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# AFRICA'S ECONOMIC RECONSTRUCTION: ON LEAPFROGGING, LINKAGES AND THE LAW

Maxwell O. Chibundu<sup>1</sup>

My objective in this essay is to present a model of thinking about Africa's economic growth (in the parlance of the conference, "reconstruction") that goes beyond viewing the available options as a binary choice between acceptance of the tried and true which has failed in the last forty years of tryouts, or a quixotic theorizing of an ideal that is impracticable within the existing neoliberal (or neoconservative) models of economic performance that currently superintend the process that we have all come to know as "globalization." What I want to suggest and defend is that, without ignoring the failings of the past, African societies can construct a successful economic future by downplaying their focus on external economic stimuli, and by paying more attention to local or domestic demands.

I begin with three caveats: First, I'm trained as a lawyer, not as an economist. Nonetheless, just as war is too important to be left to generals, the primacy of economic relationships in determining sociopolitical structures implies that the field cannot be left solely to professional economists. It would be foolhardy, however, if lay perspectives were to ignore the central tenets of economics as a discipline. I make my presentation therefore by accepting many of the central tenets of classical Western economic thought; above all, the relevance of material-based incentives (and disincentives) as efficient regulators of human behavior – that of the traditional African, no less than of the North American technophile. Second, although context matters, there are in truth few situations or societies that are *sui generis*. All theories must take account of "facts" on the ground, but the need for particularization is not an argument against theory nor of the relevance of generalization. I shall therefore treat Africa as a unit, with the understanding that the continent exhibits a wide range of variations in the factors that I shall articulate and consider in this presentation. Third, my intention is not to prescribe specific policies. We have neither the time nor I the competence to do so. My goal is to present perspectives that if employed by policymakers should lead to optimal prescriptions, and if properly implemented might yield better economic performance.

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Against the backdrop of these caveats, I shall, in what follows: (1) delineate four elements that I view as central to gauging Africa's economic reconstruction; (2) describe and evaluate three paradigms of economic growth; and (3) inquire into the relevance of law for the economic reconstruction project.

## I. WHAT IS ECONOMIC RECONSTRUCTION

During the last ten years, the Republic of South Africa has stood out as a beacon of hope in the "dark" continent. It's been flashed as an exemplar of effective conflict resolution, of negotiated peaceful transition from an abhorrent past to a promise-filled future, of toleration, forgiveness, nonracialism, and of course "democracy". In short, South Africa has been a poster society for the civic virtues of contemporary liberalism in the sociopolitical spheres.

Without detracting from any of these strengths, it is worth pointing out that conspicuous by their absence from this list are matters related to economic well-being. Their omission may reflect the basic fact that the radical political transformations in the South African polity have not been mirrored in the economic structures of the society, or perhaps it is a reflection of the now standard approach among international opinion-makers of emphasizing civil and political developments in the nonwestern world over economic development (except, of course, where such developments seem to threaten directly economic well-being in the West, as in Mexico in 1994-95, South-East Asia in 1997, or Russia in 1998). But whatever may be the reason, it offers to South African society the challenge and opportunity of stepping down from the pedestal in which it has been perched in order to try to make common cause with its regional neighbors. In consonant with this hope, I shall approach the issue of economic reconstruction not from the perspective of how South Africa can lead the rest of the continent – whether by example or by investment – but how the entire continent, working individually and collaboratively, should think through and adopt policies that promote the economic welfare of their societies.

The success of economic reconstruction, I'd like to suggest, must be measured along four dimensions. The first and most common of those yardsticks is the accumulation of material assets. The traditional evaluation of economic well-being typically has focused on this measure of economic welfare. Such aggregates as gross domestic product, per capita income, trade, investment and foreign exchange balances, all highlight this feature of undifferentiated collective welfare. Indeed, in the United States, the "law and economics" school of thought has vulgarized the idea of economics as amounting to no more than "wealth maximization".

There is no denying that asset accumulation whether by the individual or by the state is critical to economic welfare. The capacity of a society, like that of an individual, to engage meaningfully and fruitfully in intercourse depends on the

resources available for exchange to that society. African states have performed miserably in accumulating and holding unto exchangeable assets, and while the Republic of South Africa is certainly much better off in this area than virtually any other African society, its aggregate exchangeable wealth still falls below those that it needs or considers as adequate for its welfare. This shortcoming, like that of the rest of the continent, is particularly glaring when viewed against the backdrop of the other indicia of economic well-being.

The second of those gauges of economic welfare relates to the distribution within a society of the accumulated wealth of the society. The importance of this consideration as a factor of economic welfare was the primary contribution of the McNamara-led World Bank in the 1970s. The so-called "Gini coefficient," which seeks to measure the parity of income distribution within a society, was introduced as a prescriptive tool for gauging economic development by "progressive economists" to challenge the then prevailing orthodoxy that economic growth should be measured solely in terms of increases in the aggregate accumulation of wealth. By demonstrating that the fast-growing economies of East Asia also exhibited remarkably low inequality of income distribution, these economists contended that not only should countries aim for aggregate increases in economic welfare, but that by adopting policies that promoted fairer income distribution, they were also aiding high economic growth.

But there were theoretical and philosophical difficulties with this prescription. On the theoretical side, there were no adequate explanations within the framework of orthodox liberal macroeconomics of the claimed observed relationship between relative income equality and aggregate growth. Might not the relationship be fortuitously coincidental rather than causal? And if the relationship did in fact exist, wouldn't the mandating of policies that reduced income inequality – whatever its benefits might be for aggregate growth – undercut some of the tenets of the liberal political order such as individual autonomy and democratic governance? Indeed, those East Asian societies that simultaneously exhibited relative income equality and high economic growth (notably Japan, Taiwan, South Korea and Singapore) manifested such tendencies as "clientelism," "authoritarianism" and "administrative paternalism"; features that were not synonymous with liberal democracy. And in any event, the promotion of "income equality" as an ideal came close to endorsing "socialism," if not "communism."

The result was that "progressive economists" of the 1970s who espoused "fair income distribution" as essential to economic growth contented themselves with a modified objective to equitable redistribution: the so-called "basic needs" approach. Rather than seeking to sell an economic policy that squarely confronted the problem of income inequality, it was sufficient that such policy asked whether minimum "caloric intake" was assured to the population at large. Beyond this minimum, a society wishing to engage in rapid economic growth could strive for aggregate increase in assets without worrying about distribution. This doctrine remains alive

today, except that rather than worrying about individual caloric intakes, the new international (finance-led) order seeks to do away with poverty through such "communitarian" institutions as "micro credit" rather than the individualized "minimum caloric intake" formula.

