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THE AFRICAN CRISIS

World Systemic and Regional Aspects

Over the last quarter of a century, the African crisis of the late 1970s has been transformed into what has aptly been called the 'African Tragedy'.[1] In 1975, the regional GNP per capita of Sub-Saharan Africa stood at 17.6 per cent of 'world' per capita GNP; by 1999 it had dropped to 10.5 per cent. Relative to overall Third World trends, Sub-Saharan health, mortality and adult-literacy levels have deteriorated at comparable rates. Life expectancy at birth now stands at 49 years, and 34 per cent of the region's population are classified as undernourished. African infant-mortality rates were 107 per 1,000 live births in 1999, compared to 69 for South Asia and 32 for Latin America. Nearly 9 per cent of Sub-Saharan 15 to 49-year-olds are living with HIV/AIDS—a figure that soars above those of other regions. Tuberculosis cases stand at 121 per 100,000 people; respective figures for South Asia and Latin America are 98 and 45.[2]

The main purpose of this essay is to recast this transformation in world-historical perspective, locating Sub-Saharan Africa's experience within the broader bifurcation of Third World destinies that has taken place since 1975. This recasting, in turn, serves a double purpose. On the one hand, it is meant to assess the extent to which the crisis and tragedy could have been foreseen using the particular variety of political economy that John Saul and I introduced in the late 1960s.[3] On the other hand, it will seek to remedy what in retrospect seem to me the most glaring deficiencies, not just of our ('old') variety of political economy, but also and especially of the 'new' variety that rational-choice theorists and practitioners introduced in the 1980s in response to the crisis.

I shall proceed as follows. I first lay out the main theses that Saul and I advanced before the crisis set in, and compare these with the claims of the 'new' political economy. I then analyse the stylized facts of the African crisis to show that the years around 1980 constitute a major turning point in Sub-Saharan fortunes in the global political economy; and offer a first-cut explanation of it focusing on the radical change in the overall context of Third World development that occurred between 1979 and 1982. In the final sections of the essay, I move to a second-cut explanation, which concentrates on the extremely uneven impact of this change in global context on different Third World regions, paying special attention to the sharp contrast between the fortunes of Africa and East Asia; and conclude with a brief assessment of what African elites and governments could have done to avoid the African tragedy or to neutralize its most destructive aspects.

1. Political economy of Africa, 'new' and 'old'

Over the last twenty years the dominant interpretation of the African crisis has traced it to an alleged propensity of the elites and ruling groups of Africa for 'bad policies' and 'poor governance'. The definition of these, as well as the reasons for the alleged African addiction to them, has varied. But the idea that the primary responsibility for the African tragedy lies with African elites and governments has been common to most interpretations. As we shall see, in recent years this idea has been challenged by some authoritative investigations of the determinants of economic performance in Third World countries. This

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[1] This paper—first presented at the conference on 'The Political Economy of Africa Revisited', Institute for Global Studies, Johns Hopkins University, April 2002—originates from a joint project with John Saul, aimed at evaluating our writings on the political economy of Africa thirty years after their publication. In preparing this version of the paper I greatly benefited from the assistance of Ben Brewer, Jake Lowinger, Darlene Miller and Cagla Ozgur, and from comments on earlier versions by John Saul, Beverly Silver and José Itzigsohn. The term 'African Tragedy' comes from Colin Leys: 'Confronting the African Tragedy', NLR I/204, March–April 1994, pp. 33–47.

[2] See UN Development Programme, *Human Development Report 2001*, pp. 144, 165, 169. The figures in this report are drawn from the UN, WHO and FAO.

[3] This was done in a series of articles later collected in *Essays on the Political Economy of Africa*, New York 1973. In that collection, as in this paper, 'Africa' refers to Sub-Saharan Africa.

challenge, however, has remained implicit and has had little impact on the dominant view of the crisis.

The most influential text in launching the standard interpretation was a World Bank document of 1981, known as the Berg Report.[4] Its assessment of the causes of the African crisis was highly 'internalist', sharply critical of the policies of African governments for having undermined the process of development by destroying agricultural producers' incentives to increase output and exports. Overvalued national currencies, neglect of peasant agriculture, heavily protected manufacturing industries and excessive state intervention were singled out as the 'bad' policies most responsible for the African crisis. Substantial currency devaluations, dismantling industrial protection, price incentives for agricultural production and exports, and substitution of private for public enterprise—not just in industry but also in the provision of social services—were singled out as the contrasting 'good' policies that would rescue Sub-Saharan Africa from its woes.

The diagnoses and prognoses of the Berg Report converged with those of another highly influential text also published in 1981—Robert Bates's *Markets and States in Tropical Africa*, which rapidly acquired classic status as an exposition both of the 'new' political economy and of the perils of state intervention in underdeveloped countries.[5] In Bates's view, state officials in newly independent African countries used the powerful instruments of economic control that they had inherited from colonial regimes to benefit urban elites and, first and foremost, themselves. By destroying farmers' incentives to increase agricultural output, these policies undermined the process of development. Bates's answer to the problem—dismantling state power and leaving the peasantry free to take advantage of market opportunities—was similar to that advocated by the World Bank in the Berg and subsequent reports on Africa.[6]

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[4] World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*, Washington, DC 1981.

[5] Robert Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policy*, Berkeley 1981. For the emergence of the 'new' political economy of Africa in the 1980s, see among others Carol Lancaster, 'Political Economy and Policy Reform in Sub-Saharan Africa', in Stephen Commins, ed., *Africa's Development Challenges and the World Bank*, Boulder 1988.

[6] See especially World Bank, *Toward Sustained Development in Sub-Saharan Africa: A Joint Programme of Action*, Washington, DC 1984; and *Financing Adjustment with Growth in Sub-Saharan Africa: 1986–1990*, Washington, DC 1986.

Nevertheless, his interpretation of the crisis was both more pessimistic and more radically anti-statist than that of the World Bank. For World Bank assessments of the situation were ostensibly based on a double assumption. They assumed that an important reason for the 'bad' policies was that African governments had failed to understand their negative effects, and that the positive effects of 'good' policies, once implemented, would generate widespread support for their continuation. The only (or main) thing needed to solve the crisis, therefore, was to persuade African governments that the switch from bad to good policies was in their own and their constituencies' interests. By introducing historical and social-structural considerations—the powerful instruments of domination that African elites inherited from colonial rule; conflicts among ethnic, regional and economic groups and classes for power—the 'new' political economy (henceforth NPE) was far more sceptical than the World Bank about the likelihood that African governments could be persuaded to switch from 'bad' to 'good' policies and that they would stick to 'good' policies after the switch.[7] At least implicitly, therefore, the anti-statism of the NPE sought not just to set market forces free from governmental constraints and regulations, as the World Bank advocated. It also aimed to undermine the legitimacy of the social coalitions that controlled the state—forces that were seen as irremediably committed to 'bad' policies as effective means in the reproduction of their own power and privilege.

The 'internalist' and 'state-minimalist' diagnoses of the World Bank and the NPE did not go unchallenged. The greatest challenge came from the African governments themselves. In a document published the same year as the Berg Report, but signed in 1980 at a meeting in Lagos, the heads of state of the OAU traced the crisis to a series of external shocks. These included deteriorating terms of trade for primary products, growing protectionism of wealthy countries, soaring interest rates and growing debt service commitments. The Lagos Plan of Action—as it came to be called—accordingly saw the resolution of the crisis in a greater reliance, not on world-market mechanisms, but on the capacity of African states to mobilize national resources and foster greater mutual economic integration and cooperation.[8] In its emphasis on

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[7] See Lancaster, 'Political Economy and Policy Reform', pp. 171–3.

[8] OAU, *The Lagos Plan of Action for the Economic Development of Africa 1980–2000*, Geneva 1981.

collective self-reliance through the eventual creation of a continental common market, the Plan reflected the influence of dependency theory at the time, as well as the sense of empowerment that African states derived from the near completion of the continent's formal decolonization. Neither the influence of dependency theory, nor the sense of empowerment, however, lasted very long.

