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Economic Development and the Anatomy of Crisis in Africa: From Colonialism through Structural Adjustment

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by

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INTRODUCTION

Africa is mired in a developmental crisis, not the common narrow monetary or financial crisis portrayed in the standard literature but a crisis of a more profound and protracted nature. A developmental crisis refers to the generalized incapacity of an economy to generate the conditions necessary for a sustained improvement in the standard of living.

The problem is basically structural in nature. The antecedents lay in the colonial period and in the inability of post-colonial governments to fundamentally transform the economies inherited at independence. While structural adjustment has exacerbated the underlying weaknesses of African economies, its greatest crime is located in its inherent inability to structurally and institutionally transform African economies. The major reason can be found in its roots that lie in neo-classical economic theory with its misplaced emphasis on balancing financial variables in a hypothetical axiomatic world. Adjustment is simply incapable of either assessing the nature of Africa's problems or putting in place the policies that will put African countries on a trajectory of sustainable development. [1]

The paper begins with a review of the recent performance of sub-Saharan African economies particularly in the context of globalization. While there is an extensive literature on the economic crisis in Africa, little of it has attempted to trace its origins and genesis, which begins with the 19th century.[2] The paper will investigate the antecedents and anatomy of the crisis through an evaluation of the colonial economy and an analysis of the policies of the first two decades of independent governments. The final two sections will briefly focus on the failures and incapacities of adjustment and some of the alternatives both of which have been discussed elsewhere (Stein and Nissanke, 1999).

STATISTICAL DIMENSIONS OF AFRICA'S CRISIS

The performance of African economies in the period of structural adjustment has simply been dismal. In an era of globalization when many developing countries have participated

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[1] In the face of the protracted crisis in Africa under adjustment, neo-classical writers almost never question the ineffective nature of the policies or the rationality for undertaking these policies. The reaction in the literature has come in a number of different forms ranging from very flawed exercises to prove adjusting countries are doing better than non-adjusters (World Bank, 1994) to arguments that African countries have adjusted enough (Sachs and Warner, 1997) to relying on non-economic factors such as a paucity of social capital (Temple, 1998) and ethnicity (Easterly and Levine, 1997; Collier, 1998). Stein (2001) and Englebert (2000) criticise some if the econometrics and theory used in this literature.

[2] The literature is too extensive to properly review. Many studies such as Nafziger (1993) and Sandbrook (1985) do look at the policies of the post-colonial governments from a political economy perspective. Others such as World Bank (1981) examine the same period to blame African governments' for policies that created distortions in the economy (thereby justifying adjustment). However, this study is different than these approaches since it looks at a much longer historical period, emphasizes structural and institutional dimensions and looks critically at the post-colonial period not for what it did but what it didn't do.

in the increased flow of trade, FDI and non-FDI financial flows, sub-Saharan Africa (SSA) finds itself increasingly marginalised with shrinking relative and sometimes absolute levels.

The share of FDI inflows into SSA Africa has gone from 7.6% of the total going to developing countries annually during 1982-87 to a mere 3.4% in 1998. In absolute terms the net inflow has stagnated with the 1998 figure of 3.6 billion almost identical to the 1989 figure. Unfortunately the story is largely one of flows into oil producing areas with little FDI into other areas. In 1989 74% of the net FDI total went to Angola and Nigeria which had little or nothing to do with adjustment policies. In 1998 the figure was 62% (Stein, 2000).

At first glance it would appear that Africa is gaining access to portfolio capital with the expansion in the number of stock markets. For instance between 1990 and 1998 the number of stock markets in sub-Saharan Africa increased from 7 to 21. A closer examination however indicates that most of these stock exchanges are largely in name only. Only Zimbabwe, South Africa, Nigeria, Kenya and Swaziland had more than 50 companies listed in 1995. Nigeria with more than 200 companies listed is the largest outside of South Africa. However its total capitalization amounted to only 0.1% of its GDP compared to 90% in Malaysia. Moreover, the vast amount of foreign portfolio equity capital was flowing to South Africa (94% of the total to sub-Saharan Africa in 1995) (Stein, 1999).

Africa has also been missing the large expansion of international trade. SSA's share of global merchandise exports has fallen from around 4.5% in 1980 to around 1.4% in 1998. Its contribution to global manufacturing was a mere 0.3% in 1995. The problem is not only in relative terms to the rest of the world but in absolute terms. In 1998 SSA merchandise exports in nominal <u>not real</u> dollar terms were actually 5% below the level of 1980. Unlike much of the rest of the world the exports relative to GDP ratio has actually declined by an average of 1.4% in the 1980s and 0.8% in the 1990s. What is particularly interesting is the structure of merchandise exports. In 1983, less than 10% of exports from SSA (excluding South Africa) were of manufactured goods. In 1997, the figure was still below 10%. This is a remarkable indictment of the orthodox policies of the IMF and World Bank, which has emphasized static comparative advantage and limited the ability of African countries to move up the industrial ladder. In contrast, East Asian and Pacific countries' exports of manufactured goods went from 52% to 78% of total merchandise exports over the same period. The advantages of export diversification and moving into manufacturing is significant not only in the domestic economy but also in international price movements.

Terms of trade for Africa have been declining at a terrible rate in the past 15 years. The average annual declines were -6.2, -2.5 and -3.2 respectively for the periods 80-85, 86-90, and 91-95. In sub-Saharan Africa the net barter terms of trade fell by 41% between 1980 and 1998. In contrast the terms of trade in East Asia and the Pacific have been generally rising. Arguably the very act of flooding the world with resources in response to IMF pressures has a fallacy of composition affect which has exacerbated the export position of resource producing countries. This is particularly acute with low demand elasticity commodities like beverage crops in which African countries control a large market share like beverage crops (World Bank, 1999, 2000b; Stein, 1999).

The relative decline in the terms of trade in Africa is also directly related to the shifting nature of global production. The emphasis on raw material and primary product exports is very problematic in an era which knowledge becomes a larger proportion of the value added of commodities. Advances in biotechnology and material sciences are leading to syn-

thetic substitutes for primary products such as vanilla and sugar. Products such as cocoa and palm oil are also being challenged by Western firms as they undertake genetic research to develop outright synthetic substitutes or alternatives methods of production. On the demand side, the usage of resources like copper is being replaced by optical fibres or microwaves putting downward pressure on prices. Processing which would provide employment opportunities and to African economies is discouraged by tariffs and other forms of protectionism which tend to be at higher levels relative to unprocessed commodities (Adesida, 1998).

The poor performance on the export side of manufacturing is also reflected in the production side. Between 1980-93 manufacturing in sub-Saharan Africa increased by only 0.9% per annum compared to the pre-adjustment decade of the 70s when it increased by a reasonable 4.3% per year. SSA industrial expansion was also an anemic 0.9 per annum between 1990 and 1998 (World Bank, 2000b; Stein, 1999).

