During this period governments enjoyed a high degree of sovereignty to implement comprehensive social welfare and redistribution policies.

The stagflation of the 1970s led to a revival of the neo-classical orthodoxy (that enjoyed dogmatic support in the 60 years before the Great Depression) and with it also the belief in the (alleged) merits of an unbridled free-market economic system. According to the neo-liberal or liberal capitalistic ideology (that received its strongest support in Britain and the US) an attack was launched against the interventionist state prevalent in the third quarter of the century, while strong arguments were put forward for curtailing the welfare state and reducing high tax levels that reached a enormous proportions at the end of the 1970s to pay for those who were insured against unemployment. The trend towards neo-liberalism or free-market fundamentalism was strongly stimulated by the election of Margaret Thatcher and Ronald Reagan as U.K. prime minister and USA president in respectively 1979 and 1980.

From 1980 the neo-liberal approach was not only implemented internally in the advanced capitalist countries, but also internationally through trade and capital markets. The liberalization of capital markets and international trade - together with remarkable progress in information technology - led to the emergence of global capitalism in the last two decades of the 20th century. During these 20 years the world became integrated into a

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[11] Between 1966 and 1993, there were sixty-three military coups in Africa and twenty-four violent conflicts. Of these, only four reached the proportions of full-scale war involving extra-continental powers (Algeria, Angola, Mozambique and Ethiopia). (Legum, 1999: 31). Since 1952 there have been more than 85 violent or unconstitutional changes in government in Africa; some 90 government leaders have been deposed, and some 26 presidents and prime ministers have lost their lives as a result of political violence (Cheru, 2002: 196).

[12] A French historian claims in his new book, *Africa in World Politics* (2002) that " ... the main reasons for... [Africa's] continued state of underdevelopment (or undevelopment) and dependency ... lies in the *nature* of the political, economic, and cultural links, which have tied Africa to Europe since the fifteenth century. Trade, based on *unequal exchange* ... [during] ... the " colonial period" from 1900 to 1960, or the *unequal* neo-colonial trade since then ... constitutes the mainstay of this [unequal] relationship. ... This trade was, from the beginning, highly unequal and imposed on a subordinate people ... Europeans set the rules to benefit themselves, and there is no doubt that their gains were at the expense of the Africa population. This, to quote Walter Rodney, "*Africa helped to developed Western Europe in the same proportion as Western Europe helped to underdeveloped Africa"* (Martin 2000:1- 3, quote from Rodney, 1972:85).

so-called "global village" in which all the countries of the "free" world became closely interdependent. After the fall of the Berlin Wall (1989) and the implosion of the Soviet Union (1991), all the countries of the world became engulfed by the process of galloping globalisation. With the so-called "socialist" systems of the Communist bloc thoroughly discredited, a spirit of triumphalism inspired the protagonists of unbridled capitalism and further strengthened their conviction about the (alleged) merits of free-market fundamentalism being the best possible economic system for not only the advanced capitalist world, but also for all the countries in the developing world, including the poorly and inequitably developed countries in Africa.

In the Bretton Woods period (1945-73) bargaining power was distributed fairly equally within industrialised countries between democratically elected governments and their bureaucracies on the one hand, and private sector corporations on the other. During this period organised labour was also strong enough to play, along with other civil society organisations, an important ‘countervailing role’ against the power of the state and the corporate sector. But with the rise of global capitalism and the ideology of neo-liberalism, power relations within the industrialised countries (the so-called Rich North) shifted drastically towards private sector corporations. In all capitalist-oriented countries – but especially those of the Rich North – power has become concentrated in the hands of the relatively small managerial elite of the large corporations who control not only huge economic and financial resources, but also formidable ideological and propaganda power. With most of this power concentrated in more than 40 000 multinational corporations (of which more than 95 per cent are based in industrialised countries), the economic, financial, and ideological power concentrated in the Rich North has also increased dramatically *vis-à-vis* that of the governments of countries in the Poor South. These power shifts *within* and *among* countries have had important distributional effects. The income of the top 30 per cent of the populations of industrialised countries has increased relative to that of the poorer 70 per cent. This tendency is stronger in the British--American world than in continental Europe. At the same time, the share of world income of the Rich North (housing 15 per cent of the world population) has increased quite substantially, while that of the Poor South has declined sharply over the past 30 years.

The stagflation of the 1970s affected the newly independent countries much more negatively than those countries in the advanced capitalist world. The downturn of the world economy led to a sharp decline in demand for natural resources and caused a dramatic deterioration of especially African countries' terms of trade. For the newly independent countries in Africa, with rather vulnerable economies, the external shocks of the 1970s represented the beginning of a downturn that continues to this day.

The per capita income of Africa (excluding South Africa) declined from $525 in 1970 to $336 in 1997 (in 1987 US dollars) or by 36%. (World Bank, 2000: Table 1.1). The GDP per capita in Africa increased much more slowly during the 1970s than the 1960s. It declined by 1,3% per annum in the 1980s and by 1,8% per annum during the first half of the 1990s. (Mkandawire & Soludo, 1999: 6-7).[13] Over the past 30 years, almost every aspect of the socio-economic position of Africa has deteriorated. Income has become

[13] According to a World Bank publication "Africa is the only major region to see investment and savings per capita decline after 1970. Average about 13% of GDP in the 1990s, the savings rate of a typical Africa country has been the lowest in the world. Rapid population growth and environmental degradation compounded the low savings. Estimates of genuine domestic savings, which capture the effects of resources depletion, are just 3% for Africa (World Bank, 200:9).

more unequally distributed. More than 40% of its 600 million people live presently below the poverty line of $1 a day. In 2000 for nearly half the continent's population the average income is less than 65 US cents a day. The average GNP per capita for the region was $492 in 2000. In the 24 poorest countries, GNP per capita was only $350. (Cheru, 2002:3).

2.5 The rise of global capitalism and the role of Bretton Woods Institutions in Africa (1980 - 2002)

The deterioration of economic condition in the 30 years after 1973 must be judged in proper historical context. As economic conditions weakened in the 1970s, African countries had no choice but to increase their foreign loans.[14] During the initial rise of Africa's foreign debt, through most of the inflationary period of the 1970s, the interest rates on dollar-denominated loans were negative in real terms. Then in 1979 the interest payments suddenly increased dramatically when the US Federal Reserve implemented a "monetarist" or a high interest rate policy. From 1981 interest rates were increased further to finance Pres. Reagan's "war" against the "evil empire". From negative rates in the 1970s, inflation-adjusted interest rates shot up to a level much higher than the average annual growth rate of the world economy. For African countries the discrepancy between their economic growth rates and the interest they had to pay on foreign debt was even higher (Cheru, 2002:17).

To appreciate the seriousness of the predicament of African countries since the late 1970s, the related issue of "collateral" - or security - on external loans must also be taken into account. Before, say 1975, such security was thought not to be an issue, since sovereign countries in the post-war era were not supposed to default on their loans. But when, at the end of the 1970s, African countries experienced serious problems with the repayment of their loans to the commercial banks in the advanced capitalist countries, it was decided that the IMF would be used as a vehicle to ensure repayment of these loans. *This decision not only quite drastically changed the "rules of the game" for African countries, but also drew Africa into a chronic debt crisis in entirely unjust ways*. The Bretton Woods Institutions (BWIs) were from now on prepared to make "structural adjustment loans" to developing countries (including countries in Africa) on condition these countries implement BWIs mandated policy reforms, including liberalisation of domestic trade regime, relaxation of foreign exchange control and the acceptance of free market fundamentalism as policy approaches.[15] These conditions were imposed on Africa irrespective whether or not such policy was appropriate in African countries with their poorly developed physical and institutional infrastructure, the "underdeveloped" or "undevelopment" of large parts of its populations and its very unequal distribution of income, opportunities and property.[16]

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[14] The debt of developing countries is to a large extent a product of the decade 1974 - 1984. When the OPEC produced the great oil boom, some of OPEC's surplus found its way to the industrialised countries whose banks began to have excess capacity. Since the demand for capital had been dampened by the economic slack resulting from high energy costs, those economies began to encourage developing countries to borrow money to mob up the excess liquid". (See Ake, 1996 103 -104; see also section 3.3.4).

[15] As part and parcel of the "structural adjustment programmes" (SAPs), the BWIs insisted on austerity measures and the contraction of demands. The BWIs maintained that these measures will not slack the economy but will reduced prices, especially those of non-trade goods, cut down the demand for imports and expand exports to the benefit of the balance of payments (see AKE, 1996: 32).