Shortly after the promulgation of the Plan, and in the midst of a rapidly deteriorating economic situation, the Sahelian drought and famine struck with staggering virulence, peaking in 1983–4. The following year, a new summit of the OAU was convened in Addis Ababa with the specific purpose of preparing a proposal for action on Africa's economic and social problems, to be presented to a special session of the General Assembly of the UN. The summit produced a document, *Africa's Priority Programme for Economic Recovery, 1986–1990* (APPER), which emphasized once again the role of external shocks in deepening the crisis and the need for greater self-reliance in order to overcome it. In sharp contrast to the Lagos Plan, however, APPER openly acknowledged the responsibilities of African governments for the crisis, and the limitations of any actions undertaken by African states on their own. In line with this acknowledgment, it agreed to implement a variety of policy reforms consistent with the Berg Report and asked the international community to take action to ease the crushing burden of Africa's external debt, and to stabilize and increase the prices paid for their exports. The result was a 'compact' between African states and the 'international community' for joint action towards the resolution of the crisis, set out in the *United Nations Programme of Action for African Economic Recovery and Development, 1986–1990* (UNPAAERD).[9]

In pointing out that African states largely held to their side of the compact while the Western powers did not, Fantu Cheru characterizes UNPAAERD as 'simply a reincarnation of the Berg Report'.[10] This characterization is largely accurate but glosses over the changes that occurred in the position of the World Bank itself. As a growing number of African states subjected themselves to IMF and World Bank

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[9] Akilagpa Sawyerr, 'The Politics of Adjustment Policy', in Adedeji, Rasheed and Morrison, eds, *The Human Dimension of Africa's Persistent Economic Crisis*, London 1990, pp. 218–23.

[10] Fantu Cheru, *The Silent Revolution in Africa: Debt, Development and Democracy*, London 1999, pp. 15–16.

structural-adjustment programmes, with mixed results at best, both the NPE and the World Bank started to revise their neo-utilitarian, state-minimalist prescriptions and to emphasize the role of institutions and 'good governance'.[11] By 1997, the World Bank had for all practical purposes abandoned a minimalist view of the state. In its World Development Report for that year, earlier concerns with the size of state apparatuses and the extent of public intervention in the economy were completely overshadowed by the call for effective bureaucracies and activist states in the implementation of structural-adjustment programmes. The new imperatives, however, put even greater responsibility on the shoulders of African elites and governments both for the failure of their economies to recover and for the social disasters accompanying that failure. Bouts of optimism premised on Africa's greater integration into the world economy, the freeing of markets from governmental control and the wider opportunities for private enterprise—that is, African compliance with IMF and World Bank prescriptions—were followed in short order by ever more pessimistic assessments of the capabilities of African governments and elites to resolve the long-standing crisis.[12]

In re-reading our *Essays on the Political Economy of Africa*, I am struck as much by the similarities as by the differences between our contentions and those of the NPE that became dominant in the 1980s and 1990s. Our analysis anticipated most of the criticisms of African elites that Bates advanced thirteen years later. Long before the African tragedy

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[11] Robert Bates, *Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya,* Cambridge 1989; see also World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long-term Perspective Study*, Washington, DC 1989, and World Bank, *Governance and Development*, Washington, DC 1992.

[12] See Ray Bush and Morris Szeftel, 'Commentary: Bringing Imperialism Back In', *Review of African Political Economy*, no. 80, 1999, p. 168. Two cover stories of the *Economist* also provide a good measure of this kind of swing. Just three years after claiming in a cover story that 'Sub-Saharan Africa is in better shape than it has been in a generation', on the cover of its May 13–19, 2000 issue the *Economist* declared Africa to be 'The Hopeless Continent'. In excoriating Africa's 'poor crop of leaders', who by 'personalizing power' have 'undermined rather than boosted national institutions' and turned their countries into 'shell states', with the trappings of modernity but a hollow core, the magazine asked: 'Does Africa have some inherent character flaw that keeps it backward and incapable of development?' Noting the contrast between the two cover stories, Johannesburg's business magazine *Financial Mail* retorted: 'Do the editors of the *Economist* have a character flaw that makes them incapable of consistent judgement?': see 'The Hopeless Continent', *World Press Review*, October 2000, pp. 24–25.

began, we were among the first to point out that the ruling groups of the time, regardless of their ideological leanings, were more likely to be part of the problem than of the solution to Sub-Saharan Africa's condition of underdevelopment. In an essay first published in 1968, we argued that the most central of these problems was a pattern of 'surplus absorption' that fostered the conspicuous consumption of urban elites and sub-elites in bureaucratic employment, the relatively high mass consumption of 'labour aristocracies' and the transfer abroad of profits, interests, dividends and fees of various kinds. By restraining the growth of agricultural productivity and domestic markets, this pattern perpetuated the dependence of African economies on the growth of world demand for primary products. Unless the pattern changed, we observed, 'an acceleration of economic growth in tropical Africa within the existing political economic framework is highly unlikely and, *as the phase of easy import substitution is superseded, a slowdown may actually be expected*'.

At the same time, a change in the pattern of surplus absorption capable of stimulating agricultural productivity required 'an attack on the privileges of those very classes constituting the power base upon which most African governments are likely to rely'. We therefore characterized the economic development of tropical Africa in the 1960s as '"perverse growth"; that is, growth which undermines rather than enhances the potentialities of the economy for long-term growth'. At a time of general optimism about the prospects of economic development in Africa, and especially about the developmental role of African elites, we were thus rather sceptical about both. Indeed, we even noted how 'the character of inter-elite competition in contemporary Africa and, in particular, the rise of the military to a position of special prominence, show the strength of forces driving the situation in a counter-revolutionary direction'.[13]

Despite such diagnostic parallels, however, our variety of political economy differed radically from the NPE in two respects. It paid far greater attention to the global context in which African developmental efforts unfolded; and it was far more neutral on the role of states in developmental processes. The global context loomed large in our view of the situation. Unlike the NPE, we attributed a key role to world capitalism in constraining and shaping developmental efforts and outcomes at the national level. The pattern of surplus absorption that undermined

[13] Arrighi and Saul, *Essays on the Political Economy of Africa*, pp. 16–23, 33, 34; emphasis added.

the long-term growth potential of African economies—including the conspicuous consumption of urban elites and the relatively high mass-consumption levels of assorted 'labour aristocracies'—owed at least as much to the integration of those economies in the global circuits of capital as to the policies of African elites aimed at appropriating the largest possible share of the economic surplus. Moreover, as one of the passages quoted above shows, we realized that the supersession of the phase of easy import substitution would involve a tightening of the constraints that world capitalism imposed on national development in Africa.

As we shall see, this was a political economy capable of predicting and explaining the African crisis of the 1970s. Nevertheless, it did not provide any guidance to an understanding of the forces that would later transform the crisis into tragedy. We showed no awareness of the incipient turmoil in world capitalism, still less of the particularly disastrous impact that it would have on the political economy of Africa, in sharp contrast to its beneficial effects on other Third World regions, most notably East Asia. In highlighting and seeking to repair these deficiencies, I shall begin by showing what we did and what we did not foresee about the African crisis.