Relative to previous periods the era of adjustment has not been a positive one. Participation in the era of information technology is contingent on basic technological literacy. The starting point must be education. One of the most striking manifestations of the profound and protracted social crisis in the era of adjustment in Africa is the plummeting primary enrollment rates. After independence SSA enrollment rates (excluding South Africa) soared for female children from 30% in 1965 to 67% in 1980. For male children over the same period the increase was from 52% to 87%. By 1994-96 the figures had fallen to 64% and 80% respectively. In some countries such as Tanzania the fall has been precipitous with declines of 23 and 32% in female and male enrollment rates over this period (World Bank, 2000b; Stein, 1999). The decline in Africa is due to a variety of factors including the pulling of children out of schools to support family income strategies in the informal sector after layoffs in the formal sector; the introduction of user fees in education; the cutback in the 80s on spending in education by many African governments partly in response to IMF credit and deficit targets and the lack of hope in the formal economy for educated graduates has created a demonstration effect due to a paucity of jobs.

Other vital elements of participation in the information technology revolution are seriously lacking. Africa's institutions of research and development and higher learning have seriously eroded in recent years with irregular payments of staff salaries and poor and inadequate staffing. Salaries themselves have fallen seriously behind those paid in areas like finance where short-term profits have been boosted by speculative and arbitrage activities arising in the wake of liberalization (Stein et al., 2001, in press). The funding crisis has also led to a serious deterioration of infrastructure. In an era where the supervisors of the Bank and Fund frown upon any form of state intervention virtually no country in Africa has a science and technology policy. Funding for research and development is very tiny by world standards. Expenditures on science and technology research and development were reported to be only 700 million dollars in 1990 which was 0.004 percent of the total GDP for sub-Saharan Africa which is a small fraction by world standards (Abiodun, 1998; World Bank, 1992). India by contrast invested 1% of the GDP in R&D in 1990 (Lall, 1996). The national science and technology population was also very tiny by world standards with all African countries falling in the lower range 0.05 and 0.4 per 1000 population compared to a world average of 0.8 per 1000 between 1988-1995 (Abiodun, 1998).

Other more common indicators indicate that SSA has not done well in the era of adjustment and globalization. Gross domestic savings and gross domestic investment have both deteriorated and have fallen between 1980 and 1998 from 28.5 to 14.8 % and 20.2 to 17.8%, respectively. These are far below what is needed for a sustained improvement in the standard of living. They are also the lowest regional figures in the world (World Bank, 2000a, 2000b). Not surprisingly GNP has not kept up with population growth. Between 1965-73 per capita GNP grew by a comfortable rate of 2.9% per annum, falling to only 0.1 percent from 73-80 before finally plummeting to -1.2% from 1980-91. The figure for 1985-95 is a similarly depressing -1.1% per annum (Stein, 1999). In real per capita income terms the 1998 level was 22% below 1980 (World Bank, 2000b). The result was a decline in basic human needs. Daily calorie supply per capita in 1997 was below the 1970 level which is nearly 16% below the average for all developing countries and the only region that has seen a decline over the period (UNDP, 2000).

THE DEVELOPMENTAL CRISIS

From the above statistics it is evident that Africa is mired in a developmental crisis. This is not a crisis in financial terms as is commonly used but one that is of a profound nature and associated with the incapacity of an economy to generate the conditions that would improve the standard of living for the majority of its population. Identifying trends says nothing about causal factors. There has been considerable debate concerning the role that adjustment has played in some of these negative economic trends. In general our reading the literature indicates that there is no consistent evidence that adjustment has improved conditions in Africa and some indication that it might have weakened some of Africa's structural weaknesses (Stein, 1999). Where did these structural weaknesses come from? The antecedents of the crisis begin with the colonial period.

THE ANTECEDENTS OF CRISIS: THE COLONIAL PERIOD

The consolidation of territory

The history of colonial Africa is enormously diverse. It involves the presence at various stages of eight mostly European countries. In 1879, Portugal, Britain and France had rather minimal largely coastal settlements in Sub-Saharan Africa. Most colonies were linked to the strategic control of parts to both service the flow of trade to India and the Orient and the trade of the African goods. North Africa was still dominated by the Ottoman or Turkish Empire. By 1891 we had both the entry of new European countries into the fray, notably Germany, Italy and Belgium which indirectly controlled the Congo as a venture of King Leopold of Belgium and the expansion of coastal colonies into the interior often via the granting of territorial rights to large private monopoly companies (eg. British South Africa Company, Royal Niger Company, British East African Company, Deutsche Kolonial Gesellschaft für Süd West Afrika etc.).

By 1914 many of the African countries boundaries of today were set in place as former charter held territories were formally incorporated into colonies. The major shift in 1914 was Germany's loss of its territories after World War I as part of the Versailles treaty. Under the

League of Nations Mandate Kamerun was divided between Nigeria under British control (20%) and French Equitorical Africa. Togo was also divided along similar lines with the British mandated territory put under the administration of the Gold Coast and the French under French West African control. South-West Africa was mandated to the comparatively new Union of South Africa and German East Africa was divided between Belgium (Rwanda and Burundi) and British control (Tanganyika).

Given the limitations of space, it is not possible to do justice to the nuances associated with the different priorities, policies and structures of all of the colonial administrations. The primary focus is to bring out the overt legacy of the colonial period. In particular, how did colonialism shape both the pre-colonial economic structures and in turn influence the economic character and choices of the post-colonial period. My interest here will be in the contribution of the colonial period to the anatomy of the crisis of the post-colonial era.

Economic legacy of colonialism

The impact and nature of the colonial regimes showed considerable variations. France, Belgium and Portugal emphasized direct rule while Britain relied on indirect rule often through native authorities. In British and Belgian colonies there was more reliance on education in local languages while in French colonies the emphasis was on training in French. Education in Belgium was quite practical while the British and French schools were more generalized with an emphasis on the humanities. The aim of education in both British and French colonies was to train the local population for administrative or tertiary employment as clerks, interpreters, nurses or teachers. In Portuguese colonies education for the local population was very rare and uneven. In terms of development, France spent about 24 times as much as Britain between 1880 and 1914.

The monetary systems also differed. All British territories needed to cover local currency issues with 100% reserves in London. Thus the money supply was captured by the balance of payments whereby local currency boards could only expand and contract the money supply in line with surpluses or deficits on trading accounts (not unlike today's currency boards in places like Argentina and Hong Kong). France after World War II set up a new CFA (Colonies Francaises d'Afrique) franc which was freely exchangeable with other currencies. There were no comparable reserves in France although the central agency located in France had the authority to closely control monetary allocation throughout the colonies. At independence, the former French colonies maintained the CFA system whereas the former British colonies created their own central banking institutions with the power to expand the money supply (with some obvious consequences).