[16] Cheru summarise the deteriorating in Africa as follows: "Africa has been ill-prepared to adjust itself simultaneously to complex global dynamics, new opportunities and the management of internal and external threats [of the BWIs]... *Africa is traveling [since the early 1980s] in reverse towards anarchy and self-*

Joseph Stiglitz alleges in his new book, *Globalisation and its Discontents* (2002), that the role played by the BWIs - but mainly the IMF - in developing countries throughout the 1980s and 1990s was not only doubtful from a sound economic theory viewpoint, but was in fact of a destructive nature undermining not only economic growth, but especially long-term economic development[17] According to Stiglitz the BWIs attained a reasonable level of success in curtailing macro-economic populism and inflation in Latin America and in promoting export-led economic growth in South East Asia. But as far Africa is concerned, the effects of the advice and support from the BWIs - and especially the SAPs - were rather dismal. This view is strongly supported by Fantu Cheru in his new book *African Renaissance* (2002), by Mkandawire and Solude in their book *Our Continent, Our Future* (1999: Chapter 3) and by Claude Ake's book, *Democracy and Development in Africa* (1996: Chapter 3).

The role the IMF has played since 1980 - and the powerful position it has attained not only to dictate economic policy to developing countries but also to compel them to implement the prescribed policies – is rather puzzling. The IMF was created by the Bretton Woods agreement of 1944 to manage the system of controlled exchange rates in a manner that would promote global economic *stability*. When the system of controlled exchange rates was replaced by a system of flexible exchange rates in the 1970s, the possibility existed that the IMF would become redundant in the early 1980s. To avert this possibility the IMF accepted the task of supplying the developing world with often badly needed loans. However on every occasion loans were granted conditions were imposed - namely that the borrowing countries had to implement the prescriptions of the Washington Consensus.[18] Since the IMF accepted this task, it became a "missionary institution" propagating and implementing the ideology of free market fundamentalism in a rather undifferentiated manner in the developing world. In doing this, with ideological fervor, the IMF and the World Bank - with the support of not only the ministers of finance in developed countries, but also the multi-national corporations in mainly the USA - *succeeded in determining the ideological orientation of global capitalism*. This also enabled the USA to consolidate the power of the Pax Americana and its position within the framework of global capitalism.

All the developing countries - but especially the economically struggling Africa - became "powerless captives" in a web of political, economic and (especially) ideological power relations. Within this "power web" the countries in Africa have become almost completely dependent on financial support from the BWIs. The "medicine" prescribed by the "Washington doctors" to Africa, as part and parcel of financial support, did not "cure" the

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destruction ---- Even the spread of democracy --- has become a negative force when introduced into an environment of abject poverty, high illiteracy, and weak state and civil society institutions. In such cases, the IMF austerity measures have exacted more sacrifices from the very poor the organisation claims to help. ... [Africa] has the lowest human development index of any region in the world. This situation is in stark contrast to [countries] that have benefited from globalisation" (Cheru, 2002: 220-1).

[17] According to Stiglitz "fiscal austerity, privitisation, and market liberalisation were the three pillars of Washington Consensus advice (by the BWI's] throughout the 1980s and 1990s. The problem was that many of these policies became ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were push too far, too fast, and to the exclusion of other policies that were needed --- privatisation and liberation [were] pursued vigorously [by the IMF] at a pace and a manner that often imposed very real costs on [developing] countries ill-quipped to incur them". (Stiglitz, 2002: 53-54).

[18] "Over the years since its inception, the IMF has changed markedly. Founded on the belief that [international] markets often worked badly, it now champions market supremacy with ideological fever" in the 1980s and 1990s. Stiglitz continued "[The IMF] does not really claim expertise in development - its original mandate is supporting global economic stability --- not reducing poverty in developing countries - yet it does not hesitate to weigh in, and weigh in heavily, on development issues". (Stiglitz, 2002: 12 and 34).

patients, but in many cases quite seriously increased their "illness". The patients, however, are too powerless to break away from the BWIs, while other financial institutions to supply them with the highly needed loans, were not easily available. Consequently, the rather "sick" patients in Africa have become more and more *dependent* on loans from the BWIs in spite of the fact that the conditionality attached to the loans is very much the "wrong medicine" given to the "undeveloped" states, institutions and people in Africa.

Claude Ake summerised the developing problems of Africa as follows:

"The problem in Africa is not so much that development has failed as that it never really got started. At the beginning of the independent period, African leaders, with few exceptions, were so absorbed in the struggle for power and survival and so politically isolated by their betrayal of the nationalist revolution [of the pre-independent period] that they could not launch a national development project but instead opted for *dependent* development, letting their metropolitan patrons [in London, Paris, etc.] determine the agenda and find the resources to implement them......... In due course African leaders found that their opportunistic resignation to *dependent* development was not as acceptable as they imagined. Some of them began to involve their own nations on how to proceed... [This led to a] clash between the Africans and their metropolitan patrons and.... [to] a confusion of agendas, a confusion later compounded....... [by the SAPs agenda] of the Bretton Wood institutions". (p40).

3. Problems, policies and circumstances that militate against capital accumulation and economic development in Africa

3.1 Market fundamentalism and the lack of the necessary institutional and physical infrastructure in Africa and the traditional orientation of the African people

The protagonists of freemarket fundamentalism and of the idea that the purpose of policy intervention should be to "get market prices right," usually appeal to Adam Smith's 'invisible hand' to justify the alleged merits of the system of liberal, free market capitalism. According to Smith's dictum, in a system of liberal capitalism the attempts of individuals and corporations to maximise their profits will be miraculously and perfectly 'co-ordinated' by a benevolent 'invisible hand' to the benefit of all the inhabitants of the country. The fact is that Smith never formulated such a dictum, and what is usually presented in his name is nothing but a vulgarised version of his approach. He did claim that if certain very strict institutional and behavioural conditions exist, all market prices will tend towards their true (or natural) value and then – and only then – will it be as if an 'invisible hand' co-ordinated actions of individuals pursuing their self-interest into an 'order' that would be morally and economically to the benefit of all.

The institutional and behavioural conditions set by Smith are extremely strict. They are, firstly, an open, well-organised, and civilised society in which all individuals will be disciplined and educated to pursue their self-interest with circumspection, with due regard for the interests of others, and with the necessary prudence; secondly, the existence of a sound judicial system to protect property and contract rights and prevent all forms of fraud and corruption; and, thirdly, the existence of competitive markets where nobody has monopolistic power to influence market prices and wages or to hamper the tendency of market prices and wages to move to their natural level or true values.

We could have expected that the BWIs policy approach towards Africa should have been based on good economic theory and not ideological considerations or on the vulgarised version of Adam Smith's theory. Needless to say, none of the social, judicial and market conditions laid down by Adam Smith was even remotely present in Africa. The African society is not an open and well-organised society but exceptionally conflict-ridden. The African society is to a large degree still traditionally orientated and individuals do not act in a rational or prudent manner to attain maximum utility, but in accordance with deeply ingrained customs and taboos. They usually act in an irrational and deviant manner if their behavior is judged from the perspective of the rational and materialistic behavior patterns in the western world. It is, therefore then, not strange that consumers, savers and labourers often act in a negative and contradictory manner to price-incentives.

In contrast with the western world, property rights are ill-defined in Africa and the legal system is by far not developed and sophisticated enough to protect property rights, or to maintain the sanctity of contracts and to keep corruption and fraud within reasonable limits. Without a developed legal and property system, the indispensable security and trust - that are such important ingredients of a well-functioning capitalist system - can simply not be present. The development of a capitalist orientated property and legal framework are from a development and investment point of view far more important and more fundamental than " macro-economic fundamentals" to which the IMF gives preference. Unfortunately, the BWIs have neglected the development of the legal and economic infrastructure (including a good bureaucracy, financial and entrepreneurial institutions) in a rather shocking way (see Mkandawire and Soludo, 1999: 47-48 and 115-116).

Another characteristic of Africa that militates strongly against the idea that a market mechanism operates automatically to promote the general interest of society at large is the very unequal distribution of property, opportunities and income in Africa. In almost all Africa countries more than half of the population (and some times as high as 80%) is marginalised from the small capitalist "enclaves" in mainly urban areas. These people are too poor, too "undeveloped", too uneducated and too "excluded" from the modern sector to benefit from whatever economic growth takes place in the capitalist "enclaves". The popular belief that a high economic growth rate will be responsible for a "trickle-down" effect to the impoverished "periphery" was, according to Stiglitz, "never much more than just a belief, and an article of faith". (Stiglitz, 2002: 74). (See also section 3.5).