II. UNEVEN DEVELOPMENT OF THE AFRICAN CRISIS

In spite of a widespread disposition to treat Sub-Saharan Africa as a uniform developmental disaster, the sub-continent has had its fair share of success stories. In their study of sustained economic growth experiences in Africa between 1960 and 1996, Jean-Claude Berthélemy and Ludvig Soderling identify as many as twenty such experiences, four in North Africa and the remaining sixteen in Sub-Saharan Africa.[14] These are exceptionally good performances which compare very favourably with those of the 'miracle' economies of East Asia. As such, they

[14] A sustained strong growth experience is defined as 'an uninterrupted period of 10 years or more, during which time the five-year moving average of annual GDP growth exceeds 3.5 per cent'. The sixteen Sub-Saharan experiences that met this standard had an average length of 15.4 years and an average annual growth rate of 7.1 per cent. See Jean-Claude Berthélemy and Ludvig Soderling, 'The Role of Capital Accumulation, Adjustment and Structural Change for Economic Take-Off: Empirical Evidence from African Growth Episodes', *World Development*, no. 2, 2001; the above averages have been calculated from their Table 1.

provide conclusive evidence that, pace the *Economist*, African countries in comparison to other low-income countries have no 'character flaw' that makes them incapable of sustained development. For our present purposes, however, the main interest of these experiences lies in their distribution over time.

TABLE 1: *Sub-Saharan Africa's Success Stories, 1960–96*

Start of growth period	End of growth period 1970–74	1975–79	1980–84	1985–89	1990–94	1995–96
1960–64	Ethiopia South Africa Togo	Côte d'Ivoire Malawi Namibia Tanzania	Kenya			
1965–69		Gabon		Cameroon		Botswana†
1970–74			Lesotho			
1975–79						
1980–84						Ghana† Mauritius†
1985–89						Mozambique† Uganda†

Total population in thousands by 2000:

Botswana	1,541	Malawi	11,308
Cameroon	14,876	Mauritius	1,161
Côte d'Ivoire	16,013	Mozambique	18,292
Ethiopia	62,908	Namibia	1,757
Gabon	1,230	South Africa	43,309
Ghana	19,306	Togo	4,527
Kenya	30,669	Tanzania	35,119
Lesotho	2,035	Uganda	23,300

The total population of Sub-Saharan Africa by 2000 was 650,946,000.

† Growth period continues after 1996.
Source: Constructed from Jean-Claude Berthélemy and Ludvig Soderling, 'The Role of Capital Accumulation, Adjustment and Structural Change for Economic Take-Off', p. 325.

In Table 1, I have classified the sixteen Sub-Saharan success stories by the years in which they started and the years in which they ended. As can be seen from the table, most success stories (12 out of 16) cluster in two groups: a larger group of experiences (8) that began in the 1960s and ended in the 1970s, and a smaller group (4) that began in the 1980s and had not yet ended in 1996. With the exception of demographically insignificant Mauritius, the smaller group consists of countries that had disastrous developmental experiences in earlier years. Since their later growth did not compensate for their earlier contraction, their 'success' was largely fictitious. The larger group, in contrast, consists of true success stories and provides strong circumstantial evidence in support of our 1968 contention that the economic growth experienced by African countries at the time was 'perverse'—that is, a pattern which undermined rather than enhanced their potential for long-term development. Indeed, all but one of the eight success stories that started in the early 1960s ended in the 1970s, and the one that survived the 1970s (Kenya) ended in the early 1980s. Moreover, none of the countries that experienced these early successes appears again in the later group.

There is nonetheless one aspect of the temporal distribution of Table 1 that our diagnosis of 1968 leaves largely unexplained. This is the precipitous decline in the number of success stories that started in successive sub-periods: from eight in 1960–64, to three in 1965–69, to one in 1970–74, to none in 1975–79. In part, the decline can be attributed to the dynamic of 'perverse growth'. The extent of the decline, however, points to some major change in the conditions of African development—a change, that is, which drastically reduced the chances not only for ongoing experiences of strong sustained growth to continue, but also for new such experiences to begin. The idea that something more than 'perverse growth' was involved in the deterioration of economic conditions in Sub-Saharan Africa in the late 1970s is confirmed by the overall performance of the region. Table 2, opposite, shows the GNP per capita of different Third and First World regions and countries as a percent of 'world' GNP per capita, while Table 3 shows percentage changes in the values of Table 2 for select sub-periods and for the 1960–99 period as whole.[15]

[15] The relative GNP per capita figures in Table 2 are particularly suitable for measuring differences in national income and wealth, as well as advances or declines in the world ranking of nations and regions by income and wealth. As we shall note later, they are very imperfect measures of differences in welfare.

TABLE 2: *Regional GNP per capita as a percentage of world GNP per capita*

	1960	1965	1970	1975	1980	1985	1990	1995	1999
Sub-Saharan Africa	19	18	17	18	16	13	12	11	10
Latin America	71	65	65	73	76	66	59	61	60
M. East & N. Africa	31	25	31	35	37	36	36	34	34
South Asia	6	6	6	5	5	6	6	7	7
East Asia*	7	7	7	9	11	13	17	23	25
Third World*	**16**	**15**	**16**	**17**	**18**	**18**	**19**	**22**	**23**
North America	443	329	416	326	433	333	469	334	489
Western Europe	328	439	353	416	384	462	411	468	417
Australasia	339	338	331	375	321	393	317	406	357
Japan	282	355	500	535	578	640	715	719	704
First World	**359**	**374**	**397**	**413**	**431**	**456**	**479**	**475**	**486**
Third World as a % of First World	4	4	4	4	4	4	4	5	5

Source: Our calculations based on World Bank, *World Tables*, vols. 1 and 2, 1984 and World Bank, W*orld Development Indicators*, CD ROM, Washington DC, 2001.

* Including China.

'World' GNP=100. We have excluded from the calculations of 'world' GNP per capita the former USSR and Eastern Europe, along with some African, Asian and Latin American countries, because of lack of comparable data for one or more of the years shown in the table. Nevertheless, in 1999 the states included in the calculation accounted for about 96.7 per cent of world GNP. The 'world' GNP per capita used to calculate the percentages of Table II is thus a very close approximation to the actual GNP per capita of the earth.

TABLE 3: *Percentage changes in GNP per capita as a proportion of world GNP per capita*

	1960–75	1975–90	1990–99	1960–99
Sub-Saharan Africa	–5	–33	–17	–47
Latin America	3	–19	2	–15
M. East & N. Africa	13	3	-6	10
South Asia	–17	20	17	17
East Asia	29	89	47	257
Third World	**6**	**12**	**21**	**44**
North America	–26	44	4	10
Western Europe	27	–1	1	27
Australasia	11	–15	13	5
Japan	90	34	–2	150
First World	**15**	**16**	**1**	**35**

Taken jointly, the two tables provide a synthetic overview of the comparative success or failure of world regions. Three main features of the record stand out for comment. First, although Sub-Saharan Africa is by far the worst performer among Third World regions, this negative record is almost entirely a post-1975 phenomenon. Up to 1975, the African performance was not much worse than that of the world average and better than that of South Asia and even of the wealthiest among First World regions (North America). It is only after 1975 that Africa experiences a true collapse—a plunge followed by continuing decline in the 1980s and 1990s, which is the main reason for the comparatively poor performance for the period 1960–99 as a whole. Here too, 'perverse growth' may help to explain the collapse but can hardly account for its extent.

Second, the African collapse of 1975–90 was integral to a major change in the inter-regional unevenness of Third World economic performance. In this period a sharp bifurcation developed between the deteriorating performance of Sub-Saharan Africa, Latin America, and to a lesser extent the Middle East and North Africa, on the one hand, and the improving performance of East and South Asia on the other (see Table 3). The African collapse was a particularly extreme manifestation of this divergence. The question then arises of why the divarication occurred when it did, and why it proved particularly deleterious for Africa and particularly beneficial for East Asia.

Finally, both the African collapse and inter-regional bifurcation were associated with an important reversal of tendencies within the First World itself. As the figures above show, the comparative performance of First World regions since 1960 has been characterized by three main tendencies. One is the very substantial improvement up to 1990 of Japan's position, and its levelling off thereafter. Another is the less substantial improvement of Western Europe's position also up to 1990, and its less marked levelling off in the 1990s. The third is the deterioration of the North American position up to 1975 and improvement thereafter.[16] The question then arises of how these tendencies relate to

[16] A fourth striking feature is that of the mutually counter-cyclical oscillations of the North American and Western European values in Table 2. A discussion of this tendency falls beyond the scope of this paper. The oscillations are nonetheless taken into account in the identification of trends that follows.

one another and whether the African and Latin American collapses of the 1980s are in some way connected to the contemporaneous reversal in the fortunes of North America.