The third yardstick for measuring a country's economic well-being relates to the allocation of resources within a national economy. If we assume that there is a rational relationship between resource allocation and resource derivation (an assumption supported by the "efficiency" hypothesis in classical economic theory), then economic welfare is best served by devoting national resources to those areas of economic activity that would generate the highest returns for each marginal input. Because developing economies tend to be relatively small open economies that are "price takers," they are better off with diversified economies capable of weathering changing patterns of tastes and preferences, rather than as monocultural economies, even if the relevant single product happens to be, at a given time, in considerable demand. National economies that allocate a preponderant amount of their resource towards product diversification (a feature characteristic of industrialization) rather than in extracting a single product (however richly the country may be endowed with the product) are likely to realize faster economic growth. This idea has always been controversial, and although it did win Sir Arthur Lewis a Nobel prize for Economics, it has gained acceptance at best only at the margins of orthodox neoclassical economics. Indeed, the idea is frequently in tension with that pillar of liberal economics: "comparative advantage."

Finally, a fourth measure of national economic welfare is what might be referred to as "self-sustaining growth." It is the least developed in traditional economic theory of the gauges, yet its centrality and relevance cannot be gainsaid. All economies are subject to the dislocations caused by changes in tastes, preferences, resource endowments and technologies. A measure of economic welfare is the capacity of a country to weather effectively the dislocations that arise. That capacity determines whether the dislocations are merely temporary, or whether they result in a vicious cycle of downtrodden poverty. The capacity to bounce back from inevitable dislocations as a result of national political and economic decisions, rather than on the basis of handouts from others, is thus a significant measure of economic strength.

There is, for example, little doubt today that many of the South-East Asian economies will readily satisfy the first three gauges of economic growth delineated above. How well they can satisfy the fourth remains open, although Malaysia's ability to weather the 1997-1998 crisis in a manner no worse than others despite adopting its own independent policies (and in the teeth of strenuous opposition from the established international financial institutions and treasuries of North America and Western Europe) augurs well for the so-called "newly industrialized economies" on this criterion.

The reconstruction of Africa's economies, then, must embody means that permit and encourage the integration of policies that promote asset accumulation with effective income distribution, product diversification and the capacity for internally-generated economic renewal. To explore the forms such policies might take, I'll describe and evaluate three approaches that one can glean from extant literature. I'll then offer a modified perspective on these approaches.

## II. PARADIGMS OF ECONOMIC RECONSTRUCTION

In one form or another, all humanistic disciplines face a truism that academic philosophy has tried to make a virtue of: "There are no new questions nor answers, just new ways of framing them." This is certainly the case in the matter of comprehending the problem of and prescribing the cure for Africa's economic underperformance over the last half-century. Wrestling with this issue gave rise to and informed a discipline that has waxed and waned multiple times during this period – "Development Studies." In what follows, I shall borrow from the paradigms of the discipline as a means of navigating through what are, at best, stormy waters. In presenting the teachings of economic development, below, I hope to (i) draw attention to the magnitude of the challenge one faces in synthesizing the problem; (ii) illuminate the thoughtfulness that has already gone into evaluating and prescribing potential solutions; (iii) demonstrate the continuing inadequacy of our understanding (or, perhaps of the intractability) of the problem which is manifested by the poverty of the results we've obtained so far; and (iv) reflect on the cost and benefit of our persistent doggedness in viewing the problem in terms of externally-driven capital accumulation and internally promoted distribution of resources. I shall suggest that while the development paradigms rightly are concerned with measuring and improving material welfare, the time horizon of the focus of inquiry on which they've been constructed have skewed the relevant data, and, of course, the accompanying prescriptions. What may be needed more than carefully constructed paradigms or practical plans, may be the willingness to accept unpalatable truths in the short-run, while refraining from the constant midstream corrections that is entailed in the theorizing of these paradigms and their implementing plans over a short period of time.

### *A. Stages of Development*

As a prelude to the normative discussion of current reconstruction programs – typified by the trilaterally proposed "Millennium African Recovery Plan" of Presidents Mbeki, Obasanjo and Bouteflicker/Waad – I'd like to take a few moments to present a sketch of prior efforts at economic reconstruction. In describing those efforts, my primary purpose is to make explicit the historical backdrop that informs the tone that I take in appraising current reconstruction projects. While

generalization is unavoidable, I intend to limit the level of abstraction to that necessary for the arguments and proposals that I submit.

The current proclamation of an African “renaissance” is easily one of many such proclaimed resurgences in barely a generation. By my count, it represents a fifth demarcation point within this brief time-span. As I shall describe below, these phases while having distinct attributes, have shared transcendent philosophies. The phases, for ease of reference, I shall call the “international,” the “National,” the “African,” the “global,” and the “Millennial.” With the exception of the last which is still very much unfolding and unfocused, each of these phases was typified by a reasonably well developed point of view that embraced much of the continent during its ascendancy, lasted for about a decade, and then withered away, to be replaced by another which, superficially, appeared to constitute a break with the prior orthodoxy. As I shall argue later, this mirage of fleeting changes of policy has substantial costs for the project of economic reconstruction.

## **1. The International Phase**

The “winds of change” that swept through Africa between 1955-1965 (to select two reasonable dates) was generally welcomed within and without the continent as the beginning of positive processes in the economic and political lives of African societies. The basic belief was that Africans, having retrieved their political independence from their colonial rulers, were bound to implement policies that assured the economic welfare of the continent. As Kwame Nkrumah, one of the more charismatic of those African leaders, framed the rallying cry: “seek ye first the political kingdom, and all else will be yours.”

No one doubted the success of Africa’s economic transformation from agrarian subsistence (the perpetuation of which was generally assumed to be the product of exploitative colonialism) to modern industrial societies. Rather, the debate revolved around whether the transformation would come about through spontaneously ordered natural evolution (albeit compressed into a very short period of time), said to be characteristic of the West European and North American experiences, or via government-sponsored central planning which characterized Soviet economics. African leaders temporized. Perhaps they had no choice, but more about that later.

With virtually no exception, independent Africa absorbed (or more accurately was absorbed into) the economic structures in place at the twilight of colonial rule. These reflected essentially the mix of market and state institutions that had become the norm in Post world War II Europe. Most transactions were governed by market determined prices; and this was true with regard to both internal and external trade. Internal transactions manifested a pronounced dichotomy between the “modern sector,” located primarily in islands of urban settlements, and the “traditional sector,” characterized by subsistence activities. External trade followed patterns established

under colonial rule. Raw materials (both agricultural and mineral) were extracted from the hinterlands and exported to Europe and North America in exchange for manufactured goods and financial investments.

Integral to the functioning of the market was an activist role for the state. Much of that role was inherited from the departing colonial government. Not only did the existence of a sizeable (and for all practical purposes unionized) civil service have a direct bearing on the price of labor within the fairly small modern sector, but the government was an active participant in the provision of such overarching social services as health, education, insurance, transportation and, to a lesser extent, consumer banking. In addition, the state frequently spearheaded the creation of "marketing boards" and other cooperative organizations that streamlined the exploitation of those primary products that constituted the basic exports of the national economy.