In any country in which the "distributional gap" is as large and as deeply institutionalised as those in Africa, then the government has an inalienable responsibility to participate in economic activity on behalf of the "excluded" majority. Unfortunately, the free market fundamentalism of the IMF has propagated the ideas of a "minimalist state" and of the "rolling back" of the state. In propagating this ideology, the IMF has entrenched the *systemic exclusion* of the majority of the population from the modern sector (see section 3.5 for the negative effect the unequal distribution of income in Africa exerts on economic growth).

The IMF emphasizes the strategic role of markets and "correct prices" as a *sine qua non* for efficient allocation of scarce resources and stimulation of accumulation. But according to the General Equilibrium Model of the French economist Leon Walras, allocational efficiency can only be attained under extraordinarily strict conditions. The real importance of a well-organised market economy is not so much its contribution towards allocational efficiency or economic growth, but for being a mechanism to supply reasonably trustworthy information to those participating in the market at relatively low transaction costs. Even if free markets would produce efficient outcomes (which is highly unlikely) these outcomes would probably have huge social costs - especially under the circumstances prevailing in Africa. The "information function" of the market can, however, not operate successfully in an "information vacuum". If we take the poorly developed communication networks in Africa - transport systems, telecommunications networks, educational levels etc. - into account, then it is purely hortatory to think that a free market economy (or a free market policy) can be the key for attaining "correct prices" and moving towards economic growth and economic development in Africa. Given the poor (and often skewed provision of) physical and institutional infrastructure and the traditional orientation of the African people, we have more than enough reason not to be surprised *that the "invisible hand" works most imperfectly in Africa*. The only thing to be surprised about is that the BWIs have not realized this "hard reality" long ago.[19]

An integral part of the IMF ideological approach of free-market fundamentalism is to "get prices right". As with its other policies, this one also is not based on sound economic science. Throughout the history of economic thought several attempts have been made to define the "right price"- but always without identifying a formula that can be applied by economic policy makers.[20] Several questions arise about the IMF's idea about the "right price". Right for what purpose - for capital accumulation, for a positive balance of trade, for a more equal (or unequal) distribution of income or for economic stability?[21] What is

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[19] According to Stiglitz, "the Fund has been remarkably slow in learning from its mistake - partly because of the strong role of ideology [i.e. the ideology of free market fundamentalism]...[and]... partly because its hierarchic organisational structure [or power structure] is used to ensure its prevailing [ideological] worldviews dominate throughout the institution. [Consequently] the IMF is not... a "learning organisation" (Stiglitz, 2002: 231; see also pp.73-78 and 216-222).

[20] The Scholastic philosopher, Thomas of Aquino, of the 13th century, formulated the idea of a "just price" as the price that will not give unfair advantage to either the seller or the buyer. If those involved cannot decide on such price when guided by their Christiancon science, the Roman Catholic Church decided what the just price should be. Adam Smith was of the opinion that under certain ideal conditions (described above) the market price will be determined on the level of the true value (or Natural Price) of the good, but the Natural Price was not determined by market forces, but by public opinion (in a well-organised society) and therefore nothing but Aquino's just price under a different name. Dawid Ricardo (1817) rejected Smith's price theory and made a plea that the power relations between the "owners" of land, labour and capital should be changed by government in such a way that the wages that will be determined on the "new" labour market will be at the lowest possible level - i.e. on the subsistence level - to allow the owners of capital to make maximum profits and to give the relevant country the greatest comparative advantage in international trade. For Ricardo the "right price" was a wage level that will cause huge inequality but would be conducive from capital accumulation and economic growth. According to Karl Marx the power relations that will "produced" low wages and high levels of accumulation, will not only be exploitative and unjust, but were entrenched so deeply by the power constellation of Laissez-faire capitalism, that it will only be possible to change the "system" through a bloody proletarian revolution. For Leon Walras (1837-1910) the "right prices" is the scarcity prices in the entire economics. These prices will be determined simultaneously when a General Equilibrium is realised under "ideal" conditions. These prices will also bring about an efficient allocation of all scarce resources. The "ideal" conditions of the Walrasian equilibrium prices are so far fetch that it is of little, if any, value - especially when information of all the resources and all the demands (needs) are not available as is the case in Africa. Alfred Marshall (1842 - 1924) was of the opinion that the market prices tend to oscillate in competitive markets towards the long-term market equilibrium price and that this price is the "right price" because it gives a true reflection of what the long term cost" and "utility" of a specific good is. Although the price theory of Marshall was very influential, the scientific foundation of his theory is questionable. Keynes indicated in his *General Theory* (1936) that when a "liquidity trap" situation exists, it is not possible to determine a "correct rate of interest" - by either the market or the state - that will restore full employment. In such a situation the state must increased public spending.

[21] Helleiner (1994) is of the opinion that "getting prices right" and keeping them stable and reasonable "right" is an important part, but of course, only a part, of long-run development policy. Without human capital and

the benefit of getting prices "right" in an African country in which the terms of trade is deteriorating constantly vis-à-vis the advanced capitalist countries? Who decides what the "right price" is - the bureaucrats in Washington with their meager knowledge of supply and demand conditions in Africa?

3.2 The huge and growing resource "gap" (in term of both human and physical capital) between Africa and the rest of the world, but especially between Africa and the advanced capitalist countries

The per capita GDP in Africa has declined at more than one percent per annum since 1980. The gap between the per capita GDP of Africa and the average for all low-income developing countries has widened to more than 6 percentage points (Collier & Gunning, 1999:64). Although the inequality and poverty statistics are alarming, they are not telling the full story. The really alarming phenomenon is that the resource base of Africa - in terms of human and physical capital and in organisational structures – is "growing" at a much slower pace than that of the rest of the world, while the resource base has even shrunk alarmingly in some countries. All the attempts to "rescue" Africa in the next decade or two will fail if they do not succeed in building the productive resources - i.e. the human, the institutional and physical productive resources - of Africa in a systematic and integrated manner.

One of the most serious drawbacks of Africa is its lack of human and social capital. Colonial governments provided little education, especially at the secondary level. Although African governments spent more on education in the first two decades after independence, these spending have been curtailed rather drastically since 1980 under the conditionalities of the BWI's SAPs.[22] In several African countries - compelled to implement SAPS - the external funding promised by donors and the debt relief promised under the adjustment programmes, have not materialised. The sharp decline in educational spending by African governments on education can, therefore, not be blamed on Africa alone (See Mkandawire and Soludo, 1999: Chapter 3). The enrolment of students is still very low in Africa when compared with other parts of the world - especially at tertiary level.[23] To complicate matters, the large brain-drain from Africa to advanced capitalist countries has seriously exacerbated the lack of high level human capital.

When African governments were forced to sign up to SAPs, from the beginning of the 1980s, the fiscal austerity demanded by the IMF left African governments with no option but to quite drastically cut back on their spending to education. The IMF expected from African countries curtailment of public expenditure and improvement in (short term) efficiency – including in education expenditure. These demands of the IMF were particularly harmful and shortsighted if this so-called "efficiency" approach to education is compared with the experience of the advanced capitalist countries. The "revolution in human capital formation" and increased investments in human capital in the 1950s and

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accumulation, investment, access to technology, etc., "correct" prices will only increase the efficiency with which one (for example Africa] stagnates". (Quoted by Mkandawire & Soludo, 1999: 91).

[22] In Africa average expenditure on each student decline from $6,300 in 1980 to $1,500 in 1988 (Cheru, 2002:81).

[23] Education enrolment ratio's in Africa has increased from 44% of eligible student in 1960 to 78% in 1995 for primary student, from 5% to 31% for secondary students and from 1% to 6% for tertiary education. The number of people trained in natural sciences, engineering and medical science per 100 000 of the population was at the end of he 1980s only 30 in Africa compared with 460 in South America and 850 in OECD countries (Cheru, 2002: 67& 83).

1960s, were to a large extent responsible for the rapid recovery after the Second World War. At the time when Africa was compelled by the IMF to reduce its spending on education a new "education revolution" was taking place in the world; the revolution in knowledge-intensive production. Through the strong tendency towards global assimilation of scientific knowledge and the diffusion of technology the role of education in economic growth has become more important worldwide during the second half of the 20th century - except in Africa. (See Cheru, 2002: 77-88).[24]

The per capita gap in the productive physical resources (and especially capital) at the disposal of Africa and the advanced capitalist countries has become much bigger than what was the case in 1973. The accumulation of productive capital (or capital widening), new technology and new knowledge embodied in capital (capital deepening or capital quickening) and new patent rights and new organisational structure, was incomparably larger in the advanced capitalist countries than in Africa. Capital widening and deepening were in South East Asia and Latin America also much bigger than in Africa.[25] Collier and Cunning allege that investment in Africa as a share of GDP was in 1999 18%. This is much lower than the 23% in South Asia and 29% on average in lower middle-income countries. According to them, capital goods are more expensive in Africa than the international average, so that once the investment share is recalculated in international relative prices it approximately halves (Summer 1999:19). Savings per capita in Africa (excluding South Africa) have declined from $18 in 1970 to $16 in 1997 (1987 dollars). But what is really disconcerting is that Africa received only 5% (or $5,7 billion) of the total flow (of $112,4 billion) of capital to developing countries in 1995. To complicate matters further, Africa is constantly experiencing capital flight as a proportion of private wealth. In spite of the fact that Africa have a lower level of wealth per worker than any other region, African wealth owners have chosen to locate 39% of their wealth outside Africa in comparison with 3% in South Asia, 6% in East Asia and 10% in Latin America (Collier & Gunning, march 1999: 92-93).