In sum, what turned the crisis of Sub-Saharan Africa into tragedy, with disastrous consequences not only for the welfare of its people but also for their status in the world at large, was the region's economic collapse of the 1980s.[17] Although unique in its severity, the collapse was integral to a broader change of tendencies among First and Third World regions. The African tragedy must therefore be explained in terms of both the forces that brought about this transformation, and those that made its impact on Africa particularly severe. That is to say, we must provide answers to the following two basic questions. First, what accounts for the change in the fortunes of world regions of the late 1970s? And second, why did the change affect the performance of some Third World regions positively and others negatively, and the performance of Sub-Saharan Africa far more negatively than that of any other Third World region?

III. WORLD SYSTEMIC CONTEXT OF THE AFRICAN CRISIS

A good part of the answer to the first question lies in the nature of the crisis that overtook world capitalism in the 1970s, and in the response of the hegemonic power, the United States, to it. The global crisis of the 1970s was simultaneously a crisis of profitability and of legitimacy.[18] The crisis of profitability was due primarily to the worldwide intensification of competitive pressures on business enterprises in general, and industrial firms in particular, that ensued from the great expansion of world trade and production of the 1950s and 1960s. To some extent, the crisis of legitimacy emanated from the crisis of profitability. Policies and ideologies that had played an essential role in launching and sustaining the worldwide expansion of trade and

[17] On the broader social implications of the African collapse, see Mary Chinery-Hesse, 'Divergence and Convergence in the New World Order', in Adebayo Adedeji, ed., *Africa Within the World: Beyond Dispossession and Dependence*, London 1993, pp. 144–7.

[18] See my *The Long Twentieth Century: Money, Power and the Origins of Our Times*, London 1994, pp. 300–56; and Arrighi, Beverly Silver et al, *Chaos and Governance in the Modern World System*, Minneapolis 1999.

production in the 1950s and 1960s—so-called Keynesianism, broadly understood—became counterproductive, socially as well as economically, once the expansion intensified competition for increasingly scarce resources, human and natural. But the crisis of legitimacy was also due to the increasing social and economic costs of US reliance on coercion to contain the Communist challenge in the Third World.

The initial response of the United States to the crisis—withdrawal from Vietnam and opening to China, but continued adherence to Keynesianism at home and abroad—only worsened it, provoking a precipitous decline of US power and prestige. Integral to this decline was a widespread disenchantment (particularly acute in Africa) with the achievements of what Philip McMichael has called the 'development project' launched under US hegemony.[19] This was not due to a deterioration of economic conditions in the Third World. For initially the global crisis seemed to improve the economic prospects of Third World countries, African states included. In the early 1970s, the terms of trade—especially, but not exclusively, for oil-producing countries—improved for them. Moreover, the crisis of profitability in First World countries, combined with the inflation of oil rents routinely deposited in Western banks and 'extra-territorial' financial markets, created an overabundant liquidity. This excess liquidity, in turn, was recycled as loan capital on highly favourable terms to Third and Second World countries—African states included. As a result, in the early 1970s the position of all Third World regions, except South Asia, if anything improved (see Table 2). Yet it was at this time that Third World countries, becoming increasingly impatient with the 'development project', sought to renegotiate the terms of their incorporation in the global political economy through the establishment of a New International Economic Order (NIEO). There were at least three good reasons for this.

The first was that, even in the best performing Third World regions, economic progress fell far short of the expectations aroused by decolonization and generalized industrialization or modernization. As Tables 4 and 5 show, relative to First World countries, all Third World regions increased their degree of industrialization (as measured by the manufacturing share of GDP) and urbanization (as measured by the

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[19] Philip McMichael, *Development and Social Change: A Global Perspective*, Thousand Oaks, CA 1996.

TABLE 4: *Manufacturing as a percentage of GDP in region relative to 'world' average*

	1960	1965	1970	1975	1980	1985	1990	1998
Sub-Saharan Africa	55	65	65	72	71	76	87	75
Latin America	100	99	98	114	115	122	112	101
M. East & N. Africa	39	39	44	40	41	57	69	69
South Asia	49	52	53	65	71	74	81	76
East Asia*	63	69	83	96	115	117	124	149
Third World*	**77**	**80**	**81**	**94**	**100**	**105**	**107**	**114**
North America	99	100	90	89	88	85	83	90
Western Europe	102	99	101	104	101	98	96	93
Australasia	90	92	88	84	80	76	67	65
Japan	123	120	131	120	120	126	126	115
First World	**103**	**103**	**103**	**101**	**100**	**100**	**99**	**97**
Third World as a % of First World	75	78	78	92	99	106	108	118

Source: as Table 1.
* Including China.

TABLE 5: *Percentage of non-rural population in region relative to 'world' average*

	1960	1965	1970	1975	1980	1985	1990	1995	1999
Sub-Saharan Africa	51	54	59	64	67	69	72	76	79
Latin America	149	154	161	168	170	170	168	166	164
M. East & N. Africa	91	98	105	110	111	117	121	126	128
South Asia	51	51	53	56	59	59	59	60	61
East Asia*	51	53	52	53	57	64	71	74	77
Third World*	**64**	**66**	**69**	**71**	**75**	**79**	**82**	**84**	**86**
North America	212	207	207	202	194	186	178	172	168
Western Europe	206	204	206	205	199	191	183	178	173
Australasia	242	237	237	234	224	213	201	192	185
Japan	190	193	200	207	200	191	183	177	172
First World	**206**	**204**	**206**	**205**	**198**	**190**	**182**	**176**	**171**
Third World as a % of First World	31	33	33	35	38	41	45	48	50

Source: as Table 1
* Including China.

non-rural share of total population) to a far greater extent than they improved their GNP per capita. Comparatively speaking, in other words, Third World countries were bearing the social costs of increasing industrialization and urbanization without the economic benefits they had expected to reap on the basis of the historical experience of First World countries.

A second, and in part related, reason for the crisis of the 'development project' was that economic growth was doing little to alleviate poverty in the Third World. Already in 1970, the president of the World Bank, Robert McNamara, had acknowledged that the attainment of high rates of growth of GNP in low-income countries left infant mortality 'high', life expectancy 'low', illiteracy 'widespread', unemployment 'endemic and growing' and the distribution of income and wealth 'severely skewed'.[20] Although for most of the 1970s the income of many Third World nations increased in absolute and relative terms, the welfare of their populations continued to improve at a slow pace, if at all.[21]

Finally, improvements in the economic position of Third World regions, or at least some of them, vis-à-vis the First World seemed to fall far short of the generally perceived shift in the world balance of political power that followed the US debacle in Vietnam, Portuguese defeat in Africa, Israeli difficulties in the 1973 War, and the entry of the PRC into the Security Council of the United Nations. The first and second oil shocks were in part both effect and cause of this perceived change in the world balance of power. So too was the growth of North–South flows of capital, both private and public. Third World demands for a NIEO sought to increase and at the same time institutionalize this ongoing redistribution of resources.[22]

The Lagos Plan of Action signed by African heads of State in 1980 still expressed the sense of empowerment that Third World governments derived from the crisis of US hegemony. But the Plan also reflected rapidly changing circumstances. These were, in part, an effect of the

[20] Robert McNamara, 'The True Dimension of the Task', *International Development Review,* vol. 1, 1970, pp. 5–6.
[21] Dudley Seers, 'The Birth, Life and Death of Development Economics', *Development and Change,* October 1979.
[22] Stephen Krasner, *Structural Conflict: The Third World Against Global Liberalism,* Berkeley 1985.

slowdown in world trade and production, which after 1975 resulted in worsening terms of trade for most non-oil-producing Third World countries. More important, however, was a radically new response of the United States to the continuing slide in its power and prestige. This decline reached its nadir in the late 1970s with the Iranian Revolution, a further hike in oil prices, the Soviet invasion of Afghanistan, and a new and serious crisis of confidence in the US dollar. It was in this context that, in the closing years of the Carter Administration—and then with greater determination under Reagan—there occurred a drastic change in US policies.