Despite these differences, there was a remarkably common legacy from colonialism. Let me discuss a few of the important ones:

1) A lack of the infrastructure and the infrastructure created did little to encourage internal exchange or development.
2) Little investment in the local population in terms of health and education leaving the newly independent government with huge social expenditure requirements.
3) A wide antipathy for local commerce limiting business opportunities among the indigenous population. In some cases extensive laws were passed prohibiting economic activi-

ties of the local population. Entry of commercial groups of external origins was encouraged including groups such as Lebanese and South Asians.

4) Little investment in agriculture. Relying on small scale producers using little or no new technology and therefore doing little to alter the structure of pre-colonial agriculture. At the same time small scale producers were increasingly incorporated into world agricultural markets which subjected them to the vicissitudes of global prices.

5) Extensive state control of commerce including agricultural marketing boards due to the pressure on colonial states to be financially self-sufficient.

6) Virtually no attempt to create manufacturing or industry. Instead the emphasis was on enclave forms of investment like mining which had few linkages to the surrounding economy.

There are some exceptions to this legacy. In particular countries like South Africa, South Rhodesia and Kenya did have a different pattern owing to a large settler population, which put pressure on colonial regimes to alter this somewhat. However, these were exceptions. Let me provide a few country-specific examples to illustrate this legacy.

Infrastructure

Some economic historians have referred to the colonial railroad system as "dendritic"-a leaflike system originating from the main outlets of international trade into the African interior with few if any links between the interior regions (Austin, 1987, p.127). Map one in the appendix shows the pattern of railways inherited from the colonial period. It clearly illustrates this characterization with the exception of South Africa. For instance on examining the railway running from Lobito into Angola (built in 1928), we can see a single line running into the Belgium Congo aimed at only one purpose, access into the copper producing region of Katanga. Railroads dominated the transportation in colonial Africa with a number of consequences. First much of the railroad development was undertaken with direct or indirect participation of the state. This saddled the state with a heavy financial burden of mostly foreign exchange debt which was paid for by taxing the local population and encouraging the production of cash crops to earn foreign exchange (more on this below). This to some extent precluded other perhaps more developmental economic activities.

Second, the capital-intensive lumpy nature of the operations and building of railroads precluded direct participation by Africans. The backward linkages for the local economy were minimal. Locomotives, rolling stock, rails etc were all manufactured in Europe. Skilled workmen and engineering firms were all imported. One of the motivations for undertaking the railroad was to increase employment in capital-intensive industries in the home country while conveniently leaving the debt burden with the colonies. The unskilled labor was often coercively recruited from the local population with little regard to its impact on agricultural production and frequently subjected to brutal conditions while employed. The worst case was the French Equatorial Congo-Ocean line, which took 12 years to build (1922 to 1934). Workers were kept in camps for extended periods under radically different climatic conditions without adequate nutrition, health care or shelter leading to death rates approaching epidemic levels (Austin, 1987, pp. 128-129).

By contrast choosing to build roads would have provided more opportunities for capital accumulation and participation of Africans in various forms of motorized transportation. The paucity of roads built during the colonial period in Africa is even more remarkable when compared to some Asian countries. In 1952, for example, Taiwan already had 434 meters of high way per square km. In contrast Cote d'Ivoire in 1990 had 165 meters, Nigeria 134 and Kenya only 94 (Brautigam, 1995, p.155). Thus the huge deficit after the colonial period in Africa was not made up 25 to 30 years after independence, with consequences to among other things, the loss of significant forward linkages.

Paucity of Social Investment

In 1933 in Tanganyika the educational system under a strictly segregated regime, had space for 51% of Europeans of school age, 49% of Asians and only 1.84% of Africans of school age. Almost all education of Africans was restricted to primary school level. By 1938 the number enrolled had increased to 11% of African boys and 4.3% of African girls ages 6 to 18. Only 1174 were in English primary schools with a mere 82 above the primary school level (Central Education Report, 1939). The orientation of this school system was aimed a training clerks for government service. A quote from a 1939 education report, taken from the Rhodes House archives is quite instructive:

> The present course is designed to train clerks for government service; it includes neither commercial practice nor shorthand. We consider that the course would be of greater value to the African if a commercial course was substituted for the present one. The system of accounts and correspondence, which is in use in government offices, is simple, but the requirements of commerce demand a wider and more particularised knowledge. It should not be difficult for a clerk trained to commercial practice to adapt himself to government office routine: the reverse is more difficult. (Central Education Report, 1939)

Thus education did nothing to assist in the development of skills for African entrepreneurship. By independence little had changed. In 1965, only 32% of school age population was enrolled in Tanzania. The pattern was quite similar in most of Africa as seen in the table below.

Table 1. Children attending school during the 1930s

Colony	Estimated population	Year	Attendance in primary school	Attendance in secondary school
Belgian Congo	11,000,000	1935 (part enumerated, part census)	716,857	7,540[a] (1946)
Angola	2,600,000	1930/1 (estimated)	6,537	[b]
Nigeria (northern provinces)	11,500,000	1931 (census)	25,067	
Nigeria (southern provinces)	8,630,359	1931 (census)	267,788	[c]
French West Africa	14,575,973	1931 (census)	60,000	600

Source: Crowder, 1970

[a] In this year there were no secondary schools as such, but some post-primary education was given at a few of the primary schools. Two-thirds of the pupils at primary schools attended mission schools, which received no subsidies from government.

[b] There was, for instance, an advanced lycée at Luanda to which assimilated Africans and métis were admitted.

[c] The figure given does not differentiate between students in different types of schools.

Examples from territories of all four colonial powers illustrates the very low percentage of the population enrolled in primary school with the British colony of Northern Nigeria and the Portuguese colony of Angola faring the worst. This translated to very low spending on Africans compared to the rest of the White and Asian populations. For example, in Kenya, the colonial government spent five times more on white children compared to Asians and 33 times the level of expenditures on Africans. In health there was a similar pattern. For example for all of French West Africa in 1946, with a population of more than 16 million, there were only 152 medical centers 253 dispensers, 170 European doctors and 335 African doctors (Nafziger, 1988).

Anti-Commercial Sentiment and Attitudes Toward the African Population

A pattern of paternalism was very widespread among colonial offices as was an anti-commercial sentiment. A quote from the diaries of Philip Mitchell the Secretary of Native Affairs in 1928 in Tanganyika who later became Governor of Kenya in 1944 is quite illustrative.