Several reasons can be given for the low level of capital accumulation in Africa. It is presently not regarded as an attractive investment destination. The costs of investment are regarded as relatively too high. Potential foreign investors regard the risks (and therefore the costs) as higher than in the colonial period and as higher than in other areas. It is alleged that social stability and legal rights were better maintained in the colonial period and that repressive labour measures, in place during this same period, guaranteed a cheap and docile labour force that could be profitably exploited. Presently the high level of almost endemic strife and ethnic warfare are responsible for an extraordinarily high risk premium (see section 3.4). At the same time many countries in Africa are presently

[24] The "efficiency" approach to education made applicable to Africa by BWI's conditionality has had very unfortunate implications for African's education. Influenced by the literature on the rate of return on education (RORE) - which provided a market compatible rationale of state expenditure on education, it was concluded that the RORE was much higher on primary than on tertiary education, and that the *private* (or individual) RORE for higher education are considerably higher than the corresponding *social* ROREs. Consequently, the government's in Africa was forced to spend much more on primary education and less on tertiary education, while private individuals were compelled to contribute considerably to their secondary and tertiary education. The overall decline in spending on education and the shift to primary education, to the detriment of tertiary education, have seriously damaged higher levels of education during a very sensitive phase of Africa's development. It will, unfortunately, takes decades for Africa countries to eradicate the education "deficit" that was created by the ill-advised "efficiency" approach to education (See Mkandawire & solundo, 1999:46-48.

[25] Investment per capita in Africa (excluded South Africa) declined from $80 in 1970 to $73 in 1997 (in 1987 dollars). In South Asia it increased from $48 to $105, in East Asia from $37 to $252 and in Latin America from $367 to $504 over the same period (World Bank, 2000:8)

crippled by a lack of democratic leadership and accountability, by a lack of social and human capital, by adequate bureaucratic capacity, by adequate bank and financial institutions, by adequate physical infrastructural and communication networks, and by adequate health services and efficient judicial systems, and by a lack of well defined property rights and mutual trust. At the same time African geography, poor health conditions in tropical areas, and the fragmentation of Africa into almost 50 states, of which many are not economically viable are also not conductive to capital accumulation - especially from the perspective of foreign investors.

Although all the above-mentioned factors militate against capital accumulation in Africa, it would be wrong to look at these factors in a historical vacuum. While the economic decline experienced by Africa since 1973 is the result of lower levels of capital accumulation, the opposite is the also true. All the external shocks (like the oil shocks of 1973 and 1979), the stagflation in the advanced capitalist countries, the increased interest rates in the USA and the SAPs of the BWIs) played causative roles in the downturn of Africa economies since 1973. *All these events have damaged the African economy to such a serious extent that it is certainly not any longer an attractive destination for foreign investors*. It is an almost impossible task to properly distinguish between which factors are the *causes* and which the *results* of the seemingly endemic and uncontrollable downward spiral during the past 25 years in the majority of countries in Africa.

Stiglitz, Martin, Ake, Cheru, and Mkandawire and Soludo are all of the opinion that the African problem was seriously compounded by mainly two "external" factors: firstly, by the negative impact of the SAPs of the BWI's and secondly, by the immense hypocrisy of the advanced capitalist countries which pretend to assist developing countries by obliging them to open up their markets to the goods of the rich countries while keeping their own markets protected. Both these factors can be regarded as an integral part of "neo-colonialism" and "neo-imperialism" practiced by the advanced capitalist countries within the *unequal* power structures between global capitalism / global apartheid and in Africa - with devastating result for Africa given its pathetic powerlessness and its easy exploitability.

3.3 The agricultural, industrial, trade and debt crises in Africa

The three important economic sectors - agriculture, industry and trade – have since 1980 experienced a serious crisis. The crisis in each of these sectors can be traced back to the three pillars of Washington Consensus advice, i.e. fiscal austerity, privatisation and market liberalisation (see Stiglitz, 2002: chapter 3). To this we must add the serious debt crisis in Africa.

3.3.1 Agriculture

As the least developed continent in the world, agriculture plays a dominant role in Africa's economy. It is responsible for 35% of the continents GDP, for 70% of its employment and for 40% of its exports. This sectors' importance is further enhanced because the majority of Africa's population derives its livelihood from it. The agricultural sector is also for another reason of strategic importance. Economic development all over the world has demonstrated that development in the secondary and tertiary sectors can only be launched successfully *after* an agricultural revolution has taken place which enables the agricultural sector to supply the necessary food and labour to the industrial and tertiary sectors. Unfortunately, the agricultural sector in Africa has experienced continuous decline for much of the post-colonial period (see Mkandawire and Soludo, 1999: 34-45).

Although Africa is still an agriculturally orientated continent, the geography of Africa is not conducive for the successful production of food and other agricultural products. It would, therefore, not be easy to bring about an agricultural revolution in Africa. Nevertheless, the modernization of the agricultural - and especially the food-sector - ought to enjoy a very high priority in Africa's development agenda. Some parts of Africa are tropical while other parts are semi-arid or semi-desert. Soil quality is relatively poor when compared to agricultural lands on other continents. Since 1960 there has been a deteriorating trend in Africa rainfall. To complicate matters, the transport systems in large parts of Africa are poorly developed. (See Collier and Gunning, March, 1999: 72).

Per capita food production in Africa has declined by 12% between 1961 and 1992, during this same time it increased by 70% in Asia and by 20% in Latin America (Cheru, 2000: Table 4.1).[26] African governments made serious policy mistakes in the early post-colonial period. Agriculture was crippled by excessive taxation on export crops, inadequate infrastructure development in rural areas and the lack of support systems for small farmers. While many of Africa's agricultural problems were caused by "internal" factors before 1980, the role of "external" factors became, according to Fantu Cheru, of decisive importance after 1980 when African countries were compelled to implement SAPs. The World Banks' recommendations for the agricultural sector were based on the idea of "getting prices right". But the soaring interest rates during the 1980s, declining commodity prices, unsustainable levels of debt service payments to creditor countries and institutions, and especially the strict protectionist policies of Western countries against African agricultural exports, caused havoc in Africa's agricultural sector and made a mockery of the idea of getting prices "right". While production of export crops has increased, food production for local consumption has declined sharply and with it poverty has intensified (Cheru, 2000: 90-93).[27]

African farmers in food production are not reacting towards increased prices in a rational manner. The BWIs emphasis on "the right prices" did not have the expected results. The SAPs focus on prices removed attention from problems of technological innovations, feebleness of commodity and financial markets, structural bottlenecks, the need for support systems and the other many constraints that are preventing an agricultural revolution (Mkandawire & Soludo, 1999: 53-55).

According to Claude Ake (1996) agricultural policies in Africa have been dominated by the struggle of the political class against the peasantry over the control of the peasants' production and surplus. This is a very unfortunate struggle in a continent whose leaders (and their foreign advisers) are seeking capitalist development in the context of largely *precapitalist* social relations of production (p64). Attempts to "superimpose" a free market

[26] In agriculture the growth rate declined from 1,4% in 1960 - 65 to 0,4% in 1982 - 3. In the food sector, the growth rate declined from 1,6% in 1960-65 to 0,2%. Food-sufficiency ratio's dropped from 98% in the 1960s to 86% in 1980 (Ake, 1996: 11-12).

[27] Cheru summerises the agricultural crises as follows: " The disappointing economic performance of Sub-Sahara Africa over the past three decades has been caused by two interrelated factors: a world trading system that reward farmers who produce for export markets at the expense of those who produce for subsistence; and the failure of Africa governments to create the proper conditions for an agricultural revolution, which would propel the process of industrialisation and social development" (2000:89).

fundamentalist approach on these precapitalist social relations of production have, as could have expected, failed in a spectacular manner.