Militarily, the American government began avoiding the kind of battlefields on the ground that had led to defeat in Vietnam, opting instead for war by proxy (as in Nicaragua, Angola and Afghanistan), confrontations of merely symbolic value, with insignificant enemies (as in Grenada and Panama), or bombardment from the air, where its high-tech war machine had an absolute advantage (as with Libya). At the same time, the US unleashed an escalation of the arms race with the USSR well beyond what the latter could afford. More important, the US government began resorting to economic policies—a drastic contraction in money supply, higher interest rates, lower taxes for the wealthy, and virtually unrestricted freedom of action for capitalist enterprise—that liquidated not just the legacy of the domestic New Deal but also, and especially, the Fair Deal for poor countries ostensibly launched by Truman in 1949.[23] Through this battery of policies, the US government started to compete aggressively for capital worldwide, to finance a growing trade and current account deficit in its own balance of payments; thereby provoking a sharp increase in real interest rates worldwide—and a major reversal in the direction of global capital flows.

Thus the United States, which in the 1950s and 1960s had been the major source of world liquidity and of direct investment, in the 1980s became the world's main debtor nation and by far the largest recipient of foreign capital. The extent of the reversal can be gauged from the change in the current account of the US balance of payments.[24] In the five-year period 1965–69 that account still recorded a surplus of

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[23] See McMichael, *Development and Social Change*.

[24] Leaving aside 'errors and omissions', current-account surpluses are indicative of net outflows of capital and deficits of net inflows.

$12 billion, which constituted almost half (46 per cent) of the total surplus of G7 countries. In 1970–74, the surplus contracted to $4.1 billion and to 21 per cent of the total of G7 countries. In 1975–79, the surplus turned into a deficit of $7.4 billion. After that the deficit escalated to previously unimaginable levels: $146.5 billion in 1980–84; $660.6 billion in 1985–89; $324.4 billion in 1990–94; and $912.4 billion in 1995–99. As a result of these escalating US deficits, the $46.8 billion outflow of capital from G7 countries of the 1970s (as measured by their consolidated current account surpluses for the period 1970–79) turned into an inflow of $347.4 billion in 1980–1989, and of $318.3 billion in 1990–1999.[25]

This was a reversal of historic proportions, that reflected an extraordinary, absolute and relative, capacity of the US political economy to attract capital from all over the world. It is likely that this was the single most important determinant of the contemporaneous reversal in the economic fortunes of North America and of the bifurcation in the economic fortunes of Third World regions. For the redirection of capital flows to the United States reflated both effective demand and investment in North America, while deflating it in the rest of the world. At the same time, this redirection enabled the United States to run large deficits in its balance of trade that created an expanding demand for imports of those goods that North American businesses no longer found profitable to produce. Since competitive pressures had become particularly intense in manufacturing industries, these imported goods tended to be industrial rather than agricultural products.

These contrasting effects tended to split world regions into two groups. On the one hand, there were those that, for historical and geographical reasons, had a strong advantage in competing for a share of the expanding North American demand for cheap industrial products. These regions tended to benefit from the redirection of capital flows, because the improvement in their balance of payments lessened the need to compete with the United States in world financial markets. On the other hand, there were regions that, for historical and geographical reasons, were particularly disadvantaged in competing for a share of the North American demand. These areas tended to run into balance-of-payment difficulties that put them into the hopeless position of having to compete

[25] All figures have been calculated from IMF data.

directly with the United States in world financial markets. In broad outline, this seems to me the primary source of the bifurcation in the fortunes of Third World regions that began in the late 1970s and materialized fully in the 1980s.

A secondary but nonetheless significant source of the bifurcation was the emergence of the so-called Washington Consensus which accompanied the change in US policies in the military and financial spheres—what John Toye has aptly called the 'counter-revolution' in development theory.[26] The Berg Report and the string of World Bank reports on Africa that followed, as well as much of the NPE, were part and parcel of this counter-revolution. The development-friendly regime of the preceding thirty years was officially liquidated and Third World countries were invited to play by the rules of an altogether different game—that is, to open up their national economies to the cold winds of intensifying world-market competition, and to rival each other and First World countries in creating within their jurisdictions the greatest possible freedom of movement and action for capitalist enterprise. Especially in Africa, this new strategy of 'structural adjustment' was presented as the antidote to an increasingly discredited statist model, prevalent in the preceding thirty years. In practice, the cure often turned out to be worse than the disease.[27] Nevertheless, while the new strategy did not deliver on its promises of development, it did—knowingly or unknowingly—succeed in inducing Third World countries to adapt their economies to the new conditions of accumulation on a world scale created by the redirection of capital flows towards

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[26] John Toye, *Dilemmas of Development: Reflections on the Counter-Revolution in Development Economics*, Oxford 1993.

[27] See, among others, Yusuf Bangura and Bjorn Beckman, 'African Workers and Structural Adjustment: The Nigerian Case', and Richard Sandbrook, 'Economic Crisis, Structural Adjustment, and the State in Sub-Saharan Africa', both in Dharam Ghai, ed., *The IMF and the South: The Social Impact of Crisis and Adjustment*, London 1991; Sawyerr, 'The Politics of Adjustment Policy'; Paul Mosley and John Weeks, 'Has Recovery Begun? Africa's Adjustment in the 1980s Revisited', *World Development*, no. 10, 1993; Susan George, 'Uses and Abuses of African Debt', in Adebayo Adedeji, ed., *Africa Within the World*; Ademola Ariyo and Afeikhena Jerome, 'Privatization in Africa: an Appraisal', *World Development*, no. 1, 1998; Sarah Bracking, 'Structural Adjustment: Why It Wasn't Necessary and Why It Did Work', *Review of African Political Economy*, no. 80, 1999; and Jake Lowinger, 'Structural Adjustment and the Neoclassical Legacy in Tanzania and Uganda', unpublished paper.

the United States.[28] The Washington Consensus thus contributed to consolidating the bifurcation in the fortunes of Third World regions.

IV. THE AFRICAN CRISIS IN COMPARATIVE PERSPECTIVE

Why, however, did East Asia—and, to a lesser extent, South Asia—perform so much better than Latin America and, especially, Sub-Saharan Africa under these conditions? At least part of the answer is that, through the 1970s, Latin America and Sub-Saharan Africa had become far more dependent on foreign capital than East or South Asia. As the re-direction of capital flows towards the United States gained momentum, such dependence became unsustainable. Once the Mexican default of 1982 dramatically revealed how unviable the previous pattern had now become, the 'flood' of capital that Third World countries (and Latin American and African countries in particular) had experienced in the 1970s turned into the sudden 'drought' of the 1980s. In the case of Africa, the literal Sahelian drought made things considerably worse. We should nonetheless bear in mind that the Mexican version struck Africa before the Sahelian, considerably reducing its capacity to cope with subsequent natural and man-made disasters.

Greater previous dependence on foreign capital may explain why Latin America and Sub-Saharan Africa turned out to be more vulnerable than South Asia and East Asia to the drastic change in world-economic circumstances that occurred around 1980. Nevertheless, it can hardly explain why, under the new circumstances, South Asia and East Asia performed so much better than they had before 1980. Nor does it explain the persistence of South and East Asian improvement relative to Latin American and, especially, African deterioration. I suspect that in order to understand why the change in global context had such a persistently uneven impact on Third World regions, we must look at these regions as geo-historical 'individuals' with a specific pre-colonial, colonial, and post-colonial heritage which endowed them with different capabilities to cope with the change.