In these transactions, two points should be stressed. First and foremost, the government (and by extension the state) functioned, primarily, not as a dispassionate regulator or arbiter of competing interests, but as one among many participants in an essentially market-based economic system. As such, the government, as a participant, no more than the private individual was a price-taker in these transactions. Its size occasionally may have affected the price on offer in the domestic market, but it was the "market" rather than governmental dictate that was the ultimate arbiter of the terms of exchange. Second, this role was not the consequence of a revolutionary moment of political independence, nor of an indigenous African response to the internationalization of their economic lives. Rather, post-colonial African societies were simply embracing institutions and practices that were bequeathed to them by the departing colonial administrators.

This is not to argue that the post-independent African state was nonregulatory, or that there were no African contributions to the post-colonial economic structures of these societies. The promulgation of laws is uniquely a state function, and independent African governments undertook this task with zest. They passed laws on currency exchange rates, tax holidays for pioneer industries, customs tariffs, foreign investments, development plans and the like. The "development plans," of course frequently took account (at least in theory) of the level of the economic attainment of the particular society, as well as of its aspirations. Thus, whether it was a four or a five year development plan, the amount of resources that would be devoted to tertiary education, health-care, beer brewing, or cement manufacturing, reflected local conditions. But these were arguments over issues of degree, not of kind.

But to say that the institutions of economic relations were unchanged following political independence is not to assert that interests and ideas remained the same. To the contrary. If political independence meant anything, it was the superseding of one group of elites by another. Although, for the most part, Oxford and Sorbonne trained



civil servants were replaced by G.C.E. and I.B. wielding bureaucrats, the privileged status of the latter group in their newly independent societies was no less pronounced than that which the former had enjoyed in theirs. Similarly, in the private sector, it was often the concerns of the politically active and highly mobilized unionized white-collar workers in the service sectors of the economy (notably, banking, insurance and transportation) and those of professionals such as teachers, lawyers and doctors, that dictated governmental policy. The means to the satisfaction of the interests of these groups only reinforced the institutional structures in existence at the decolonizing moment. Essentially, those means required subsidization of the modern sectors of the economy through relatively relaxed import regimes, the encouragement of foreign investments, and otherwise outward looking economic policies.

But these were not sufficient conditions for stellar economic performance. In the first place, an import-oriented regime could be sustained only as long as the country could generate the requisite foreign currency with which to finance the imports. The combination of the export of raw materials, the inflow of investment capital, and of foreign aid proved to be insufficient to meet the foreign currency demands imposed by the initial economic policies of most African countries. Here, ideology intervened to make a virtue of what otherwise was probably a necessity: increasingly, an inward-looking development policy.

## **2. Nationalism as Economic Development**

By 1970, it was evident that for Africa, political independence was not tantamount to economic over achievement. Despite the adoption of the outward-looking trade and investment policies referred to above, the declaration of the 1960s as an international development decade by the United Nations, and the extensions of significant economic aid to the continent (from the West as readily as from the East), African countries could show, at best, that their economic performance kept abreast of the immediate needs of their populations; in other words, that they had not retrogressed. The elites who had been the beneficiaries of the outward orientation of economic policies, as much as the general population were restive. While particularized political and cultural factors can be advanced in individual cases to explain the raft of military coup d'etats and dictatorial one-party (or, more accurately, "one-person") regimes that flourished in the continent between 1965-1995, it's impossible to overstate the significance of economic underperformance to the continent's overall political instability during the period. The new military governments invariably sought to legitimize their successful coups by pointing to the obvious mismanagement of the economy by the overthrown government, while the one-person ruler explained his abortion of the fledgling democratic institutions by explaining that the amorphousness of the accountability (or lack of it) inherent in those institutions rendered the pursuit of national economic goals overly costly.

Coincidentally, the benevolent international economic environment of the 1960s gave way in the 1970s to a quite inhospitable one. The economies of the West were buffeted by hitherto unthinkable rises in the price of core raw materials, notably crude oil, copper, aluminium and uranium. The Western economies (especially the United States), responded not by decreasing their demand for this raw materials, but by increasing their money-supply with which to acquire the raw materials. The result was both the stagnation of western economies as well as rampant inflation; what came to be known as stagflation. In such an environment, the concerns in the West of Africa's economic plight could at best be secondary. Of course, the West (especially Western Europe) did not (and probably could not) completely disengage from concerns over Africa. Yet, it displayed no special solicitude for Africa's particular problems. Thus, much of the aid that Africa received in the 1970's and 1980's was channelled through such multilateral arrangements as the Lome Convention, and various special and enhanced facilities at the World Bank and the International Monetary Fund.

The relative disinterest of the West in Africa's economic situation in the 70's and 80's was doubtless influenced in no small part by the attitude of African governments. Not only were these governments increasingly a mockery of the western democratic institutions that the departed colonizers thought they had bequeathed as lasting legacies of their civilizing missions, but the rhetoric in justification of these parodies were often borrowed wholesale from western classical thought, and often assigned blame and guilt to the West. Thus, many of the new African governments asserted as policy (even if they rarely practiced) the right to nationalize their economies through such measures as state ownership of the modern sectors of the economy, expropriation of foreign investments in the sector, the right to the unilateral determination of what constitutes appropriate compensation in such cases, the unilateral readjustment of tariffs notwithstanding bindings under the General Agreement on Tariffs and Trade, and the right to form cartels and to limit the quantity and price at which products extracted from their territories can be offered for sale. In response to the criticism that such policies violated the basic tenets of the international economic system, African governments, like many others in the so-called "developing world," invoked the principles of "self-determination" and of "national sovereignty," concepts that had been articulated and extensively developed by the enlightenment thinkers of the West and their twentieth century disciples.

Despite the nationalist rhetoric, and the occasional transformation of that rhetoric into policy, the new economic policies pursued by the African governments left the continent just as reliant on the twists and turns of international trade and investment as had the prior policies of the internationalist phase. What changed was not the type and direction of trade and investment flows, but who, ostensibly, directed and controlled their reception. Where large multinational corporations, managed from abroad or by non-African expatriates, and responsive only to governmental incentives, previously had essentially dictated capital inflows, such

inflows were now directed by many of the same multinationals, but now ostensibly under the control of local indigenous managers, and in response to more or less direct governmental edicts.

Similarly, many of the export and import decisions which hitherto had been made by Lebanese and Asian entrepreneurs were ostensibly transferred, through the so-called indiginization programs, to the emerging African bourgeoisie. But there is little evidence that, aside from enriching the African middle-class, these localization policies effectively changed the path of African economic development. That development was still very much oriented towards trade with the West; and, by and large, African economies remained price-takers, with the determinants of their economic performance dependent more on demand factors in the West than on any of these domestic policies.

### 3. The Africanist Decade

The nationalist phase may have failed in reorienting the focus of African trade and investment policies, but it resulted in the reduction of the inflows, and it diverted much of those inflows from private to public sources. Risk-averse foreign investors, confronted by the uncertainties of the rhetoric of nationalization, and facing fierce competition in their stagnating inflation-prone home markets, undertook investments in African economies only with great reluctance. It was this period that gave birth to the reemergence of the swashbuckling entrepreneurial ruthless western investor, such as "Tiny" Roland of Lonrho, rather than the staid multinational (such as Unilever) as the prototype of the Western investor in Africa. The result was the diminution of capital inflows.