> …if there is a job I have to do, it is to try in some small degree to help the Africans in their encounter with civilisation rampant and greedy. But whether any single man with little in the way of influence or resources, as I have, can in any degree help to prevent the destruction of a fine race morally and culturally by foreigners in search of profits, I do not know…. if we can control capital to some extent and make development keep pace with the capacity of the people for it. (Mitchell Diary, 1930)

This kind of attitude was a reflection of a upper middle class background, a strong moral and religious anti-materialism and a snobbery toward trade and manufacturing (Erhlich, 1973). There was a view that Africans needed to be protected from the world of commerce. As a result laws which made the lending of credit to Africans illegal in places like Tanganyika (Circular no.31 1919), were aimed at paternalistically protecting Africans from money lenders, but had the perverse effect of limiting African businessmen's access to finance. No such restrictions existed on Asian minorities who came to dominate large segments of the wholesale and retail markets in East Africa. A similar inflow of Levantine settlers entered into French and British West Africa and also dominated middle level commerce. The well-integrated non-European communities effectively impeded potentially upwardly mobile African traders who mostly maintained a petty itinerant trading existence.

Agriculture

In both French and British Africa, the emphasis was to expand cash crop production using existing modes of agricultural organization. To quote from a memo from one British governor in 1925:

> Our first objective is to induce the native in producing something more than the crop of local food stuffs that he requires for the sustenance of himself and his family (Cameron, 1925).

There was initial evidence of wide scale resistance to the growth of a number of cash crops. The worst case was cotton, which depleted soils and directly competed with food production. Colonial regimes used a variety of mechanisms including minimum acreage laws (in cotton's case) and poll taxes (in France it was the mandatory contribution to the Société Indigènes de Prévoyance). Serious research in agriculture was undertaken rather late in the colonial process. The French system under the Recherche Scientifique et Technique Outre-Mer (ORSTOM) wasn't organised until 1943. In Britain the effort was more localized. Centrally allocated funds under the Colonial Development and Welfare Fund amounted to only 6.5% of the total allocation of 24 million pounds between 1940 and 1960 (Yudelman, 1975). Overall much of the increase in agricultural output came from expansion of acreage rather than from large increases in productivity or from major changes in technology. In the case of Nigerian peasant agriculture:

> Beyond offering farmers for their potential surplus production, the foreigner did next to nothing to alter the technological backwardness of the economy... All that he did was to dangle sufficiently attractive prices before the producer's noses to persuade then to convert potential into actual surpluses by increasing their inputs (Helleiner, 1966, p.12).

In this case surplus labor was available from males since women cultivated most food crops and additional acreage was put under cultivation.

Parsimony and Self Sufficiency

From an early stage colonial powers wanted to minimize any financial drain from their coffers. In the French colonies the principle of financial autonomy and self-sufficiency was laid down in the law of 13 April, 1900 (Thompson and Adloff, 1975). From the inception of the British presence in the former German Colony in the 1920's the Treasure cajoled and pressured the British colonial office and the Tanganyika colonial government to balance budgets and cutback expenditures.[3] The parsimony was taken to the point of cruelty. After approving a subvention of 6000 pounds for famine assistance, the Treasury demanded that "every effort be made to recover as much as possible of this from the natives re-

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[3] This is very evident in a large number of letters and documents from the Public Record Office covering the period 1919 to 1923. On the limitations of appointments in Tanganyika see Letter to the Under Secretary of State, from the Treasury 6 August, 1919; On pressure to raise hut and poll taxes and to set fees and charges on all government services see Letter to the Under Secretary of State, from the Treasury 9 October, 1920;and on the freezing of grants-in-aid at half the requested amount see Letter to the Under Secretary of State, from the Treasury February, 1921.

lieved".[4] After 1923/24 the budget was balanced despite a very onerous debt service ratio of 25% of revenue by 1932. The central British government was charging between 5 and 6.5% on accumulated debt which reached nearly 9 million pounds by 1932 (Armitage-Smith, 1932).

The need for self-sufficiency and a pattern of parsimonious expenditures was widespread throughout British Africa with the exception of settler colonies. The ratio of expenditures in Kenya compared to Tanganyika grew from a low point of 1.2 in 1922 to a high of 2.3 in 1955. In general Kenya's government with a similar population as Tanganyika, spent 1.6 to 1.8 times as much in its annual budget[5].

The constant pressure to raise revenues led to highly interventionist state structures aimed at regulating economic activity to extract taxes. The state attempted to direct trade to magnetized controlled markets by organizing official business areas, licensing wholesale and retail commerce, outlawing barter, restricting itinerant traders, regulating agriculture through by-laws and state marketing boards and encouraging cooperatives, to control peasant marketing.[6] These measures impeded the development of indigenous entrepreneurs while leaving a legacy of intervention, which was inherited, by post-colonial states. The colonial period also left a structurally weak economy with little manufacturing and a heavy reliance on cash crop and mineral exports.

Manufacturing and the Structure of the Economy

Table 2 shows how extraordinarily small manufacturing was as a percentage of GDP at the end of the colonial period.

Table 2. Population, income and manufacturing output in selected African countries, 1960

	Population (million)	Gross domestic product ($ million)	Per capita income ($)	Manufacturing production ($ million)	Share of mfg. in GDP (per cent)
Nigeria	40.4	3500	88	157.5	4.5
Ethiopia	20.7	1021	49	61.3	6.0
Belgian Congo	14.1	910	58	127.4	14.0
Sudan	11.8	909	77	43.6	4.8
Tanganyika	9.6	671	67	20.1	3.0
Kenya	8.1	641	79	60.9	9.5

[4]This quote can found in the Letter to the Under Secretary of State, Colonial Office from the Treasury, 9 October 1920.

[5]These are calculated from Mitchell (1982).

[6] McCarthy (1982) discusses many of these for colonial Tanganyika.

Gold Coast	6.8	1503	222	94.7	6.3
Uganda	6.7	583	87	37.9	6.5
Angola	4.8	726	151	31.2	4.3
Cameroon	4.7	511	109	30.6	6.0
Southern Rhodesia	3.6	751	206	120.2	16.0
Northern Rhodesia	3.2	511	155	28.1	5.5
Ivory Coast	3.2	584	181	31.0	5.3
Senegal	3.1	678	218	64.4	9.5
Dahomey (1965)	2.4	175	74	4.6	2.6
Sierra Leone	2.3	316	133	19.9	6.3
Togo	1.6	150	92	6.2	4.1
Gabon	0.4	131	294	8.0	6.1

Source: Kilby, 1975

Note: Manufacturing excludes utilities and construction. All values in U.S. 1964 dollars.