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[28] See my 'World Income Inequalities and the Future of Socialism', NLR I/189, September–October 1991; McMichael, *Development and Social Change*; Bracking, 'Adjustment'; Manfred Bienefeld, 'Structural Adjustment: Debt Collection Device or Development Policy?', *Review* (Fernand Braudel Centre), no. 4, 2000.

This is more easily said than done. In retrospect, one of the main weaknesses of our essays on the political economy of Africa is that they paid virtually no attention either to the resource endowments or to the political-economic configurations that Sub-Saharan Africa inherited from the pre-colonial and colonial eras, *in comparison to* those inherited by other Third World regions. As long as relationships among Third World regions were predominantly non-competitive, as they were through the early 1970s, this comparative heritage still mattered, of course, but not as much as it did when these relations became predominantly and increasingly competitive, as they did in the 1980s and 1990s. Here, I will confine myself to illustrating the point with some remarks on the two regions with which I am more familiar, East Asia and Sub-Saharan Africa—which also happen to be the best and worst performers of the period under consideration. I will focus on three distinct but closely related questions: labour, entrepreneurship, and state- and national-economy formation.

Arthur Lewis's classic argument that underdeveloped regions are characterized by 'unlimited supplies of labour' never really applied to Africa, where labour appears to have always been in short supply.[29] Sub-Saharan Africa's primary form of interaction with the Western world in pre-colonial times—the import of guns and the export of slaves—undoubtedly worsened whatever structural shortage of labour relative to natural resources might have existed in the region prior to that interaction. As Eric Wolf notes, even before the slave trade took off, 'Africa was not . . . an area burgeoning with population . . . The scarce factor . . . was not land but labour'.[30] The subsequent depopulation and disruption of productive activities, directly or indirectly associated with the capture and export of slaves, left a legacy of low population density and small local markets which, in many parts of Africa, persisted through the colonial era.[31]

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[29] Arthur Lewis, 'Economic Development with Unlimited Supplies of Labour', *Manchester School,* no. 2, 1954. See my 'Labour Supplies in Historical Perspective', reprinted as chapter 5 in Arrighi and Saul, *Essays on the Political Economy of Africa*. The article was a critique not so much of Lewis (who was aware of the limited applicability of his theory to Africa) as of the application of Lewis's theory to Southern Rhodesia by W. L. Barber, in *The Economy of British Central Africa*, London 1961.

[30] Eric Wolf, *Europe and the People Without History*, Berkeley 1982, pp. 204–5.

[31] See, among others, Bade Onimode, *A Political Economy of the African Crisis*, London 1988, pp. 14–15; and Walter Rodney, *How Europe Underdeveloped Africa*, Washington, DC 1974, pp. 95–113.

Under colonialism the supply of labour did expand; but so did the demand for it, as exploitation of African natural resources was stepped up. Large population surpluses, readily available for employment at the conditions obtaining in the formal sectors, were often present in urban areas. These conditions, however, were available only for that minority of the labour force which private or public employers chose to incorporate in stable fashion within their organizations—they were, that is, the conditions of an 'internal labour market'. Although here there was indeed a surplus of labour, in the conditions actually available in the 'external' labour market supply tended to fall generally, and persistently, short of demand.[32]

During and after de-colonization, the underlying shortage of labour was reproduced partly by a demand for Africa's natural resources which remained brisk through the mid-1970s, and partly by the efforts of the newly independent states to modernize and industrialize. It was only *after* the collapse of the 1980s that Sub-Saharan Africa's structural labour deficit turned into a labour surplus, evident in the sharp increase of migration in the 1980s in most Sub-Saharan countries, in spite of the collapse of urban 'internal labour markets' and diminishing rural–urban income gaps. Suffice it to mention that, at the end of the 1980s, African cities were growing at 6–7 per cent per annum, compared with only 2 per cent for the rural areas.[33]

In sharp contrast, East Asia inherited from the pre-colonial and colonial eras a condition of underdevelopment that approached Lewis's ideal type more closely than any other Third World region—certainly more closely than Sub-Saharan Africa, Latin America, the Middle East or North Africa, and at least as closely as South Asia. East Asia's structural abundance of labour relative to natural resources had multiple origins. In part, it was due to the predominance in the region of the material culture of rice cultivation. In part, it was a consequence of the China-centred 'population explosion' which accompanied and followed the intensification of commercial and other exchanges with the Western world in the sixteenth and seventeenth centuries. In part, too, it was due to the obsolescence

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32 See Arrighi and Saul, *Essays on the Political Economy of Africa*, pp. 116–29.

33 Vali Jamal, 'Adjustment Programmes and Adjustment: Confronting the New Parameters of African Economies', in Vali Jamal, ed., *Structural Adjustment and Rural Labour Markets in Africa*, New York 1995, pp. 22–23.

and gradual abandonment of labour-intensive techniques in traditional industries, precipitated by the incorporation of the region within the structures of the European-centred world system in the late nineteenth and early twentieth century.

Through the 1950s and 1960s, the structural abundance of cheap labour relative to natural resources in the region was preserved by a general reliance of developmental efforts on the capital- and natural resource-intensive techniques typical of Western industrialization. It was only in the 1980s—when these efforts became both more labour-intensive and more successful—that the labour surplus began to be absorbed. Comparatively speaking, however, the surplus of labour in East Asia remains one of the largest among Third World regions. Especially in China, sustained economic growth has been associated with an intensification of migratory flows to the centres of expansion which, in absolute numbers, far surpass similar processes in Sub-Saharan Africa.

This first difference was crucial because, under the conditions of escalating competition among Third World regions of the 1980s, the availability of a large, flexible and low-cost labour supply became the primary determinant of a country's capacity to reap the benefits rather than bear the costs of the new conjuncture. Equally important, however, was the presence of an indigenous entrepreneurial stratum capable of mobilizing the labour supply for capital accumulation *within* the region, so as to expand its share of the world market and of global liquidity. Fortunately for East Asia, and unfortunately for Sub-Saharan Africa, the discrepancy between local entrepreneurial resources inherited from the colonial and pre-colonial past was also far more favourable to East Asia. In this respect, indeed, the East Asian endowment was truly exceptional. By far the oldest and most extensive among the region's entrepreneurial networks were those embedded in the overseas Chinese diaspora. This was a network which had dominated the region for centuries; it continued to do so until it was overshadowed by Western and Japanese rivals, growing under the carapace of their respective imperialisms, in the second half of the nineteenth century. After the Second World War, the spread of economic nationalism restrained the expansion of all kinds of transnational entrepreneurship in East Asia. But it often promoted in hothouse fashion the formation of new entrepreneurial layers at the national level. All along, moreover, the structural abundance of labour relative to natural resources continued to provide a favourable environment for the emergence of such strata in trade and industry. But the greatest opportunities for old and new strata to profit from the mobilization within and across borders of the regional labour supply came precisely when the crisis of the 1970s, and the US response to it, turned large, flexible and low-cost labour supplies into a powerful lever in competing for a share of the expanding US demand for industrial products.[34]

Nothing of the sort could be observed in Sub-Saharan Africa. All along, the region's structural shortage of labour relative to natural resources created an unpropitious setting for the emergence and reproduction of entrepreneurial strata in trade and industry. In the pre-colonial era, the slave trade had not just intensified both labour and entrepreneurial shortages, it had also redirected already scarce entrepreneurial resources towards 'the protection-producing industry', to borrow Frederic Lane's expression.[35] In the colonial era, protection-producing activities were taken over by colonial administrations and armies, while entrepreneurial functions in trade and production came to be exercised predominantly by foreigners—Africans, indeed, were often barred from operating businesses.[36] As Bates noted, 'indigenous people throughout much of Africa turned quickly, vigorously and skilfully to production for colonial markets', members of indigenous agrarian societies even championing the cause of private ownership. Ironically, however, the primary agents of capitalism in the region—the governments of the colonial powers—often thwarted these tendencies by advocating and enforcing 'communal' property rights.[37]

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[34] On the transborder mobilization of the regional labour supply in East Asia, see Arrighi, Satoshi Ikeda and Alex Irwan, 'The Rise of East Asia: One Miracle or Many?', in Ravi Palat, ed., *Pacific-Asia and the Future of the World-System*, Westport 1993; and my 'The Rise of East Asia: World-Systemic and Regional Aspects', *International Journal of Sociology and Social Policy*, no. 7, 1996. For the vitality of the Overseas Chinese as a transnational entrepreneurial stratum in the pre-colonial, colonial and post-colonial eras, see Arrighi, Po-keung Hui, Ho-Fung Hung and Mark Selden, 'Historical Capitalism, East and West', revised version of a paper presented to the Institute for Global Studies at Johns Hopkins in December 1999.