Of no less significance was the diversionary consequences of African nationalism and Western stagflation. International financial institutions, notably the World bank, under the direction of Robert McNamara, found in the financing of basic infrastructural programs such as the construction of schoolhouses, roads and pipeborne water, a new *raison d'être*, and many western governments sought to address the demand problems of their stagnating economies through extensive short-term export credit financing. Interestingly, then, while much of the world in the second-half of the 1970s financed their capital flows through private debt accumulation, most African countries accumulated their debt from public sources. As I shall explain below, this difference in the sources of debt financing has been significant in shaping the current approaches to Africa's economic reconstruction. However, as the 1970s drew to a close, it was the decline in overall capital inflows rather than the source of capital that was crucial in framing the third African response to the problem of economic reconstruction.

That response was typified in what was known as the "Lagos Plan of Action." In 1980, African leaders, gathered in the then Nigerian capital, articulated for the

economic arena the goal of an integrated continent. Economic policies, henceforth, were to be underpinned by a preference for promoting transcontinental trade and investment flows: an objective that was seen as necessary if the ultimate dream of continent-wide political unity was to be achieved.

It is probably the case that having a formal plan of action spurred some transcontinental economic activities. Government-controlled airlines, for example, did restructure some of their routes so that in order to get to Abidjan from Lagos, one did not first have to fly to London or Paris. And one of my treasured musical recordings is that of a Nigerian High Life band whose compact disc was made not in New York or London, but in Dakar, Senegal. Nonetheless, it is fair to say that the Lagos Plan failed to generate any noticeable growth in Africa's economies. Putting aside the question of sincerity (that is, whether there was ever a genuine commitment to its implementation, or whether it was intended from the outset as no more than political theatre), the project was doomed from inception for a variety of structural reasons.

In the first place, the timing could not have been more inauspicious. The 1980s was, for Africa more than even for Latin America, a lost decade. The radical reduction of the demand for raw materials in Europe and North America, the instabilities of the international financial system, persistent poor weather in much of the African continent, political instability, and outright continued mismanagement of the economy meant that the usual scarcities that Africans had come to learn to live with, were aggravated by conditions that were at times unimaginable. The Ethiopian and Sahel famines, products as much of political upheavals as of natural forces run amok, were only the best recorded of a pervasive problem. Thus, even hitherto touted successes like Kenya and Cote d'Ivoire, to name two examples, did not escape the impoverization and outright immiseration of the continent. In a climate of desperate scarcity, national governments were more worried about survival than about promoting a continental dream. Far from co-operating with one another, it became quite routine practice when the going got tough to blame tight economic circumstances on the sojourning nationals of other African countries, and to expel those foreign nationals as a means of buying domestic peace.

This last point reveals another fundamental structural flaw in the Lagos Plan. Like the other economic policies already discussed in this talk, its primary (perhaps indeed only) focus was on the "modern" sector of the economy. The Plan focused exclusively on how to promote trade and related exchange transactions between African countries. It was silent on the internal restructuring of domestic economies, and statements as to the coordination and harmonization of policies were framed in terms of the external sector. The idea of economic reconstruction was seen primarily as the task of the elite, not of the nation as a whole.

#### 4. Globalism

In 1989, the world Bank published what has attained the status of a seminal work on Africa's economic development: "Sub-Saharan Africa: An Agenda for Development". The work was notable because, compared to the usual obfuscatory bureaucratese and diplomatic hedging for which the work products of the institution were (and for the most part still are) renowned, the Report's articulation of its diagnosis of Africa's economic ailments and the prescribed cures were quite straightforward. Starting with the thunderclap of pointing out that a continent with six hundred million people had a gross product barely that of a small European country, Belgium, with one-sixtieth of its population, and that the continent's gross product was in 1989, just about what it had been two decades earlier, the Report argued that African governments were primarily culpable for this dismal state of affairs. The basic problem, the report suggested, was that the African state, as an institution, had become an overgrown parasite, that engulfed most other institutions within society, and in the process enfeebled growth. The suggested cure was the reduction of the size of the state in the economic life of the nation.

This prescription was one that conveniently coincided with the emerging neoliberal orthodoxy in Western Europe and North America, and of the International Monetary Fund. The idea that private actors, "incentivized" by the market shorn of state intervention, were the engines of growth was of course the dominant theology of the late 1980s and 1990s. In order to have the large public debts that African countries had accumulated in the 1970s and 1980s rescheduled or written off, or if these countries were to continue receiving foreign assistance and investments, their governments had to liberate their private sectors. Specifically, through "structural adjustment programs," they had to reduce the role of the state by, among other things, privatizing parastatals, reducing the number of civil servants in their employment, adopting more flexible exchange rate policies, removing price controls, reducing subsidies on middle-class consumer items, and reducing tariffs on imports.

Despite protests from labor unions, some academics and nongovernmental organizations, most African governments, given their dependency on foreign credit, had little choice in the matter, and had to capitulate to the preconditions for foreign assistance. For many, the otherwise unpalatable choices conveniently could be rendered less so by being combined with the changing political stance on democratic rule. In other instances, the need for such policies precipitated or quickened the death of moribund gerentocracies, "one-party rule," and military dictatorships.

Thus, as we went through the 1990s, Africa reappeared as a participant in the global economy, whose policies were animated by and responsive to the same network of influences as elsewhere in the capitalist world economy. Much of Africa may lack the proliferation of the infrastructural networks of fiber optic cables, computers, geostationary satellites, and cellular 'phone towers that are the hallmarks of the new information technology age, but no one doubts that Africans are entitled

to these accoutrements of our global civilization, and that, in due course, they will receive them. For African leaders of the 1990s, the question was not (as it had been for much of the 1970s and 1980s) whether Africans successfully could go it alone, but rather, how African economies could benefit most from an integrated world economy.

#### **4. The Millennium Recovery project**

The "Millennium Africa Recovery Plan," spearheaded by President Tabo Mbeki, and anchored in its supports by Presidents Obasanjo and Bouteflicker must be viewed and appraised against the backdrop of what has preceded. From what I've said thus far, it should be obvious that thinking about coordinated continent-wide rebirth has a decent pedigree. Thus far, the Millennium Plan lacks details, but enough has been said in news reports to suggest its probable course: at least enough of a sketch to permit it being placed in context with the previous reconstruction projects.

Judging by the newspaper stories, the MARP, at least for our purposes, has two noteworthy and overarching features. First, it recognizes "good governance" as integral to economic reconstruction. And "democratic rule" appears to be a necessary condition for "good governance," with the two terms sometimes being used as synonyms. The obvious underlying logic is that African leaders, as economic decision-makers, ought to be made accountable for their decisions, and that democratic rule provides the optimal means of assuring such accountability. Second, the engine for economic growth lies in market-oriented reforms of national economies. Specifically, the privatization of national economies, flexible labor laws, and of course attracting foreign investments into the continent. To create the requisite climate for the obvious need for capital accumulation demands, in addition to good governance, functioning markets and effective enforcement of commercial laws.