With the exception of colonies with a large settler population, manufacturing was at a very low level in comparison to international standards. Using an equation generated from the regression of a sample of 48 countries by Hollis Chenery and Lance Taylor, all but Kenya, Congo and Southern Rhodesia were well below the norm expected at the level of per capita income (Chenery and Taylor, 1968)

Why was this the case? Dependency economists emphasize the need of colonial powers to keep Africa as a market for exports from their home countries. However, in reality the reason seems more complex. First, manufacturing threatened import tax revenues, which the colonial state relied on to help balance budgets. Import substituting industry was a potential threat to this source of income. Second, many of the basic components for manufacturing were missing (infrastructure, trained labor force etc.), due largely to the parsimony of colonial governments. Third, local demand for manufactured goods was limited by the comparatively low standard of living particularly of peasant based economies. Fourth, in many areas import-export trade was dominated by large monopoly concerns who resisted attempts to introduce policies that would encourage local manufacturing. In French and British West Africa in 1930, 60% of all exports and imports was controlled by four companies, Unilever, Compagnie Française de L'Afrique Occidentale, John Holt and Société Commerciale de L'Ouest Africaine (Kilby, 1975, p.488).

The absence of manufacturing led to a paucity of African entrepreneurs with any knowledge of the ownership and management of industries -a deficit, which was a major handi-

cap in the early economies of post-colonial governments. There was not a single African owned and operated manufacturing company at independence (employing more than 10 people) in Kenya, Uganda or Northern Rhodesia and only five such firms in Nyasaland and Tanganyika. A similar pattern was found in Sierra Leone, Niger and Togo. Only Nigeria, Ghana and Senegal had some African ownership (Kilby, 1975, p.512).

Overall the colonial economies were dependent on one or two crops or minerals for their exports. In 1959, agricultural and mineral commodity exports relative to total exports in ten territories in sub-Saharan Africa were 92.7%.[7] Post-colonial regimes were unable to overcome this inherited structure. In 1970, 92% of sub-Saharan African exports were in primary commodities (fuels, minerals and metal and other primary commodities). In 1991, the figure was exactly the same (World Bank, 1993). As we saw above, manufactured exports were still less than 10% of the total in 1997.

THE ANATOMY OF THE CRISIS: THE FIRST TWO DECADES OF INDEPENDENCE 1960-1980

The post-colonial economy

At independence, the post-colonial governments inherited economies with low levels of education, poorly developed infrastructure, few African entrepreneurs, little technical change in agriculture, undiversified economies with small manufacturing capability, a reliance on a few crops or minerals for export earnings and state structures and policies which were quite intrusive. African governments faced enormous pressures and challenges after independence. The frustration and anger of local populations coalesced into independence movements leading to a very rapid transfer of power. The same anger was rapidly transformed into enormously high expectations and aspirations of the potential of post independence governments. The pressures partially explain some of the bad policy choice of new governments. The rapid pace of independence, and little investment by colonial states in an African civil service, created a large administrative and political vacuum that left the state open to patron-client pressures. Poor policy choices were also due to the impact of prevailing orthodoxy and the character of investment and aid. As we will see in the next section, most of the explanation used to justify structural adjustment focuses on the crisis of the 1970's as a product of an over extended state which created price distortions and displaced the economic activities of the private sector.

Although poor choices were made, the major problem was the paucity of choices available. The choice of policies, at any time can delimit or expand the choices in the future. At independence Africa had a very narrow set of options due to its inheritance from the colonial period. An important variable was the time horizon of government policies. The structural na-

[7] This is calculated from Table 106 in Meier (1975). The territories were Kenya, Tanganyika, Uganda, Nyasaland, Northern Rhodesia, Southern Rhodesia, Central African Federation, Nigeria, Ghana and Congo. With the exception of Southern Rhodesia all of the colonies exported more than 90% of the total in minerals and agricultural commodities. It should be noted the figures used are all from 1959 except for Nyasaland, Northern Rhodesia and Southern Rhodesia, which are from 1953.

ture of African economies dictated the need for a gradual transformation to build the institutions and capacities, which would expand future economic options. Unfortunately political and social imperatives pushed African governments into developing policies within very short time horizons which wasted opportunities, badly utilized scarce economic surplus, and created systemic problems which delimited future options. The problem was not that the state was over extended and prices were distorted as neo-classicals argue but that the state was underqualified and market structures were underdeveloped. In essence getting prices right and less state intervention (the corollary of the neo-classical critique of post-colonial governments) would have done little to address the structural weaknesses of African economies. We can see this by the rather ineffectual impact of two decades of structural adjustment.

Before I begin to layout my characterization of post-colonial policies and economies, let me provide a brief historical introduction to the independence period. This will be followed by an examination of two very divergent cases Zaire and Tanzania. One illustrates an extreme model of patron-client relations, while the other represents a failed attempt to transform economic activity. In both cases, opportunities were lost, choices limited and a crisis ensued.

Historical background to independence

Political Transformation

Map two in the appendix indicates the dates of independence through the 1960s. We can see that most decolonization in Sub-Saharan Africa occurred between 1956 (Sudan) and 1966 (Botswana). The earlier independence period represents the decolonization of French, British and Belgium controlled territory. After 1968, changes are a product of the collapse of dictatorships in home counties like Portugal leading to the settlements with armed local movements and the success of armed conflict in a number of areas including Rhodesia, South West Africa and Western Sahara. With the changes in South Africa, all of the African sub-continent is currently under African governments.

Pressures for Decolonization

There was a confluence of forces that came together in the 1950's to push for decolonization including changes socially, politically, economically and ideologically after World War II . Shifts in geo-politics were important. The two major powers in the post-war period the U.S. and Russia provided pressure on colonial powers. Both were interested in expanding their political domain and influence in new areas, which was somewhat, precluded by existing colonial constructs. In the post-war boom, the resource exports of Africa were becoming more important to world trade. For instance between 1938 and 1952 African trade, excluding South Africa, rose to 5.9% of U.S. and W. European trade from 3.5% (Austin, 1987, p.278). The U.S., in a period of multinational expansion, wanted access to new areas without the constraints of colonial administrations that tended to favor their own home capital.

Additional pressure came from the decolonization in Asia, which provided a powerful demonstration effect. New bodies like the United Nations provided representation to newly inde-

pendent countries (who were strongly anti-colonial) and a forum for voices of the leaders of African nationalist movements.

The cost of maintaining colonies was rising with the increasing strength of local opposition. Violent outbreaks were becoming evident. Examples occurred in Madagascar in 1944, Kenya between 1952 and 1956, Cameroon between 1955 and '58, Ivory Coast between 1949 and 51 and Guinea between 1951 and '56. The most extreme case was Algeria, which at one point in the 1950's had 500,000 French troops battling Algerian nationalists. While nothing like that occurred in other parts of Africa, it altered the whole framework used to conceptualize the costs and benefits of maintaining colonies.