Another factor that prevents Africa from having a successful agricultural revolution is the high level of population growth. While Asia and Latin America have been through the demographic transition - a decline in fertility rates - this has not yet happened in Africa. An annual population growth rate of 2,33% from 1950 to 1973 and of 2,73% from 1973 to 1998 is exceptionally high and makes it difficult to attain positive per capita economic growth rates. (See Table 1.2). The population of Africa increased from 310 million in 1973 to more than 650 million in 2003. To keep up with food production for such a fast growing population is an enormous challenge. The HIV/Aids pandemic has the potential to bring about the demographic transition but at a price of economic disruption with devastating long term consequences.

3.3.2 Manufacturing

The performance of the manufacturing sector over the past 40 years is almost as disappointing as that of the agricultural sector.[28] Growth rates in manufacturing started strongly in the 1960s, became stagnant in the 1970, and declined sharply in the 1980s. Manufacturing industries' share of Africa's economic output rose only marginally from 8,9% in 1980 to 10,5% in 1990. Only about 9% of the labour force was employed in manufacturing in 1965 and remained on this very low level until the 1990s. This level of manufacturing employment is far below the level of other continents. Some African countries experienced a rise in manufacturing during the 1990s. Overall, a decline in investment was an important reason for the drop of the manufacturing sector. Africa dependency on FDI in the manufacturing industry is closely linked to its rather excessive dependency on external sources of technology and highly trained professional labour. The lack of the highly skilled professionals is seriously exacerbated by the brain drain. It is estimated that an average of 20 000 African intellectuals have emigrated annually since 1990. (Cheru, 2002: 11-12).

It is illuminating to focus on the different phases of industrialisation in Africa. According the Ake (1996) the first generation of development plans of post-independence Africa concentrated on the development of the infrastructure and on the social sectors, while neglecting the industrial sector. From the 1960s many countries shifted emphasis to import substitution industrialisation and attained reasonable success during the 1960s and 1970s in the production of simple consumer goods, such as textiles, beverages and food. But instead of moving on to intermediate and capital goods, African industrialisation got "trapped" in the manufacturing of simple consumer goods. Although import substitution reduced the import of consumer goods, the import of intermediate and capital goods increased at a higher tempo and put pressure on the balance of payment. (pp. 66-75).

As African leaders realised the limits of import substitution and the need for a new approach towards industrialisation at the end of the 1970s, several external factors made it extremely difficult to engineer a transition to the production of intermediary goods and industrial product for export. These external factors were, *inter alia*, the rise of interest rates in the 1970s and 1980s, the oil shock of 1973 and 1979 and the conditionalities of the SAPs of the BWIs. The main bottleneck was, however, that when African countries

[28] The growth rate of the manufacturing sector, which was 8,5% in 1960-65, declined to 3,6% in 1980-81 and to 0,4% in 1982-3. (Ake, 1996:11).

needed foreign exchange for the import of new generations of capital goods for manufacturing export products, the foreign exchange that was earned before 1970 through the export of primary products, suddenly evaporated. From 1965-1975 the growth of export volume of primary products for Africa was 15,3% annually. From 1980 to 1984 exports of primary products declined to 8% annually. Other factors that inhibited the export of primary and industrial goods are the relatively high wages and low productivity of the work force (see Ake, 1976: 66-78).

From the 1980s the industrialisation policy pursued under the external pressure of the BWIs was, according to Mkandawire en Soludo, mainly privatisation as a means to stimulate both domestic and foreign private investment. Unfortunately, privatisation failed dismally as an instrument to promote industrialisation and investment. This failure should be attributed mainly to the general inappropriateness of privatisation in the particular circumstances of Africa:

“The policy of privatisation has been based on the assumption that investors [both the domestic an foreign investors], with adequate financial resources do exist and that they simply are waiting for governments to get out of the way ... Serious privatisation should have been accompanied by a series of micro level [state] interventionist policies to support the private sector” (Mkandawire & Soludo, 1999: 59).

States with the necessary legitimacy and capacity to support the private sector during the delicate privatisation process were, however, not available, partly as a result of the emphasis put on the “ rolling back” of the state as a precondition for support by BWIs. Privatisation is a last resort a state policy to be implemented in a sound way by the state. But due to the “state crisis” in Africa - a crisis very much augmented by SAPs - the state was simply not able to implement a sound privatisation policy. Privatisation was often carried out to “solve” fiscal and balance of payment crises and consequently happened at “prices” far below the actual value of the public corporations that were privatised (see Mkandawire & Soludo, 1999: 59-60 and Ake, 1996: 92-97).

Joseph Stiglitz put forward rather strong arguments against the manner in which the IMF compelled developing countries to pursue a privatisation policy. We have reason to suspect that the peculiar condition in Africa - especially the lack of state capacity and the lack of a strong private sector - are even less suitable for privatisation than in other developing countries. Stiglitz argues:

“The IMF vigorously pursued privatatisation and liberalisation, at a pace and in a manner that often imposed very real costs on countries ill-equipped to incur them ... Unfortunately the IMF and the World Bank have approached the issues [of privatisation] from a narrow ideological perspective - privitisation was to be pursued rapidly... [As part of privatisation] nascent industries, poised to make a difference in the lives of.... poor peasants, [were] shut down... The assumption underlying the failure [of protecting nascent industries] is one that I saw made repeatedly; the IMF simply assumed that markets arise quickly to meet every need, when in fact, many governments activities arise because markets have *failed* to provide essential services... Privatisation has also come not just at the expense of consumers but at the expense of workers as well... Privatisation often turns state enterprises from losses to profits by trimming the payroll. Economists, however, are supposed to focus on overall efficiency. There is social cost associated with unemployment, *which privatisation firms simply do not take into account*.... Privatisation often destroy jobs rather than creating jobs... The moral [of any privatisation policy] is a simple one. Privatisation needs to be part of a more comprehensive program, which entails creating jobs in *tandem with* inevitable job destruction that privatisation often entails... Privatisation advocates ... [also] failed to realise that without the appropriate legal structures and market institutions, the new owners [of privatised assets] might have an incentive to strip assets rather than use them as a basis for expanding industry". (Stiglitz, 2002: 54 - 58; italics in the original).

3.3.3 Trade

Africa's trade position in the world, and its terms of trade, have deteriorated quite spectacularly since the 1960s. Africa was strongly trade orientated in the 1960's, but since 1970 Africa was the only region experiencing a decline in real dollar export per capita. In 1970 export per capita was $175 and in 1997 only $163 (in 1987 US dollars). Africa's share of world trade fell from more than 3% in the 1950s to less than 2% in 1995 (and to only 1.2% when South Africa is excluded).[29]

Perhaps the most important reason for the decline in real dollar exports per capita, is the deteriorating terms of trade for African countries that are not oil exporters, and excluding South Africa, cumulative terms of trade losses from 1970 until 1997 represented almost 120% of GDP. (World Bank 2000: 21). The ongoing decline in world commodity prices must be regarded as the main reason for Africa's trade crisis. A survey of 1995 indicates that forty African countries derived more than 70% of their export earnings from the sale of commodities. It is, therefore, not surprising that even small declines in the prices of commodities often have devastating effects on Africa's export earnings. The purchasing power of Africa's exports has fallen by some 50% since the early 1978s - mainly due to the deterioration in the terms of trade. As a result, Africa's share of developing country exports declined from 12% in 1961 to 5,8% in 1990. While Africa's terms of trade declined by one-third from 1977 to 1993, the terms of trade of other developing countries declined by only one fifth. The slip in commodity prices cost Africa $50 billion in lost earnings between 1986 and 1990 - more than twice the amount the region received in aid. What complicated matters for Africa, is that these countries remained primarily exporters of raw materials, while importing manufactured goods from the industrialised countries. As the commodity prices of Africa countries continuously decline, the prices of manufacturing goods from advanced capitalist countries increase (Cheru, 2002: 13-14 and 131-133).

According to Guy Martin, Africa trade crisis is augmented by its very close historical links with Europe. The direction of trade in Africa has changed very little since independence and remains orientated towards the erstwhile colonial powers. The trade relations between Europe and Africa is very much to the advantage of Europe - the mirror image of the deteriorating terms of trade for Africa countries, is an advantageous increase in the terms of trade of Europe with Africa. Martin claims that this "unequal" relationship between Europe and Africa is maintained by the ideology of *L'Eurafrique* (EurAfrica), i.e. the ideology about the alleged "complementary" and "interdependence" between Europe and Africa. The concepts of "complementary" and "interdependence" were, however, interpreted by European ideologues in a *one-sided* manner to best serve the interests of *metropolis* rather than the interest of the ex-colonies. Martin concludes that

[29] The erosion of Africa's world trade share in current prices between 1970 and 1993 represents a staggering *annual* income loss of $68 billion - or 21% of the regional GDP (World Bank, 2000: 20).