[35] See Frederic Lane, *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises*, Albany 1979.

[36] John Iliffe, *The Emergence of African Capitalism*, Minneapolis 1983.

[37] Robert Bates, 'Some Conventional Orthodoxies in the Study of Agrarian Change', *World Politics*, no. 2, 1984, pp. 240–44.

After independence, economic nationalism—whether capitalist or anti-capitalist—scared away large numbers of non-African small businesses without creating a compensating number of new African entrepreneurs. In the late 1970s, Sub-Saharan Africa was thus at a disadvantage in the incipient competitive struggle, not just because of its structural shortage of flexible and low-cost labour supplies, but also because of the sparsity of local entrepreneurial strata capable of mobilizing profitably whatever flexible and low-cost labour supplies existed.[38] Whether the greater abundance of flexible and low-cost labour supplies brought about in Sub-Saharan Africa by the collapse of the 1980s will over time create a more favourable environment for the growth of an indigenous business class, remains to be seen. For the time being, by provoking a sharp contraction in domestic markets, the collapse has worsened rather than improved the prospects of such a development.

Finally, these competitive advantages of East Asia and disadvantages of Sub-Saharan Africa were compounded by the very different legacies each inherited in the domains of state-formation and national-economic integration. Contrary to widespread belief, throughout the eighteenth century East Asia was ahead of any other region of the world, Europe included, in both respects. This early edge did not prevent, over the next century, the subordinate incorporation of the China-centred system of states and national economies within the structures of the European-centred system. Still, this did not erase the historical heritage of the China-centred system. Rather, it promoted a process of hybridization between the structures of the two systems which, after the Second World War (and especially after the crisis of the 1970s), created particularly favourable conditions for the accumulation of capital.[39]

In sharp contrast to East Asia, Sub-Saharan Africa inherited from the pre-colonial and colonial eras a political-economic configuration that left little room for the construction of viable national economies or robust national states. Attempts to build these against all the odds did not on the whole get very far, in spite of the considerable legitimacy that

[38] Lancaster, 'Political Economy and Policy Reform', pp. 174–5.
[39] See Arrighi, Hui, Hung and Selden, 'Historical Capitalism, East and West'.

they enjoyed at the time of independence.[40] At that time, as Mahmood Mamdani has emphasized, the core agenda of African nationalists comprised three basic tasks: 'deracializing civil society, detribalizing the Native Authority, and developing the economy in the context of unequal international relations'. While nationalist regimes of all political persuasions made major strides in deracializing civil society, they did little or nothing to detribalize rural power. In Mamdani's view, this is the reason 'why deracialization was not sustainable and why development ultimately failed'.[41] The argument developed here suggests that African states would have probably failed economically even if they had been successfully detribalized. Nevertheless, the fact that African elites needed to detribalize the social structures they inherited from colonialism, if they were to create viable national states, did constitute yet another handicap in the intensely competitive environment created by the global crisis of the 1970s and the US response to it.

We should add that the discrepancy between the developmental potentials of the two regions was magnified *before the crisis* by the preferential treatment that the United States accorded its East Asian allies in the early stages of the Cold War. As many observers have underscored, this preferential treatment played a critical role in the 'take-off' of the region's economic renaissance. The Korean War, notes Bruce Cumings, functioned as 'Japan's Marshall Plan'. War procurements 'propelled Japan along its world-beating industrial path'.[42] Altogether, in the 20-year period 1950–70, US aid to Japan averaged $500 million a year.[43] Aid to South Korea and Taiwan combined was even more massive. In the

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[40] I disagree here with Pierre Englebert's contention that 'low-legitimacy states are not unique to Africa, but their concentration in the continent is unique among all regions of the world and accounts in part for the differential in economic performance between Africa and the rest of the world': *State Legitimacy and Development in Africa*, Boulder 2000, p. 6. I suspect that any valid and reliable indicator of state legitimacy—which to my knowledge has yet to be devised—would show that at the time of independence no such concentration can be observed, and that any subsequent decrease in the relative legitimacy of African states was the outcome rather than the cause of Africa's comparatively poor economic performance in the 1980s.

[41] Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism*, Princeton 1996, pp. 287–8.

[42] Bruce Cumings, 'The Political Economy of the Pacific Rim', in Ravi Palat, ed., *Pacific-Asia and the Future of the World-System*, p. 31.

[43] William Borden, *The Pacific Alliance: United States Foreign Economic Policy and Japanese Trade Recovery 1947–1955*, Madison, WI 1984, p. 220.

period 1946–78, military and economic aid to South Korea amounted to $13 billion ($600 per capita) and to Taiwan $5.6 billion ($425 per capita). The true dimensions of this munificence are revealed by the fact that the nearly $6 billion in US economic aid to South Korea in 1946–78 compare with a total of $6.89 billion for all of Africa and of $ 14.8 billion for all of Latin America in the same period.[44]

Equally important, the United States gave the exports of its East Asian allies privileged access to the US domestic market, while tolerating their protectionism, state interventionism and even exclusion of US multinationals to an extent that had no parallel in US practices anywhere else in the world. 'Thus, the three Northeast Asian political economies [of Japan, South Korea and Taiwan] had in the 1950s a rare breathing space, an incubation period allowed to few other peoples of the world'.[45] The political economies of Africa were given no such break. On the contrary, the centrepiece of US Cold War practices in Africa was the replacement of Lumumba's democratic government with Mobutu's predatory regime, at the very heart of the continent. By the time the world economic crisis of the 1970s set in, the Cold War had thus further increased the chances that East Asia would succeed and Africa fail in the coming competitive struggles of the next two decades.

V. 'BAD LUCK' AND 'GOOD GOVERNANCE'

It follows from this analysis that, contrary to the tenets of the Washington Consensus (and *mutatis mutandis* of most theories of national development), there exist no policies that are in themselves 'good' or 'bad' across time and space. What is good in one region may be bad in a different region at the same time, or in the same region at a different time. Interestingly, starting from different premises, a distinguished World Bank economist, William Easterly, has recently reached very similar conclusions. Easterly had already published a co-authored study in the early 1990s entitled 'Good Policy or Good Luck? Country Growth Performance and External Shocks', which showed that the economic performance of

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[44] Bruce Cumings, 'The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences', in F. C. Deyo, ed., *The Political Economy of New Asian Industrialism*, Ithaca, NY 1987, p. 67.
[45] Cumings, 'Origins and Development of the Northeast Asian Political Economy', p. 68.

individual countries varied considerably over time in spite of the fact that their governments continued to pursue the same kind of policy. Good economic performance thus seemed to depend more on 'good luck' than 'good policies'.[46] In a recent article, Easterly has carried this claim one step further by showing that a significant 'improvement in policy variables' among developing countries since 1980—that is, greater adherence to the agenda of the Washington Consensus—has been associated, not with an improvement, but with a sharp deterioration of their economic performance; the median rate of growth of their per capita income falling from 2.5 per cent in 1960–79 to 0 per cent in 1980–98.[47]