What is important to emphasize here is how rapidly attitudes shifted and how completely ill-prepared colonial regimes were for the independence period. In a famous resolution passed at a 1944 Conference in Brazzaville on the future of French territories the certainty of unwavering control was expressed:

> "The aims of the civilising labours of France in the colonies exclude all possibilities of development outside the French imperial system. The eventual formation even in the distant future of self-government in the colonies, must be excluded" (quoted in Young, 1970, p.452).

In 1956, when Professor A. Von Bilsen proposed a thirty-year plan for the emancipation of the Belgium Congo, he was laughed at for being too optimistic! Four years later they were independent. The absence of a stable African civil service was one of the great tragedies of the colonial period.

The post-colonial state, identities and the civil service

Its poor preparation for independence left a vacuum in the middle and upper levels of government. Positions were filled not in a manner that enhanced capacities but from political and social pressures and priorities. A few statistics illustrate the character of the civil service in the late colonial period. In the Ivory Coast in 1956, there was not a single African in a senior administrative position. In 1948, in all of Nigeria there were only 182 Nigerians in the senior civil service. In the Congo, in 1960, the first year of independence, there were only three Africans in the top three categories of the civil service compared to 4,742 Europeans (Young, 1970, pp.494-495).

With the exception of Hastings Banda in Malawi and Felix Houghouet-Boigny in Ivory Coast, newly formed African governments succumbed to pressures to rapidly Africanize civil services after independence. Adedeji (1981, p.30) estimates that between 100,000 and 200,000 expatriate-held posts were Africanized between 1958 and 1968. The positions sought were extremely lucrative, since the salary structures inherited from the colonial period, which were aimed at maintaining a Western life style, were largely kept in place. In 1963-64 Kenya, Tanganyika, Nigeria and Uganda had top civil service salaries to per capita GDP ratios of 82 to 1, 96 to 1, 118 to 1 and 130 to 1, respectively.

The temptation for utilizing the expanding opportunities in the civil service for political purposes was too great, particularly in a climate of eroding professionalism due partially to rapid Africanization. Membership in KANU (Kenyan African National Union) became an important vehicle for the attainment of bureaucratic positions in Kenya during the sixties. Political inter-

vention and patronage were present in almost every African State. This was worsened by a number of factors.

First tribal identification in Africa frequently overwhelmed other concatenating ideologies due to a number of reasons. The formation of new classes (eg. proletariat, bourgeoisie) with new forms of identification and economic demands was weak due to a lack of development under colonialism. In addition tribalism was heavily promoted and developed under colonial regimes through the integration or creation of tribal hierarchies as part of the network of colonial rule. In some cases (such as the Tutsi in Burundi-Rwanda) some tribes were artificially created and favored relative to other groups creating enormous resentment. In other cases historical antipathies existed prior to the colonial period, which didn't disappear under colonialism (Shona and Matebele in Zimbabwe). With the successful drive to independence, the one concatenating demand of various local groups under colonial rule disappeared, laying bare underlying differences.

A second factor partially linked to existing cleavages was the instability of political regimes. Between independence and 1984 there were sixty successful coups in 46 countries in sub-Saharan Africa. Given events in countries like Liberia, Sudan, Somalia, Sierra Leone, Burundi, Rwanda, Nigeria, etc. it would appear that the pattern of military intervention has not altered. Part of the problem has been a lack of an institutional tradition of democratic transformation and the concentration of military recruitment during colonial times in one or two ethnic groups. Only a handful of leaders have voluntarily left power in the post-independence period (Nyerere of Tanzania, Kaunda of Zambia etc.). I don't want to dwell too long on the political aspects of post-colonial history but instead would like to raise the issue of state formation under capitalism.

The state and the economy: two polar examples

Max Weber (1968) points to five aspects of a bureaucracy needed to support the development of modern capitalism:

1) defined fixed jurisdictions for each public office
2) the placing of offices in hierarchical order
3) the promotion and hiring of employees based on their technical abilities and training
4) the separation of private and public activities by members of public bureaucracies
5) the treatment of employment in public offices as a full-time position

The Case of Zaire

It is obvious from the description above, that post-colonial African states had few of the elements associated with a bureaucracy, which could support modern capitalism. The implications can be easily seen in the most extreme example in Africa, the rule of Mobutu Sese-Seko in Zaire. In 1965 Mobutu, in a coup, began to personalize his rule by making administrative appointments based not on technical criteria, but in developing patron-client relationship.

In 1973, he took it one step further by a wide-scale Zairianisation of private property. Between 1,500 and 2,000 enterprises were taken from their non-Zairean owners and simply

given to members of the state. The consequences were economically disastrous. While there was some return of businesses to owners in 1975, many of the surviving businesses took on their "political" owners as partners linking themselves systematically into the network of patron-client relationships.

The character of the Zairean State was obviously in conflict with all five Weberian principles, with debilitating consequences economically. GNP per capita fell by 4.7 % per year between 1973 and 1980 and by 2.5% between 1980 and 1987. Only Uganda under Idi Amin and Angola, which was in a civil war, had worse performances in all of Africa. The result was no significant structural transformation. In 1965 92% of all exports were in minerals and other primary commodities. In 1980 and 1987, the figure was 94% (World Bank, 1989).

The question one needs to ask is with a professional state and a significant African business class supported by state institutions would Mobutu have been capable of personalized rule through the building of patron-client network. It is doubtful. In the absence of countervailing ideologies, classes and institutions, Mobutu, using ethnic support and loyalties (inside and outside the army) was able to construct his system with comparatively little resistance. Unfortunately the paucity of institutions and capacities created a regime which precluded the very policies needed to build those capacities and institutions.

The Case of Tanzania

Ethnic loyalty and military invasion were not evident in every African country. After independence in 1961, Tanzania attempted to build a mixed economy. Industrialization was to be undertaken by foreign capital using a series of incentives and guarantees against nationalization. The civil service was to be Africanized with carefully defined terms and responsibles using pay structures more in line with local economic conditions.

British judges, civil servants and schoolteachers were encouraged to stay after independence. The structure of plantations and settler farms was to be continued in parallel with small-scale peasant production. Although retail and wholesale trade was dominated by Arabs and Asians, commercial ownership and distribution was to remain untouched.