“Europe needed [in the colonial and in the post-colonial periods] African resources and manpower for its continued growth, industrialisation and development, hence the resort to an ideology to justify Europe’s [ongoing] political domination and economic exploitation [of Africa]" (Martin 2002: 2-3).

If it were possible to diversify its trade with other parts of the world, Africa could have attained large advantages. Unfortunately, Africa is not only “trapped” by history but also by various post independence contractual arrangements between Africa and Europe (for example the Yaoundé and Lomé Conventions and the Cotonou Agreements). Another factor that directed African trade to Europe, is the physical and financial infrastructure developed in the colonial period to facilitate trade with Europe rather with other areas. One of the most amazing aspects of the *L’Eurafrique* “interdependence” are the high subsidies paid to farmers in Europe - these almost exclude agricultural exports from Africa to Europe. This, more than anything else, demonstrates the growing *dependency* - of Africa on Europe - or the "enslavement" of Africa by Europe.

In sharp contrast with the expectations that trade liberalisation - proposed by the BWIs - has been but advantageous to Africa. Stiglitz refers to a World Bank calculation that shows that Africa - the poorest region in the world - saw its income decline by 2% as a result of trade agreements (2002:61). Perhaps the reason for this is the *hypocrisy* associated with trade agreements that were supposed to liberalise trade in a fair and reciprocal way, but has not. The United States and Europe constantly expect Africa countries to open up their markets for manufacturing goods, but in turn are not prepared to open up their own markets to the import of agricultural products from Africa. It is true that trade liberalisation has been to the advantage of East Asia but its circumstances were very different from that of Africa.[30]

More than in any other region .the very nature of globalisation has to a large extent militated against Africa’s development. Africa is not only the poorest, but also the most *powerless* and the most *dependent*. Within the framework of global capitalism the extraordinary powerfulness of the advanced capitalist world and the pathetic powerlessness of Africa sets the scene for the ongoing exploitation of Africa by not only the erstwhile colonial countries, but also by BWIs that use Africa as a “testing” ground for their dogmatic policy approach. Cheru is of the opinion that preference was given to trade instead of production:

“The majority of African countries have characteristics and vulnerabilities that present them with special challenges over and above the normal challenges of development, as they adjust their economics and exploit the opportunities of closer integration into a rapidly changing [and powerful] global economy ... *In the specific case of Africa no trade can take place where production is non-existent. Therefore, the obsession with trade expansion in the absence of coherent national and sub-regional policy to remove the main obstacle to productivity is unlikely to yield the desired results of expending trade*” (Chero, 2002: 144; italics added).

[30] "East Asia opened themselves to the outside world slowly and in a sequenced way. These countries took advantage of globalisation to expand their exports and grow faster as a result. They dropped protective barriers carefully and systematically, phasing them out only when new jobs were created. They ensured that there was capital and entrepreneurship available for new job creation" (Stiglitz, 2002: 60).

The joint crisis in agricultural, manufacturing and trade sectors of Africa since 1980, have their root causes in the SAPs of the BWIs. Ake gives the following reasons why the SAPs have been such a dismal failure and why they have caused more retrogression than progression in Africa's quest for economic growth and development.

"Structural adjustment in Africa has become the surrogate of a role it cannot possibly fulfill. By its nature the structural adjustment program is an interim measure; it is like first aid in the face of an emergency, not a cure. *More important, the structural adjustment program [SAP] is not a development strategy*. It is supposed ... to remove distortions and constraints of economic growth, not a recipe for economic growth... [But since 1980] SAPs are regarded [by BWIs] as part of the hegemony of the market. Following the winding down of the cold war and the collapse off the Soviet empire, the market is revered [by the BWIs] as the key to the wealth of nations... [and] as the truth of history... The wealthy industrialised countries have [also] taken the position that what the poorer countries need to overcome their economic backwardness, is to embrace the market ... *[But] the market cannot be and never has been a strategy of economic growth, even in the experience of the [Rich] North.* The North, exercising the prerogative of victory in the long-drawn-out contest of paradigms of society, has reinvented development as an ideological emblem. The history of economic growth in the North has been sanitized and recast as a celebration of the North. The rigor or primitive accumulation and the process of proletarisation [of the labour force in the North] have been glossed over, as have the contradistinctions of the market [during wars and the Great Depression] that bred statism and the welfare state, without which capitalism may well have collapsed. Also forgotten [in the celebration of the market] are colonialism and its contribution to economic development [in the North]". (Ake, 1996: 92-93; italics added).

3.3.4 Debt

The economic problems of Africa are very much compounded by its ever-growing external debt. It rose to $167 billion in 1996 - eight times higher than in 1984. Actual debt service rose close to $10 billion in 1996, absorbing 27,5% of export earnings. According to Cheru "this indebtedness is crushing all possibilities for economic growth by diverting scarce resources needed for clinics, schools and infrastructure and job-creation schemes to the payment of debt" (Cheru, 2002: 17). He claims the following about the debt problem:

"*In retrospect, Africa was drawn into the debt crisis in entirely unjustified ways...* While some of the debt originated in the need to cope with the 1973 increase in global oil prices, much of the rest were unnecessary, and destined for white-elephant projects, arms expenditure and the import of luxury goods. The creditor countries and institutions that lend the money are obviously [also] at fault for "loan-pushing" ... [and] international banks, the World Bank and the IMF *ignored the moral implications of lending* [to corrupt-leaders]" (Cheru, 2002: 17- 18); italics added).

The interest rate increases on existing loans during the stagflation of the 1970s and by the IMF in the 1980s, increased the debt burden quite considerably. The SAPs of the BWIs also increased the burden of debt. Since 1996 the G7 governments and the BWIs have announced several plans to relieve the debts of heavily indebted poor countries. The stringent qualification criteria established for this relief have, however, simply excluded many eligible indebted countries from requesting the debt relief. On top of this the G7 governments have also failed to dedicate sufficient resources for this purpose. (Cheru, 2002: 22-24).

Mkandawire and Soludo are of the opinion that the external debt overhang is the most important constraint to the resumption of growth in Africa. The debt stock is rising explosively, mainly as a result of the capitalisation of unpaid interest arrears and amortization. The rising debt service ratio reduces the availability of resources for initiating growth. However in the face of stagnating exports, the rising debt service payment has meant either payment defaults or a drain on scarce foreign exchange needed for the import of capital goods. Growth is, therefore, the victim and also implies a serious solvency problem in many Africa countries. Many analysts of the African crisis are of the opinion "that resuming long-run sustainable growth in Africa would be extremely difficult, if not impossible, without addressing the debt overhang". (Mkandawire and Soludo, 1999: 121-122).

Claude Ake sees the debt problem as follows:

"The debt problem is not an aberration. It is inherent in the development strategies that Africa has been pursuing, in the location of Africa in the world economy, and in the prevailing international division of labour; its persistence and magnitude underline the limitations of present development strategies and the difficulties to overcoming them.... With mounting indebtedness, declining export earnings, and deteriorating terms of trade, new commercial lending became difficult, and the prospect of economic recovery worsened... The debt problem of Africa is so great and the capacity to repay so limited that it is increasingly necessary to think not in terms of servicing but in terms of debt stock reduction and write-offs". (Ake, 1996: 103 - 106).

Jeffrey Sachs agrees, "The assistance [for Africa] should come in the form of debt cancellation. No one can doubt the dreadful policy errors of the past, or the mutual complicity of African and donor nations. A fresh start requires a thick line drawn under the past" (Economist, 29 June 1996: 21).

3.4 The interaction between BWIs and governments in Africa and the high level of conflicts

According to a popular view in western capitals and in BWIs, the post-colonial state in Africa is, by its very nature and definition, at the heart of the economic and governance crisis in Africa. Many of the governments are not really democratic in the true multiparty sense of the word and even in those that were elected democratically, act in all kind of authoritarian ways. Many African governments have been overthrown by military *coups d'état* and several African governments are regularly involved in ethnic conflict or open warfare (see footnote 10). Corruption is rife in many countries and the capacity of almost all African bureaucracies is rather poor. To complicate matters further, many governments are weak in the sense that they are the puppet regimes of powerful tribes, or other pressure groups (inside and outside particular countries) and are therefore not in a position to govern on behalf of the population at large.[31] For all above mentioned reasons, the ex-colonial countries and the BWIs blame the states in Africa for serious policy mistakes and for creating an atmosphere that is generally not conducive for economic growth and development.

[31] In his acclaimed 1968 book, *The Beautiful Ones are not yet Born,* Ghanaian novelist Ayi Kwai Armah lamented: " Why has there not emerged in Africa since independence, a new generation of political parties and leadership, which are commit to the interest of the mass of the people". (Quoted by Cheru, 2002: 35).