It is obvious, then, that proponents of the MARP intend to build on the globalism of the 1990s by replacing an externally imposed adjustment program with a "home grown" one. Remarkably, however, the least talked-about aspects of the plan relate to the internal dynamics of the economic contents of the Plan. We know that an objective of the plan is to encourage foreign investment inflows into the continent by encouraging democratic rule. But what role does internal economic restructuring play in the process? What are the sources of specific elements of the plan? Who are drafting its terms? What coordination mechanisms, if any, does the plan envisage both within national economies and across the continent? Will the plan consist of general principles available to be adopted at the whim of each country, or will there be some institutionalized means for marketing, enforcing and evaluating its results? In short, when it comes to issues related to what makes the

plan "African," none of the news stories provide much meaningful information; nor is it clear that the authors of the plan have thought through these issues.

What I've just done, of course, is to posit in rhetorical form a basic theme that has informed much of this presentation. Africa's economic reconstruction projects, as I hope that I've succeeded in demonstrating thus far, are notable for their outward focus. Those who shape these policies appear to pay virtually no attention to the enabling internal dynamics of these policies. In what follows, I shall argue that this shortcoming, shared by all of the five approaches that I've discussed (including the ostensibly "national" and "African") constitutes a significant defect in the Continent's approach to economic reconstruction. Further, I shall contend not only that if the Millennium plan is to fare any better than its predecessors, it must incorporate an inward focus as much as an outward one, but that such incorporation must be the basic foundation for any reconstruction project. I shall begin by positing three paradigms of development, and then go on to explain the relevance of these paradigms for contemporary economic reconstruction plans.

### ***B. Leapfrogging or Linkage?***

An ancient debate in "development studies" revolves around whether economic growth should be seen as a disciplined evolutionary march in which, in order to get to Point C from Point A, one must necessarily go through Point B, or whether growth is an asynchronous process that is particularistic, and about which rules can only be framed in *sui generis* terms.

Although few persons today are brave or intellectually suicidal enough to articulate the former position in as deterministic a fashion as it was once done in professor

Rostow's work on "The Stages of Economic Growth," the idea of viewing and representing economic growth as a linear progressive process with identifiable and readily recognizable demarcation points continues to have much sway in both academic and policy circles. And, indeed, the process of industrialization by which manufacturing technology starts out in the very capital rich economies, and migrates sequentially to the capital rich and only finally to the capital poor is often taken as confirmation of the "stages of growth" thesis. Similarly, the tendency to think of capital accumulation in such phases as raw materials extraction giving rise to import substitution which leads to export processing and terminates in service-induced technological innovations suggest the deep-seated place the "stages of development" theory has come to occupy in even the most mundane of our thoughts about growth.

It is fair to say that the "stages of growth" thesis did not find hospitable reception in post-independent Africa. For African policy-makers, the theory was seen not only as suggesting temporal backwardness, but also was viewed as dooming

the continent to a perpetual game of trying to catch-up, with the likelihood of doing so to be measured in generations, if not centuries.

The responses of these policy-makers, however, cannot fairly be characterized as an antithesis to the stages of growth theory. That response, essentially, was to argue that African growth, rather than having to proceed in a sequential line, could "leap-frog" over some of the stages that European societies may have gone through. It may therefore be possible for an African economy that was characterized by a regime of feudal land-tenure and subsistence agriculture to become an industrial manufacturer of goods without first having to be stymied for a prolonged period in the petty bourgeois capital accumulation phase of growth. But this argument for the possible short-circuiting of some of the phases of growth, it should be noted, was not a rejection of the thesis. Indeed, many of the policies pursued by African governments (and reviewed above) implicitly accepted the stages of growth thesis. The outward focus of those policies at their core, was an effort to substitute the demand for internally generated capital (the primary role of the petty bourgeois phase) with imported capital. One might ask the extent to which the failure of these policies are indicative of the futility of this substitution approach? In other words, was the failure one that is systemic to the stages of growth theory, or did it simply suggest that the inadequacies of the various implementing modifications to the theory? I shall return to this issue shortly. But before doing so, I want to offer a competing paradigm for economic reconstruction.

If a historically determined sequential approach to growth constituted one paradigm of economic growth, a socio-cultural orientation was a distinctive alternative. Here, economic growth could be viewed as an integral aspect of social formation. For African societies, the path to economic development would lie in policies that sought to exploit the internal dynamics of their societies. Such policies would focus on establishing and, more importantly, furthering linkages among seemingly asymmetrical institutions and practices within society: between the modern and the traditional, the urban and the rural, the industrial and the agricultural, the social and the economic. Growth would be evaluated less in terms of material accumulation, and more on the basis of the harmonious relationships forged among members of the society.

I think this was the paradigm that underpinned Tanzania's "Ujamaa" program. But, for a variety of reasons, the paradigm has not received anywhere near the sort of attention that the stages of growth paradigm has. For one thing, its results are not quite as easily quantifiable (at least in our bureaucratized world) as is the measurement of materially-based asset accumulation. Similarly, the absence of an exchange mechanism for valuing the results renders it virtually impossible to make intersocietal comparisons, and therefore to engage in any normative evaluation of the results. And, in the absence of a normative evaluation, who is to prescribe the continuation or rejection of a policy? Scholars and policy-makers are bound, therefore, to dismiss such policies either as impossibly incommensurable or



“utopian.” We therefore gauge the success of Tanzania’s Ujamaa, not by inquiring into the social or political stability that it may have generated for that society, but by asking the extent to which it promoted per capita income, and how that increase in income (or lack of it), compares with the performance of other societies.

But arguing that the problem with a linkages-based paradigm may be one of measurement rather than of effect is not an adequate response to a critique of that paradigm. Technically valid as such a response might be, the reality is that the beneficiaries of such policies inhabit a world in which commensurability and comparisons are as much elements of what constitutes the good life as is any sense of internal peace and happiness. Tanzanians, no less than Nigerians or South Africans, are interested in quantifying their happiness and measuring it against those of other people. Their sense of personal worth is, like that of much of humanity, is gauged by them not only in terms of their absolute wealth, measured in material terms, but of how that wealth compares or contrasts to those possessed by others.

It will not do, then, to suggest that the shortfalls of Africa’s embrace of the stages of growth approach can be corrected by adopting the linkages paradigm. And if one rejects both paradigms, what alternatives exist? I shall respond to this question by positing a third paradigm of economic reconstruction.