All of this began to unravel between 1962 and 1967, when the government nationalized the major foreign businesses in Tanzania. What happened? Many of the factors I described above came into play. The creation of an African elite linked to colonial state institutions led to skepticism about the capacity of relying on the private sector. There was little resistance from indigenous capital (which was weak for reasons described in the previous section). In the 1963 cabinet, only one Tanganyikan Minister had a business background. Their skepticism was supported by the large-scale departure of settlers from agriculture (taking extensive sums of scarce capital with then) and the failure of foreign capital to response to incentives. Meanwhile there was pressure from labor to rapidly Africanize the civil service. In 1964, an army mutiny to demand higher pay and replacement of their British Officers by Tanganyikans put additional pressure on the state. The antipathy toward the continued dominance of trading by Asians and Arabs in the post-independence period led to the expansion of state participation in trading through the formation of the Regional Trading Corporation. The states monopoly in coffee and cotton marketing, which was inherited from the colonial government, was extended into other cash crops. Parastatals, which

were also present during colonial times, expanded rapidly in the wake of the Arusha Declaration of 1967. Between 1969 and 1971 employment more than doubled from 39% of the private sector level to 89% (Stein, 1985).

The most rapid expansion of assets was in manufacturing. The government, mostly using a combination of agricultural surplus and foreign aid attempted to expand import substituting and agriculture processing manufacturing. The result was largely disastrous. Many of the projects undertaken used foreign aid tied to the import of capital-intensive technology and the long-term use of imported spare parts and raw materials. High levels of local consumption of newly produced goods and high capacity utilization were frequently built into the assumptions of cost-benefit evaluations (in studies often undertaken by the World Bank who in the 1980s hypocritically criticized Tanzania's strategy).

The inevitable vagaries of cash crop earnings (worsened by poorly run marketing boards) combined with much lower actual consumption levels than projected, created a crisis. Foreign exchange for running the industries was neither sufficiently saved nor could the earnings from cash crops could support the industries. Poor state management, political intervention and expensive management contracts exacerbated the situation when foreign capital was employed leading to large losses and the collapse of many companies.

In agriculture, as in colonial times, there was little technical transformation with the government relying on acreage expansion to increase output. The result was a deteriorating economy, which led to the crisis of the 1970's and early 80's. There was little transformation of the economy inherited from the colonial regime. GDP per capita fell by 0.9% per year between 1973 and 1980 (World Bank, 1989).

The legacy of the early post-colonial period

I have sketched out two polar examples that tend to present the range of extremes in African countries. One has laid the foundation of a period of protracted civil war that has followed the post-Mbutu period. The other country has experienced relative peace, but not one with a great deal of economic prosperity.

In summary the legacy of the early post-colonial period would include:

1) Bureaucracies often expanding based on politics not professionalism.
2) States with a general antipathy for the private sector or ones where patrimonialism greatly affected the character of the private sector. Both greatly weakened the group.
3) State owned or partly owned industries that relied on aid frequently tied to technology from developed countries with high import coefficients and little linkage to local capabilities.
4) Little investment in infrastructure and minimal alteration in the pattern of colonial transportation inherited at independence.
5) Little technological transformation of agriculture with a heavy reliance on acreage expansion rather than technology for increased output.
6) Overall, African governments did little to structurally transform their economies or to encourage private sector indigenous accumulation to overcome the weaknesses inherited at independence. However, there were improvements up to 1980 in some coun-

tries in the provision of social goods, education and health care. Savings and investment did rise particularly in years when prices for export commodities increased. Unfortunately this was frequently reversed when the opposite occurred.

This created the anatomy of the crisis, which Africa was already in at the end of the decade of the 1970s and the beginning of the two decades of the neo-liberal experiment with adjustment. However, structural adjustment, despite its name, has also not transformed the basic structure of economic activity.

ADJUSTMENT AND THE CRISIS OF ADJUSTMENT

The major crime of adjustment is not that it has created Africa's problems but that it has been incapable of dealing with the myriad of challenges faced by the continent. The reason is basically theoretical. The neo-classical microfoundations, associated intermediate propositions, and the theories based on these foundations and premises have led to serious misinterpretations of Africa economic problems in a number of areas. The SAP approach to development of Africa is replete with inaccuracies and failures. In addition, there are theoretical inconsistencies and tensions between the various components of adjustment that detract from their ability to produce the results that were intended (Stein and Nissanke, 1999).

As discussed, the problems of African economies can be linked to their endemic structural weaknesses. The structural conditions affecting the balance of payments create a very precarious situation. On the export side, most African economies are still uncomfortably dependent on a very limited number of primary commodities - unprocessed agricultural and mineral products-vulnerable to the vicissitudes of externally determined prices and quantities demanded. On the import side, whilst their import capacity has dwindled, the import dependence of African economies remains high. First, agricultural production in Africa has not benefited from any major technological break-throughs (like the "green revolution"). With rapid population growth, dependence on food imports has increased, rising to one-third of domestic food production in recent decades. Secondly, largely as a result of the tied nature of foreign aid, the pattern of industrialization has created an industrial and manufacturing sector with high import dependence for both inputs and technology.

These structural features have made African economies extremely vulnerable to external shocks. A narrow tax base for raising revenue means that the internal fiscal balance and external trade balance are closely linked and both are exposed to the high volatility of commodity prices and the long term tendency of their terms of trade to decline. The scale of required adjustment often has far exceeded the capacity of these economies to adequately absorb them through aggregate demand management. Since world commodity prices exhibit not only declining long-term trends but also extreme fluctuations, commodity-dependent economies have been forced to implement short-run stabilization policies on a perpetual basis (Nissanke 1993). The imperatives of stabilization have, as a rule, taken precedence over development. It has been very hard for these low-income countries, with their fragile structure and production capacity, to absorb huge terms of trade shocks and at the same time to generate resources for investment. In the era of structural adjustment, African governments have been preoccupied with the ever-elusive goal of macrostabilization precisely because the economies have been structurally weak (Stein and Nissanke,

1999). What is needed is a vision for the future, which will provide a guide for the transformation of economies along a path that will be developmental. Stabilization in the sense of the ability to manage internal and external shocks is a product of and embedded in the growth of development and the development of growth.

Unfortunately the theory underlying adjustment is incapable of understanding how to structurally transform these economies. The focus of neo-classical microfoundations, which underlie adjustment, is on nominal variables or legally defined categories (in its broader definition). The focus on marginal changes in response to correct prices where money supply and property rights are legally defined to enhance efficient decision making has been the major preoccupation of orthodox reform in Africa. However, in African economies lumpy institutional, organizational, and structural factors must be proactively transformed for the promotion of economic growth. In contrast orthodox policies aim at creating neutrality so that private agents are free to undertake their optimal decisions. Additional failures are linked to the spatially and temporally static nature of the neo-classical microfoundations. Adjustment has focused on removing distortions to create a state that is optimal and in equilibrium. However, development is a dynamic process involving change over time. The adjustment policies in Africa have been preoccupied with macroeconomic stabilization, constraining government spending and money supply to maintain ever-elusive momentary macrostability (as discussed above). The tie between this static state and the dynamic world of development, which involves the transformation of the polity, economy and society, cannot be properly addressed using neo-classical microfoundations. Since there is no relationship between momentary equilibrium and a future point in time and space, adjustment must rely on an axiomatic belief that price stability and government constraint will be conducive to a rise in private investment and an increase in the standard of living.