It is beyond dispute that the governments and bureaucracies in Africa are inefficient, corrupt, undemocratic and guilty of all kinds of “state failures”. It would, however, be wrong to accuse the state sector for all or most of the “failures” in African countries as the BWIs are inclined to do. As indicated in section 2.3 the first generation of post-colonial governments were ill prepared for the daunting task of governing their countries at the end of the destructive colonial period and after an overhasty decolonialisation process. In section 2.4 we indicated that the stagflation of the 1970s created new challenges for African governments. But the most severe test to which African leaders have been exposed is the BWIs' SAPs and the conditionally that accompanied them. Ake, Stiglitz and Mkandawire and Solundo are all of the opinion that few things have undermined the confidence, sovereignty and capability of African governments and their bureaucracy more than the hostile and degrading attitudes of the Washington Consensus policies towards Africa (Ake, 1996, chapters 2 and 3, Stiglitz, 2002: Chapter 8 and Mkandawire and Soludo, 1999: Chapter 3).

The interactions that took place between the BWIs and the governments in Africa since 1980 were very unfortunate and in some cases even catastrophic. When the BWIs arrived on the scene with very little knowledge about the complexities of Africa and with even less understanding of its relative “backwardness” to other parts of the developing world, they were confronted by weak governments and inefficient bureaucracy in almost all the Africa countries. The logical thing the BWIs should have done - from a sound developmental point of view - would have been to strengthen the governments and to build capacity in their bureaucracies. This, however, was almost the last point on the policy agenda of BWIs.

The BWIs approached Africa with an highly dogmatic and ideological frame of mind shaped by American circumstances during the rise of free-market fundamentalism from 1980 onwards. According to Stiglitz this ideological frame of mind took as its point of departure the “prejudice” *“that markets by and large work well and that governments by and large work badly”* (196). Consequently, the BWIs are inclined to close their eyes to “market-failures” and to highlight the so-called “state failures”. What makes this “prejudice” in favour of markets and against governments so much more problematic, is that the institutional and personal conditions for well-functioning markets - i.e. developed entrepreneurial and financial institutions, well-defined property rights, institutions to maintain contracts, communication networks, and individuals with the "mentality" to play the relentless “market game” - were shining in their absence. In spite of the almost “non-existence” of effective markets the BWI’s persist with their “market policies” of trade liberalisation, financial market liberalisation and privatisation. Almost 25 years later the downside of these “market policies” is according to Stiglitz - “clear for anyone to see”. “We have seen how trade liberalisation *accompanied by high interest rates* is an almost certain recipe for job destruction and unemployment - at the expense of the poor. Financial market liberalisation *unaccompanied by an appropriate regulatory structure* is an almost certain recipe for economic instability ... Privatisation, *unaccompanied by competition policies and [state] oversight to ensure that monopolicy power are not abused* can lead to higher, not lower, prices for consumers. Fiscal austerity pusued *blindly* in the wrong circumstances can lead to high unemployment and a shredding of the social contract (Stiglitz, 2002: 84).

The BWIs dogmatic “prejudice” in favour of markets and against governments underestimated the cost of the market-orientated programmes and overestimated the benefits of these programmes. As a result of this "prejudice" the Washington Consensus reformers have exposed countries to greater risk, and the risk have being borne disproportionally by those least able to cope with them. (See Stiglitz, 2002: 85-86). Perhaps the greatest long-term disadvantage of the BWIs "prejudice" for markets and against the governments is that these institutions *deliberately* sidetracked the governments of Africa countries. As we already indicated, the rise of global capitalism - and with it also the role of the BWIs - has undermined the sovereignty of countries in the developing world and especially in Africa. Many of the SAPs created greater "space" for private concerns and for civil society organisations at the cost of the governments and their bureaucracies. By sidetracking the governments, the SAPs also undermine the legitimacy of the post-colonial African states and with it the political capacity of these governments to implement developmental policies. According to Mkandawire and Soludo, the ramifications of the BWIs "prejudices" for the markets and against the states, were quite comprehensive:

"The efforts [of the BWIs] to retrench the state not only helped to curb its social reach but also further undermined the postcolonial social contract, on the bias of which the state sought to construct ideological legitimation, build political alliances, relate with the opposition, and secure the cooperation or support of autonomous center's of power.... *Perhaps it is more significant that in much of this debate [on Africa's development], it is never considered [by the BWIs] whether the SAPs are a fatally flawed remedy for the deep structural problems that African research institutions have been stressing for many years.* No attempts are made [by BWIs] to rethink the model itself in the light of both [Africa] poor performance and the lessons of the Asian miracle. Instead, one sees a furtive search for instruments for imposing this [market fundamentalist] model of adjustment on Africans by eliciting or organising domestic social forces favorable to it, *or by improving the administrative and governance* capacity of the state or by finding external agents of restrain" (Mkandawire & Soludo, 1999: 75 and 85).[32]

Claude Ake is of the opinion that the greatest drawbacks of SAP are its *politics*, which is typically authoritarian. But this authoritarian character should not be confused with the authoritarian character of governments in Africa. On the contrary, the BWIs were not inclined to the democratic legitimation of public policy. Two reasons can be given for this attitude. The BWIs had near-absolute faith in the validity of their policy prescriptions and they assumed - ostensibly correctly - that the austerity of SAPs would not survive a public debate or public scrutiny. Consequently, not only the external promoters of SAPs, but also their internal supporters, were in favour of the authoritarian imposition of the Washington Consensus policies. Ake summerised his criticism against the authoritarian attitude of the BWIs as follows:

"This attitude compounded the problems of Africa immensely. SAP became necessary ... because of the extreme economic deterioration [in the 1970s] that had depressed real incomes and the quality of life and subjected the political and social system to much stress... [But] SAP in effect accentuated those trends ... [Unfortunately], SAP has no politics... *the program hinges on the renunciation of politics* - politics understood as the process of aggregating interests, articulating them, and negotiating consensus on the general thrusts of public policy... Politics became overcharges and lawless as efficiency

[32] Stiglitz agrees that the BWIs are institutions that is not 'rethinking" its model: "The [IMF] has been remarkably slow in learning from its mistakes - partly ... because of the strong role ideology and its belief in [its own] institutional infallibility, partly because its hierarchical organisational structure is used to ensure its prevailing worldviews dominate throughout the [IMF]. The IMF is not... a "learning" organisation"... (p.231).

norms [of the BWIs] replaced legitimacy norms [of the African states] ...A grave defect of SAP is that it is blind to its own politics, not only about its impact on [African] politics but also about the impact [of its own politics] on its own feasibility. In particular, SAP is blind to the fact that it is usually associated with the de-democratisation of politics...[After more than 20 years of Washington Consensus policies] Africa is stuck in the discourse and practice of SAP, *which is only an emergency measure rather than a development strategy, and there is no sign of anything else on the menu"* (Ake, 1996: 93-97).

One of the main aims of the SAP's is to bring about macroeconomic stability to create circumstances that would supposedly be conducive for investment and economic growth. The critics of the SAP's are, however, of the opinion that the SAPs have had several unintended consequences. They did not only undermine the legitimacy and capacity of African governments, but were directly and indirectly also responsible for increased social instability and for the higher levels of conflict in the 1990s. According to Guy Martin (2002) "there has been, over the last 10 years, an increase in the number and intensity of African conflicts"(p. 188). He is of the opinion that the policy of "benign neglect "pursued towards Africa in the post-Cold War period by the major powers, and the increased arms transfers to Africa, can be given as reasons for the flare-up of conflicts in the 1990s. At the same time, the democratisation processes initiated by the BWIs in the second wave of conditionality in Africa during the early 1990s, have pitted the ruling autocrats against the new democratic movements. This also results in a spiral of domestic violence. A fourth possible reason for the increased violence in the 1990s, is perhaps to be found in the continued deterioration of socio-economic conditions in the 1970s and 1980s on the one hand, and the consistent "attack" of the BWIs on the legitimacy and sovereignty of African governments on the other.

The strained relation between the BWIs and African governments reached a high point in 1989 when a rift developed between the BWIs and the *United Nations Economic Commission for Africa* (UNECA). All through the 1980s an awkward situation existed as a result of the pressure that was exerted by the BWIs on African states to implement a development agenda with which they did not agree - an agenda that was even condemned by many African governments. This awkward situation developed in 1989 into an open rift when UNECA alleged at its Conference that the World Bank manipulated statistics to confirm unfounded preconceptions and that it misrepresented the success of SAPs by failing to take account of the huge social cost of these programmes. UNECA stated its case in the following categoric accusation:

"There is mounting evidence that stabilisation and structural adjustment programmes are rending the fabric of the African society. Worse still, their severest impact is the vulnerable groups in society - children, women and the aged - who constitute two-thirds of the population". (Quoted by Ake, 1996:36).