### *C. Leapfrogging Over Linkages*

From what I’ve said so far, one might think that the resolution of Africa’s economic difficulties would lie in hybridizing elements of the two paradigms to form a new one, and were we in a fantasy world, that might well be right. In one sense, that is what African governments tried to do under the auspices of the Lagos Plan of Action. But the practical problem raised by any hybrid theory is the identification of the transplantable elements that will cohere and complement. The failure of the Lagos Plan demonstrates that this is no small difficulty. The “nationalistic” tendencies of African leaders, honed by decades of rhetoric, and the tendency to believe that economic growth was necessarily a product of external trade and investments, led them to articulate a “linkage” policy that embraced trans-African trade as the path to future growth. But the policy failed in part because the products of the economies did not permit complementary exchanges. One society did not possess abundant financial capital and the other abundant raw material, nor one society excessive technology and the other oversupply of labor – to resort to elementary illustrations. Rather than hybridization, what I want to suggest is a reconceptualization of one of the paradigms; that is, an approach that, rather than trying to identify elements of strengths from diverse sources and then coalescing those elements into a unitary process, simply takes one of the two paradigms, with all of its elements and flaws, and asks whether the problem lies less in the elements

of the paradigm than in the way we've come to view the salient features of the paradigm.

It is perhaps possible that one can arrive at the same results regardless of which of the two paradigms one undertakes to restructure, but because of the problem of measurement that one encounters with the "linkages" paradigm, and given the greater familiarity in intellectual and policy circles with the "stages of growth" theory, I shall employ the latter as the preferred paradigm to be reconstructed. I shall suggest that its utility for Africa's economic reconstruction lies not with the ways that African governments had tried to use (or abuse) its insights, but in the overlooked possibilities of the theory. The problem has been one of omission; of ignoring issues that are closer to home and about which African societies can do a lot to shape, while seeking salvation in far-away lands, and in policies that usually meaningfully are beyond the capacity of most African countries to determine.

A common attribute of the various economic policies that African governments have pursued in the interest of growth is that they've all been directed at influencing supply. These policies have sought foreign investment primarily to increase the production capacities of the economy, whether of raw materials or of manufactured goods. Similarly, the focus of tax policies, of import substitution, of export promotion, and even of currency devaluations have been framed in terms of supporting aggregate increases in supply. The underlying justification, of course, is that increased production translates into increased employment and increased wealth – personal and national. In this understanding of economics, African governments are by no means unique. And in the success of the export-led economies of East Asia, one frequently finds vindication for this classical view. And, as long as the "follow the successful leader" ethos dictates national economic policies, there is little reason to believe that this supply-based approach to economic growth will be abandoned any time in the near future. This will be so even though it is clear that a supply orientation works only for as long as there are willing and unsatiated consumers with the wealth to engage in consumption, and that the idea of "free trade" notwithstanding, the wealthy economies of the "West" or "North" will permit imports only as long and in such quantities as influential domestic constituencies permit.

But is it possible that the path to economic reconstruction lies less with satisfying externally-generated demand than in understanding and meeting domestic demand? I want to suggest that this is an aspect of economic growth to which African governments have paid virtually no attention. Of course, when buffeted by episodic events such as union demonstrations over the shortage or price of gasoline, bread, cornmeal or rice, African governments have been forced to take palliative measures to address the emergency. It is the exceptional case where such governments have engaged in sustained and systematic efforts at understanding and addressing domestic demand. Annual national budgets do routinely proclaim how much the government intends to spend on such matters as health, education,

agriculture, transportation, electric, other infrastructure and the like. Yet, these figures often represent little more than accounting entries; expressions of intent or interest that are rarely backed by hard information, nor subjected to serious retrospective review. Any scrutiny of these annual budgets easily disclose that to the extent one is presented with hard figures, they are culled from the external trade sector of the economy. Thus, the proportion of the national economy that will be devoted to servicing external debt is usually spelled out with precision; the amount that will be devoted to internal debt less so. Policies on interest rates are usually explained more in terms of exchange rate valuations than in terms of stimulating or repressing internal demand. Indeed, monetary policy, to the extent one can identify a consistent policy as such, is almost always defined with reference to the pull of external commitments than of internal demands.

Part of the explanation for these divergences doubtless lies in the comparative availability of or access to relevant data. It is an unhappy fact that, with regard to virtually any given African country, credible data on external trade flows are more readily available than are data on internal exchange flows. Perhaps, nothing better demonstrates this unfortunate reality than the absence in many African countries of hard data on the most rudimentary of national statistical figures: the population of the country.

But which is the cause, and which is the effect? Is it possible that the poverty of policies on domestic demand issues is itself responsible for the absence of domestic data? One does not have to resolve this conundrum to recognize that addressing the one would redound to the benefit of the other. It may not matter where in the circle one breaks into the chain; what may count is that one does so.

The absence of sustained focus on domestic demand has not always been a feature of economic policy-making in Africa. In the 1960s, many African countries – in consonant with the spirit of those times – engaged in formulating periodic long-term development plans (usually three-five years in duration). While arguably influenced by Soviet-style planning theology, most of these plans were more akin to French-style indicative planning than to the Soviet Union's comprehensive planning methodology. Put another way, the African plans projected a desired rate of growth, took account of available resources, estimated how much of those resources would be available to the public and private sectors, and framed policies that, at least in theory, would maximize the efficiencies of both sectors in the utilization of the national resources.

The planning was not necessarily successful (although it may not be entirely coincidental that Africa witnessed its best decade of growth during the period of such plans), but it possessed three features that are pertinent to the policy suggestions that I'm making here. First, it required the government and the society as a whole to take an inventory of available resources, including the domestic demands of the economy. Second, long-term economic policies were then formulated against the backdrop of

the data gathered. Third, those policies were formulated with the recognition that the promotion of economic growth required contributions by the private sector as well as by the government, and the domestic sector as much as the external sector.

The argument here is not for a return to long-term national economic planning – certainly not of the centralized model. It is possible that the market orientation to economic growth, which is as much the current theology as soviet-style planning was a generation ago, renders any such suggestion stillborn. The argument is that means must be found by which African economies can transcend the difficulty of obtaining data on internal economic processes, and by which they can give voice to domestic demands.

#### *D. Taking Account of Domestic Demand and Why It Matters*

Because the suggestion that the path to economic growth in Africa may lie in understanding, encouraging or otherwise managing domestic demand runs counter to the accepted wisdom that economic growth is to be found in promoting exports and capital inflows, it is worthwhile to identify the boundaries of the suggestion. At the outset, I should say that a focus on internal demand is not mutually exclusive with the encouragement of exports, and there is no necessary reason why the needs of the domestic market – if properly understood and effectively communicated – should not attract foreign investment. Put another way, to focus on domestic demand is not to be xenophobic. Nonetheless, as a practical matter, a focus on domestic demand will mean dethroning “export-led growth” and foreign direct investment from the pedestals these high priests of the economic development gospel have typically occupied. And yet, the reason for doing so is as straightforwardly simple as is the unlikelihood that it’ll be done.