Easterly does not question explicitly the merits of the policies advocated by the Washington Consensus. Nevertheless, the two main explanations he offers for their failure to deliver on their promises constitute a devastating critique of the very idea that they were 'good' policies in some absolute sense, as their propagators maintained. Firstly, he suggests that they were subject to decreasing returns: when pursued beyond a certain point by a particular country, or pursued simultaneously by a growing number of countries, they cease to yield 'good' results. 'While you may grow faster than your neighbour if your secondary enrolment is higher, your own growth does not necessarily increase as your (and everyone else's) secondary enrollment ratios rise'. The second, and in Easterly's view more important, explanation is that 'worldwide factors like the increase in world interest rates, the increased debt burden of developing countries, the growth slowdown in the industrial world, and skill-biased technical change may have contributed to the developing countries' stagnation'.[48]

Although not specifically formulated for African countries, for our purposes the striking fact about this dual explanation is how much closer it is to the diagnosis of the African crisis that underlay the Lagos Plan of Action than to that offered by the Berg Report and the NPE. For the explanation is an unmistakable, if implicit, recognition of the lack of factual justification for the World Bank and NPE's claim that the

[46] William Easterly, Michael Kremer, Lant Pritchett and Lawrence Summers, 'Good Policy or Good Luck? Country Growth Performance and Temporary Shocks', *Journal of Monetary Economics*, vol. 32, 1993.
[47] William Easterly, 'The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980–1998', *Journal of Economic Growth*, vol. 6, 2001.
[48] Easterly, 'The Lost Decades', pp. 135, 137, 151–155.

'bad' policies and 'poor' governance of African elites were the primary causes of the African crisis. Rather, it suggests that the crisis has been due primarily to structural and conjunctural processes of the global economy, as the signatories of the Lagos Plan of Action would have wholeheartedly agreed.

Structural processes of the global economy roughly correspond to the first part of Easterly's explanation, which points to the fact that policies and activities that are associated with desirable attributes—such as national wealth, welfare and power—may be, and often are, subject to a 'problem of composition'. Their generalization is liable to generate a competition that undermines their original objectives.[49] Conjunctural processes of the global economy, by contrast, correspond to Easterly's second explanation. For however important structural processes may have been in unleashing the global crisis of the 1970s, the sudden change in world-systemic circumstances that occurred around 1980 was primarily the result of the response of the United States to it. It was this reaction, more than anything else, that provoked the world-wide increase in interest rates, the deepening of the global recession, and the increasing debt burden of Third World countries. The 'improvement in policy variables' promoted by the agencies of the Washington Consensus did nothing to counter the negative repercussions of these changes on Third World countries, and in all likelihood strengthened their tendency to reflate US power and wealth.

This possibility is now entertained even in the columns of the *New York Times*. Its correspondent Joseph Kahn recently reported from the United Nations International Conference on Financing and Development in Monterrey, Mexico:

> Perhaps aside from China, the only country that appears to have benefited unambiguously from the trend toward open markets worldwide is the United States, where a huge inflow of capital has helped allow Americans

[49] For an early analysis of this kind of processes, see Arrighi and Jessica Drangel, 'The Stratification of the World Economy: An Exploration of the Semiperipheral Zone', *Review* (Fernand Braudel Centre), Summer 1986; and my 'Developmentalist Illusion: A Reconceptualization of the Semiperiphery', in W. G. Martin, ed., *Semiperipheral States in the World-Economy*, Westport 1990. For a more recent analysis, see Arrighi, Beverly Silver and Benjamin Brewer, 'Industrial Convergence and the Persistence of the North–South Divide', revised version of a paper presented to the International Studies Association in February 2001.

> to spend more than they save, and to import more than they export. 'The trend of globalization is that surplus capital is moving from the periphery countries to the centre, which is the United States', said George Soros . . . [who] came to Monterrey to persuade leaders to back his idea of creating a $27 billion pool . . . to finance development, especially when private capital flows dry up. 'The US government view is that markets are always right', Mr Soros said. 'My view is that markets are almost always wrong, and they have to be made right'.[50]

For the casualties of so-called globalization, first and foremost the peoples of Sub-Saharan Africa, the problem is not that 'markets are almost always wrong, and they have to be made right'. The real problem is that some countries or regions have the power to make the world market work to their advantage, while others do not, and have to bear the costs. This power largely corresponds to what Easterly and his co-authors call 'good luck'. From the perspective developed here, what appears at any given time as good or bad luck has in fact deep roots in a particular historical heritage that positions a country or a region favourably or unfavourably in relation to structural and conjunctural processes within the world system. If this is what we understand by the terms, then the African tragedy has indeed been due to a large dose of bad luck—that is, to a pre-colonial and colonial heritage which has gravely handicapped the region in the intensely competitive global environment engendered by the US response to the crisis of the 1970s. Still, neither American responsibilities for the change in the world conjuncture, nor African bad luck in being ill-equipped to compete in the new conditions, absolve the African elites from their failure to do what was in their power to make the collapse of the 1980s less severe, and alleviate its disastrous social consequences.

Let me briefly state what, in my view, are the three most conspicuous failures. First, although there was very little that the ruling groups in Africa could have done to prevent the change in systemic circumstances that precipitated the economic collapse of the region in the 1980s, they could nonetheless have mitigated it if they had been more realistic about the sustainability of the region's prior pattern of economic growth. This might have led to greater restraint—not just in fostering conspicuous consumption but also, and especially, in assuming levels of foreign indebtedness that magnified the region's vulnerability to the change of

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[50] 'Globalization Proves Disappointing', *New York Times*, 21 March 2002.

systemic weather. In this respect, the Lagos Plan of Action's call for collective self-reliance was right on target. Unfortunately it came too late and, worse still, led to no action at all.

Second, once the change had occurred, it would probably have been less damaging to default on the foreign debt than to reschedule it under the conditions dictated by the World Bank. In the short-run, the collapse would have been more severe; but the negative long-term effects of the 'good policies' imposed by the agencies of the Washington Consensus would have been avoided. In this respect, UNPAAERD was a bad bargain for Africa from the start—all the more so, once African states kept their side of the bargain while wealthy countries and their agencies did not.

Third, and most important, even assuming that there was nothing that the ruling groups of Africa could have done to pre-empt or mitigate the economic collapse of the 1980s, there was much that they could have done to alleviate its impact on the well being of their citizenry. This brings us to the issue of the relationship between national wealth and national welfare. Over the last half century, it has become increasingly evident that the global hierarchy of wealth, as measured by relative GNP per capita, is very stable. With few exceptions, low-income countries tend to remain poor, high-income countries tend to remain rich, and middle-income countries tend to remain in-between.[51] At the same time, it has also become evident that within each stratum there is considerable variation in the degree of welfare (as measured by a variety of social indicators) enjoyed by the citizens of different states.

It follows that, while there may be little that most states can do to upgrade their national economies in the global hierarchy of wealth, there is always something that each can do to increase (or decrease) the well-being of its citizenry at any given level of poverty or wealth.[52]

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[51] See Arrighi and Drangel, 'Stratification of the World Economy'; and Roberto Patricio Korzeniewicz and Timothy Patrick Moran, 'World-Economic Trends in the Distribution of Income, 1965–1992', *American Journal of Sociology*, no. 4, 1997, pp. 1000–1039, especially Table 5.

[52] Peter Evans has recently underscored this possibility with specific reference to the experiences of Kerala, India and Porto Alegre, Brazil in 'Beyond "Institutional Monocropping": Institutions, Capabilities, and Deliberative Development', unpublished paper. See also Santosh Mehrotra and Richard Jolly, *Development with a Human Face: Experience in Social Achievements and Economic Growth*, Oxford 1997.

In the African context, the kind of detribalization that Mamdani advocates would have probably yielded greater returns than any other strategy. From this standpoint, most African ruling groups have probably done far less than was in their power to do. But it is not at all clear whether and to what extent they have on the whole been more deficient than the ruling groups of other countries and regions, the United States included. Indeed, if we take into account differentials in wealth and power, it seems likely that they have been comparatively less so.