The deep disagreement on development agendas and the "side-tracking" of African governments in the development process by the BWIs continued into the 1990s. These events were directly and indirectly responsible for increased social instability. As the sovereignty and the capacity of African governments became weaker and the BWIs continued to force down its conditionality, the ability of these governments to maintain order and to combat conflict was seriously subverted. What is more, the weak governments became as active participants drawn into the mounting conflict. Claude Ake puts it as follows:

"The conflict over development agendas between Africa's rules and the international development agencies... has stalled the development project by leaving African leaders trapped in the dilemma of choosing between an endogenous agenda that they can find the means to implement and an exogenous agenda that they cannot bring themselves to accept, between what they want to do and what they must do". (p.18).

As the African governments became trapped in the dilemma of choosing between irreconcilable development agendas and being "side-tracked" by the intervention of the BWIs, these governments have had little option but to get "derailed" into "private agents " fighting others in the development squabble. Ake summarized this very unhealthy situation - from a developed point of view - as follows:

"Instead of being a public force, the state in Africa tends to be privatised, that is appropriated to the service of private interests by the dominant faction of the elite.... The nature of the state and the political context of development in Africa [compounded by the prescripts of the BWIs] are such that.... the commitment of most African leaders to development is at best ambiguous. Given the choice between social transformation, especially development and political domination, most African leaders choose the latter.... [Consequently], African leaders were in no position to pursue development; they were too engrossed in the struggle for survival and the need to cope with the many problems threatening their countries and their power". (pp. 42 & 18).

3.5 The effect of wealth and resource inequalities in Africa on economic growth

Prof Philip Nel (formerly from the university of Stellenbosch) wrote an unpublished article in 2002 on “Inequality, Political Instability and Growth in Sub-Sahara Africa”. According to him the “questions concerning the determinants and effects of wealth and resource inequality in Africa are rarely raised, either in the policy domain or in academic studies. A policy document such as NEPAD, say a lot about levels of inequalities between African states and the wealthier nations of the world, but inequalities within Africa are simply ignored. Similarly, in recent studies on the determinants of growth in Africa, asset and income inequalities hardly receive a mention” (Nel, 2002: 2).

If we were to concentrate on the inequality in the distribution of income between countries in Africa and especially between South Africa and the rest of Africa, then the unequal distribution is indeed very great. In 1999 the population of Africa was 630 million, but received only 1,1% of world income. South Africa, with a population of 45 million, receives 0,46% of world income, or 42% of that of Africa. The richest 15 million people in South Africa receive 89,4% of South African income and 37% of the income of Africa, while the other 625 million receive only 63% of the income of Africa or only 0,69% of world income. If a histogram is built on a map of Africa to represent the income of every 15 million people, a skyscraper will stand in the place of Table Mountain while the rest of Africa will be a flat desert.

According to Nel, the mean expenditure distribution for households in Africa in 1992 looked as follows: the expenditure share of the top 20%, the third and forth quintiles, and the bottom 40% was as follows: 52%, 34% and 14% respectively (Nel, 2002: 25). If we simultaneously consider the rather low per capita income in Africa countries and the sharp inequalities within most of the countries, then the extraordinary poverty of the poorest 50% to 70% of the inhabitants in these countries is simply frightening.

One of the well-established findings on Africa is that low growth and investment is closely associated with high levels of inequality (see Fosu, 2002). In the broader non-African literature, Alesina *et el* (1992) single asset and income inequality out as a cause of political and social instability. Political instability is said to discourage domestic and foreign investment, undermine property rights and contractual certainty, and reduce the planning timescale of leaders, with consequences for state expenditure on projects with longer-term growth enhancing consequences, such as investing in human capital and infrastructure. Nel, however, on the strength of his research, comes to the conclusion "that high levels of inequality do not affect political instability in any statistically significant manner, but that they do negatively effect risk perceptions of potential investors, and so may contribute to lower growth" (pp.4 and 10-13).

It is, however, important to ask questions about the "inequality of what?", when we consider the effect of inequality on economic growth, (Sen, 1992). Valuable research has been done on the distribution of income between different percentage groupings of the total population; on the distribution of productive assets (such as land) between different percentile groupings of the total population; and access to educational facilities and/or formal employment for different groups of the population. Nel is of the opinion that not enough research has been done to determine whether the unequal distribution of assets, and in particular land, has a negative effect on economic growth (p5).

Nel comes subsequently to the conclusion that inequality defined as multiple inequalities "is indeed negatively correlated with economic growth, but that its growth-reducing effect is relatively weak and only significant if we control for variables such as the flow of FDI into a country, and for the degree of constraints on the power of the executive... The evidence [considered] shows that high levels of inequality induce assessors of political risk to expect a larger degree of inequality than in fact precipitated by inequality. This is, nevertheless, bad news for economic growth, as perceived instability is as effective as "real" instability is in discouraging investment.... Observers of and decision makers in Africa should be much more concerned about levels of inequality than they seemingly are. Apart from the fact that high levels of inequality [defined as multiple inequalities].... undermine social capital and cohesion in SSA...[it also] restrict economic growth and human development in general" (Nel, 2002: 17-18).

Unfortunately, neither Nel nor other authors that have tried to establish the effect of multiple inequalities on economic growth are asking questions about the reasons behind the unequal distribution of income, assets (both human and physical assets) and opportunities in Africa countries. It is important to realise that the traditional African societies have been relatively egalitarian and redistributive in nature. When these traditional societies were disrupted by colonialism, equalitarian social relations were replaced by multiple inequalities. These inequalities were further exacerbated by the multiple conflicts between warlords and opposing elite groups desperate to get control over strategic resources necessary to survive and/or to continue with endemic strife. There is, however, little doubt that the SAPs and the way in which they were forced on Africa countries by the BWIs, made a considerable contribution to increased inequality. Many countries are presently faced with a vicious cycle of growing inequality and increased social and political instability that, in turn, are responsible for low levels of growth that benefit only the inhabitants of the small urban, enclaves and cause increased poverty and misery for those excluded from the modern sector of the economy.

TABLE 1
ANNUAL PER CAPITA GDP PERFORMANCE IN SIX SUCCESSIVE EPOCHS

	Africa[1]	Asia (excluding Japan)	Latin America	Advanced Capitalist World[2]	Total
1500 - 1820	0,01	0,00	0,15	0,25	0,05
1820 - 1870	0,12	- 0,11	0,10	1,20	0,53
1870 - 1913	0,64	0,38	1,81	1,56	1,30
1913 - 1950	1,02	- 0,02	1,42	1,3	0,91
1950 - 1973	2,07	2,92	2,52	3,72	2,93
1973 - 1998	0,01	3,54	0,99	1,98	1,33

Source: Maddison, 2001. Table 3 - 1(a) and 3 - 1(c)

[1] The figures are for Afrifca as a whole. Since 1980 per capita GDP for Africa South of the Sahara has declined at almost 1% per annum.
[2] Estimated by adding together the figures for the different parts of the advanced capitalist world.

TABLE 2
ANNUAL POPULATION GROWTH IN SIX SUCCESSIVE EPOCHS

	Africa	Asia (excluding Japan)	Latin America	Advanced Capitalist World	Total
1500 - 1820	0,15	0,29	1,06	0,35	0,27
1820 - 1870	0,40	0,15	1,27	2,5	0,4
1870 - 1913	0,75	0,55	1,64	1,8	0,8
1913 - 1950	1,65	0,92	1,97	1,0	0,93
1950 - 1973	2,33	2,19	2,73	1,2	1,92
1973 - 1998	2,73	1,86	2,01	0,8	1,66

Source: Maddison, 2001. Table 3 - 1(a) and 3 - 1(3)

TABLE 3
LEVELS OF PER CAPITA GDP AT SEVEN DATES (1990 INTERNATIONAL DOLLARS)

	Africa[1]	Asia (excluding Japan)	Latin America	Advanced Capitalist World[2]	Total
1500	400	572	416	650	565
1820	418	575	665	1100	667
1870	444	543	698	1700	867
1913	585	640	1511	3900	1510
1950	852	635	2554	91 000	211
1973	1365	1231	4531	14 700	4104
1998	1368	2936	5795	24 600	5709

Source: Maddison, 2001. Table 3 - 1(b) and 3 - 1(3)

[1] The figures are for Africa as a whole. The ASS the figures for 1973 and 1998 will be smaller.
[2] Estimated by adding together the figures of the different parts of the advanced capitalist world.

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