To focus on domestic demand is to focus on those who are doing the demanding, just as to focus on external supply, by and large, has meant focusing on external suppliers of goods and capital, and above all on the incentives that drive their production. A focus on domestic demand brings into relief an all-too frequently ignored reality of African economies: the clear-cut cleavage that exists between the “traditional” and “modern” sectors of the economy; between the “educated,” and the “uneducated,” the rural and the urban, the primary producer and the secondary consumer. To focus on domestic demand, then, is to focus on the internal structures of the society, and to address domestic demand is to deal with the internal structural flaws and bottlenecks of African societies.

It is commonplace to assert that the most valuable resource a society has is its citizens, and that the most important investment that it makes is in its people. But that these are truisms do not depreciate their value for African societies. Yet, the history of Africa’s economic growth during the last generation has been essentially to undervalue the proportion of national resources that go into core investments in

the person, particularly in health and in education. The early years of independence invariably saw politicians making and acting on promises to improve health and education. International financial assistance to African economies in the 1960s (such as those made by the World Bank and affiliated agencies, as well as those of rich country governments) were devoted disproportionately to health and education. The idea of growth was articulated frequently and measured against such yardsticks as the number of rural clinics, the availability of universal primary education, the number of trained nurses and doctors, and the like. To import teachers and doctors from India, Pakistan, Cuba or Hungary were not seen as national weaknesses. By the middle to late 1970s, many of these tendencies were in reverse. Growth was being measured in terms of the number of steel mills under construction, the percentage of the national product that was being exported, and the amount of foreign direct investment coming into the country. By the 1980s, educational and health institutions were in decline, as indeed also were the tonnage of steel being fabricated on the continent, the export of cash-crops and the inflow of foreign direct investment. The only thing on the increase was the debt-load – and primarily to foreign governmental institutions.

It is striking that we rarely connect the decline in health and education to the decline in capital inflows; and to the extent we do so, we tend to assume that the former was caused by the latter, not vice-versa. I think the reverse is more accurate. African economies, if they are to promote sustained economic development, need to worry more about health and education (and related domestic demand) than it is customary to assert. I am contending here that health and education are not merely social concerns about which it is morally and politically correct to be concerned with, but that they are, as an economic matter essential to regeneration and reconstruction.

To focus on health and education is to take an inventory of the needs of the society; more particularly, of the needs of the vast majority of the population whose activities are responsible for the growth of the national economy. The focus would call for obtaining better data than we typically have on the health needs of the rural farmer and pregnant mother-to-be; on the mortality of infants and women during childbirth; on the number of available classrooms, textbooks and teachers for primary and secondary education. A shift in focus should, at a minimum, shame the government and society in addressing the obvious shortfalls that we all know to exist, and to be growing worse. Preferably, it would compel the entire society to restructure internal social and economic relationships so that optimal output is obtained from every member of society.

Africans may (and frequently do) pride themselves on their communitarian belief systems and practices. One wonders the extent to which we ever pause to reflect on the internal dynamics of that communitarian ethos, and that in some ways, it may be inadequate to the task of economic empowerment. Thus, for example, contemporary African communitarianism is based on privileging the urban

population and then imposing on it the social obligation of taking care of rural relatives. At best, this causes dependency on the part of the rural dwellers. It's not only that they become incapable of making decisions without seeking the approval of their rich townsfolk, but they may well lose the drive for entrepreneurial initiatives. But city-dwellers and society at large are not necessarily better off. Many of those who, by virtue frequently of an accident, find themselves thrust into the role of breadwinner for what has been termed a "patrimonial" grouping may crack under the weight of the demands imposed by the role, or may engage in behavior, which, whole rational for the grouping, is destructive of the interests of society at large. This is surely one explanation of both petty and high-level corruption in many African societies. One means of addressing both the dependency of the one, and the incapacities of the other would be to provide the former practical means by which it can satisfy its needs.

A focus on domestic demand, if thus properly mounted, should shift attention from the desires, interests and ideologies of narrowly-based urban-dwelling postcolonial elites, to spotlight the needs and contributions of the broader society. It is not coincidental that this broader focus which characterized the early years of independence also witnessed the period of greatest growth in Africa, nor is it surprising that the shift away from this broader focus parallels the period of unrepresentative government in Africa. It may not be possible to show whether the reorientation of the economic focus caused that shift in representative government, but it seems evident that the one reinforced the other. One consequence of focusing on internal demand, then, would be the potential for a closer exploration of the various linkages that in practice do exist between politics and economics, between health and prosperity or growth, between demand and production.

It should be obvious that the linkages for which I'm arguing here are not the usually referenced ones of promoting trans-African trade, nor even that of somehow blending the traditional into the modern. Africa's economic reconstruction does not lie in romanticizing some shared "Africanness," nor of myths of past greatness. The problem of reconstruction is about the here and now, and at heart, it is about furnishing the living with the tools that will permit them to extract from themselves value that is in demand by others. In this process, foreign capital can play, at most, a secondary role. Those linkages, I think, will likely result from policies that invest in linking society to its inhabitants; policies that despite rhetoric have rarely been practiced. The reasons for the discordance between rhetoric and reality are not difficult to gauge.

My suggested approach, of course, will not be an easy one to adopt, let alone implement. If it were, it would not have taken a generation of persistently foundering economies to lead to its suggestion. It will be an exceptional elite group that foregoes the lure and seeming promise of glossy technology for the plodding prospects of returns in the education and health of the masses. Besides, such investments demand the infusion of capital, and, of course, capital is always in short

supply unless the beneficiary of the expenditure is oneself. Hence, it is hardly surprising that even in the hey-day of postindependent social infrastructural building, more money was spent on postsecondary education than on primary and secondary schooling.

The African's approach to modernity has been to promote the capacity of the individual elite to appropriate as much of the national wealth as possible, in the belief that tradition would compel the recipient to redistribute the appropriated wealth to his/her relatives. This is a wrongheaded way of creating linkages. Whatever may be the African sense of communal coexistence or "communitarian values," it is not an adequate substitute for society's obligation to encourage and indeed facilitate the maximization of each individual's specific capacities. In any event, the entire population of the nation is obliged to adjust to, adapt or otherwise live in the contemporary world. Linkage is not about accommodating the traditional to the modern, or vice-versa. Rather, it is about coming to grips with the possibilities that contemporary society imposes on the limited resources that are available to that society, and seeking to make the most efficient use of those resources; and to do so with an eye to the long run.

Further, the prescription requires African societies to think in terms of the long run returns on their investments, and to overlook short-run costs. For societies perennially burdened by statistics (if not overwhelmed by the sense) of comparative underperformance that is asking a lot. Nor is the task going to be made any easier in the current environment of near-instantaneous telecommunications and increasing population mobility. Indeed, a truly pesky question is whether, given the size and persistence of the brain drain from the continent, it is fair to ask the populace at large not only to maintain, but to increase the amount of society's resources devoted to education; Is not such a policy tantamount to using Africa's limited resources to educate Europe's future engineers and North America's software programmers? Thus, is the suggestion any more than another instance of a policy that robs the poor for the benefit of the rich? Looked at solely from the perspective of the short term, the answer to the question may well be yes. But surely, one of the reasons for the brain drain is the perception that the African future looks bleak. It is a perception held not only by the highly educated, but also by the ordinary working man and woman who, increasingly, constitute the bulk of the migrating work-force out of Africa. If the economic reconstruction project is to be sustainable, it must address the needs and demands of this latter group.