BEYOND THE AFRICAN CRISIS

The agenda to go beyond the African developmental crisis is challenging and diverse and should include:

1) Using a broader array of economic tools (beyond narrow neo-classical models) including institutional economics, to generate a strong theoretical basis for new policies.
2) Improving the capacity of African states to mount development strategies, which put in place operational medium and long-term policy frameworks.
3) Drawing on lessons of policy, liberalization and technology development from other regions.
4) Building and fostering private sector development in Africa, with a particular emphasis on promoting competitive industrial development and encouraging modern SMEs.
5) Revitalizing agricultural growth.
6) Developing a modern service economy, including information based activities.
7) Promoting infrastructure investment.
8) Attracting FDI into not only extractive activities but more productive activities.
9) Investigating mechanisms to extend communications between the state and businesses including private-state joint committees in priority sectors.

10) Examining alternative approaches to improving technical education.

CONCLUSIONS

The paper traces the genesis of the economic crisis in Africa. While many authors including World Bank sources have focused on the early post-independence to explain the crisis, the paper takes a much longer historical view. The key is to focus on the structural and institutional nature of the colonial economy inherited at independence.

The paper begins with a statistical summary of the performance of African economies in an era of globalization during the adjustment period (post 1980). It then examines the nature and impact of colonial economic policies and strategies. Post-colonial governments inherited economies with low levels of education, poorly developed infrastructure, few African entrepreneurs, little technical change in agriculture, undiversified economies with small manufacturing capability, a reliance on a few crops or minerals for export earnings and state structures and policies which were quite intrusive. The paucity of well-trained local professional civil servants led to a rapid indigenization of the state, which was frequently infused, with political and other non-professional motives. Governments were seldom committed to fostering private sector development and laying a strategy that could overcome the structural weaknesses of their economies.

The period of adjustment has at best been disappointing. For very clear theoretical reasons neo-liberal policies sponsored over the past two decades by multilateral and bilateral sources of aid are incapable of dealing with the myriad of institutional and structural challenges that are needed to overcome Africa's developmental crisis. The final section of the paper briefly outlines some of the issues that need to be examined to generate an alternative strategy. More than ever, African governments are looking for fresh approaches to reverse their endemic and protracted social and economic crisis.

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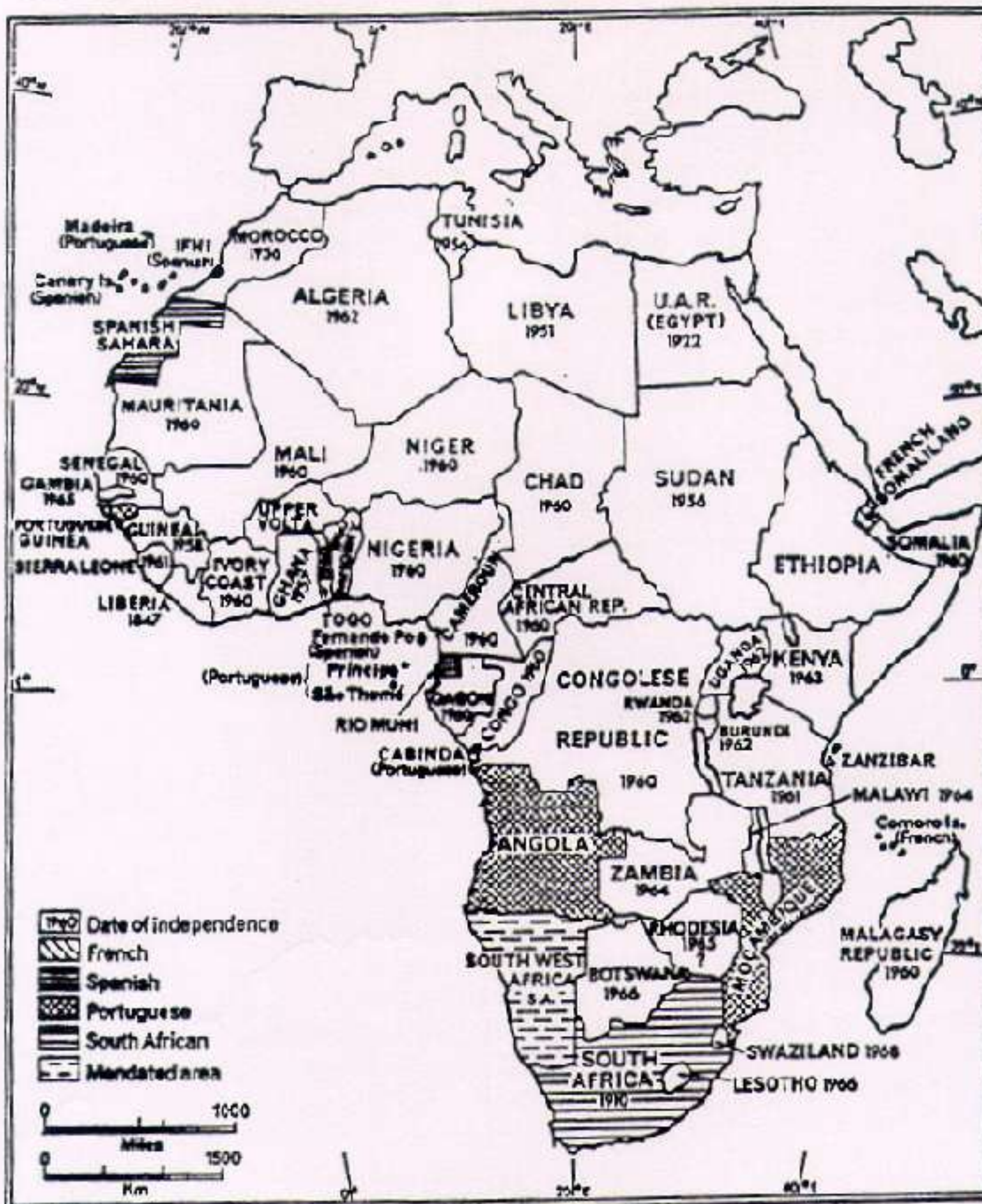
APPENDIX
MAP ONE
RAILWAYS IN AFRICA, 1960

SOURCE: Duignan and Gann, 1975

MAP TWO
DECOLONISATION IN AFRICA



SOURCE: Young, 1970