The basic defence of the suggestion is that ultimately, it is a focus on domestic demand that is most likely to assure the sort of structural changes in the economy that will yield positive results along the lines of the four criteria that I enumerated early in this talk. The exploitation of natural resources facilitated by imported capital may provide the illusion of rapid growth when defined in terms of asset

accumulation; but similar growth, perhaps at a slower clip, can and should be achieved if the capital that is deployed is that which flows from the exploitation of domestic human resources. To the extent that such exploitation of resources command fair returns to the workers and the resource owners, distributive equity also should follow. But it is with regard to the third and fourth criteria for evaluating growth that a domestic demand-based regime proves its superiority over the conventional supply-driven approach which has underpinned proposals for economic growth in the last generation.

Perhaps the most critical flaw in Africa's economic growth has been to rely on physical natural resources (whether agricultural or mineral) as the backbone to such growth. The consequence has been to relegate the human resource to the secondary role of tilling land, digging mines or pushing paper. A focus on demand opens up the possibilities of growth that is limited only by the human capacity to imagine. Of course, that imagination will be tamed and controlled by the physical realities of environmental constraints. But even while operating within such constraints, pluralism should reign where it is the need to satisfy the demands of the population rather than the need of maximizing physical assets that dictate economic policies. The result is less likely to be a monocultural economy. This is so because a demand-based economic structure would strive to satisfy the varied wants of the population, not merely to exploit those natural resources that are in abundance.

That is not to say that there will be no failures or hardships. A demand-driven economy will generate its own booms and busts, and policy-makers will misunderstand and miscalculate both the nature and amount of demand, as well as the optimal means of satisfying those demands. But because pluralism entails multiple decision-making centers, the experiencing of such miscalculations are unlikely to be fatally self-reinforcing. In the first place, they should generate self-correcting flexibility within the economic system.

Whatever may be the shortcomings of orthodox classical economics, one of its lasting contributions is what it has taught humanity about the interactive relationship of demand and signaling mechanisms such as price. With misplaced paternalism, African governments have not only failed to focus on demand, but they have often operated under the illusion that they have the capacity to control price. The results have been that rather than more or less gradual adjustments of demand to price and vice-versa, African economies frequently have witnessed dramatic and disruptive variations in efforts to suppress first the one and then to react helplessly to its consequences on the other. Booms and busts are therefore not unknown, but because they tend to have been the results of quixotic efforts at control, they generally have not led to the creation of internal equilibrating mechanisms. It is the institutionalization of such mechanisms that ultimately distinguish self-sustaining mature economies from weak ones. It is that confidence in the ability of internal institutions to remedy fluctuations in demand that distinguishes such otherwise comparable economies as Australia and New Zealand from Brazil and Argentina.



The latter pair of countries invariably turn to the IMF to stabilize such fluctuations, while the former pair typically rely on internal equilibrating institutions to smooth out those fluctuations. That is not to suggest that external capital is irrelevant to either pair of countries; but that in the one, external capital is simply an adjunct of domestic savings and domestic demand, in the other, it is separate and alien. Sustainable economic reconstruction requires that the source of capital is fused into the demand for it.

And so, I conclude that the path to economic reconstruction, contrary to the standard gospel, lies less in export-led growth nor in the attraction of foreign investment capital, as in understanding and paying attention to domestic demand. Such a reorientation of perspective will not be easy, nor will the results necessarily be immediate, but the route to economic growth measured in terms of asset accumulation, equity in its distribution, diversity in production, and self-sustaining economic performance lies along this road.

### III. WHAT'S LAW GOT TO DO WITH IT

"The rule of law" is now a familiar buzz phrase that is inserted in every discussion as to what purportedly ails the non-Western world. Almost never do those who employ the phrase pause to provide the listener or reader with its meaning, and I daresay that it is probably the case that most of those who use the term have at best a fuzzy understanding of what they intend to convey through the phrase, let alone what the hearer or reader will understand it to mean. Yet, the idea that there is (or must be) some connection between law (or a legal system) and economic performance has been the subject of systematic study and discourse since at least the works of Karl Marx and Max Weber. And without suggesting that there are conclusive answers to the questions raised by implying the existence of such connections, it might be worth examining what relevance law has to the implementation of my suggested alternative course to economic reconstruction, and indeed what effect adoption of the suggested course might have on the development of law in Africa.

Under the foreign trade/investment centered regime of economic growth, the "rule of law" concept has tended to be framed along three dimensions: First, there is a tendency to prescribe specific substantive rules as being essential to encourage capital inflows. Thus, for example, domestic laws and international treaties should explicitly adopt friendly labor, immigration, foreign exchange and tax rules. Further, it would be advisable that such laws provide for the national treatment (or better) with regard to the protections afforded foreign investors, including the renunciation of the right of the state to expropriate or "nationalize" foreign property. Second, administrative rules and practice should more or less be transparent; that is, the text of the rules should be easily obtainable, and the practices standardized. The rules and practices should be readily accessible to outsiders, consistently adhered to, and

free of arbitrary or capricious enforcement. Third, the laws and their administrative enforcement must be subject to independent review and, if necessary, to being overruled, by an impartial adjudicatory tribunal.

These teachings of a "rule of law" regime are clearly relevant for a domestic demand-based orientation to economic growth. Without question, the last two features can have as much resonance for the approach that I've suggested in this talk as they do for the approach whose relative de-emphasis I've advocated. I think, however, that adoption of my perspective on economic growth should result in a reexamination of the substantive elements of the law. To the extent that laws operate both to provide incentives for promoting optimally acceptable normative behavior and to discourage socially unacceptable conduct, the substantive elements of the law will align internally-fostered economic growth with their optimal social institutions. If the result is that law operates on the individual not as an alien force, but as a regular presence, then, there would indeed be the rule of law. Concepts like "corruption," will be defined less as ideal abstractions, and more as operational terms that are responsive to the living environment of the society under regulation.

#### IV. CONCLUSION

I've sought in this talk to present an admittedly ambitious program of economic reconstruction. I do not think that Africa has lacked programs of reconstruction. To the contrary, it has had too many of them. But they've all shared a singular focus that visualizes economic growth as the art of increasing production for export, and of doing so within a relatively narrow time-frame. What I've suggested here is that an alternative path should be explored. It is a path that would require policy-makers to gauge the life needs of the ordinary population. Intuitive as this approach might seem, it is not one that African governments in fact have followed. Nor will it be an easy one to adopt. Following it will require maintaining a sustained attention span on policies whose results will not be immediately accretionary to asset accumulation. However, unless African governments give practical effect to the usually articulated credo that natural persons are the ultimate assets of a nation, arriving at a happy destination in the quest for economic reconstruction will be a perennially elusive one.

