Globalization, Growth, and
Africa's Pervasive Development Disorder

by

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No view expressed by the author in this paper, written exclusively during his fellowship at Harvard University and therefore out of any active official duty, should be ascribed in any degree, directly or indirectly, to the French Government or any French governmental or public sector entity. Any error is the responsibility of the author.

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Foreword

This is not a paper by academic standards. The author is not a member of the guild and no breakthrough is attempted, claimed or achieved here. The disparity in first-handedness, sophistication and authoritativeness of the references illustrates the point beyond any doubt.

But the questions pertaining to development, globalization and Africa that are emphasized in it have been with me, first as a student in a distant past, then as a ‘practitioner in (some) international affairs’ in sub-Saharan Africa for the last decade. I took opportunity of my fellowship in the Weatherhead Center for International Affairs to take a closer and more comprehensive look at what academics have to say about them. However better informed my principled active skepticism is now, it seems those questions are to stay open for still some time. The paper is therefore more a set of remarks, comments, rephrased questions and possible leads than the outcome of any research per se or the advocacy of any specific set of policies.

Within these qualifications, there would probably be no genuine courtesy in making, literally, acknowledgments. But I am most sincerely obliged to Professors Robert Bates, Ricardo Hausmann and Jeffrey Williamson for allowing me to audit their various courses or seminars and benefit from their teachings.

I enjoyed very much too the opportunity to get short glimpses of early 21st century economics as taught in the US versus what it was in France a quarter of a century ago and my rediscovering of very undiplomatic computations such as t-statistics and p-values (of which no more in this paper and, *pace* the reader, no maths either).

I am most grateful to the staff of the Weatherhead Center for their support and patience and especially to Donald Halstead who edited this paper.

1 – Introduction

In the preface to the 1990 World Classics edition of *Heart of Darkness*, the world-famous novel by Joseph Conrad, Professor Cedric Watts refers to an 1892 address given by the journalist Henry Stanley in which he quoted approvingly this extract of a speech reportedly made by William Pitt (Prime Minister of Great Britain) one hundred years earlier, in 1792:

'It has been alleged that Africa labors under a natural incapacity for civilization… Allow of this principle as applied to Africa, and I should be glad to know why it might not also have applied to ancient and civilized Britain. Why might not some Roman Senator have predicted with equal boldness – "There is a people never destined to be free, a people depressed by the hand of nature below the level of the human species, and created to form a supply of slaves for the rest of the world?" Sir, we were once as obscure among the nations of the earth, as debased in our morals, as savage in our manners, as degraded in our understandings as these unhappy Africans are at present.'

This vision of a leading contemporary authority on Conrad quoting Stanley who was himself quoting William Pitt who was citing an imaginary Roman senator, has some merits. Though undoubtedly about sub-Saharan Africa, hereafter referred to as Africa if not otherwise indicated, it encapsulates in several time frames two of the most mysterious puzzles of economic science and the vagaries of success and wisdom in two millennia.

It brings to our attention what was in Conrad's own words (1926) 'the vilest scramble for loot that ever disfigured the history of human conscience and geographical exploration', a qualification of Belgian King Leopold's Congo Free State few scholars would now disagree with, a crime against humanity in every regard, though the expression had not been legally elaborated yet. Stanley, however open his mind might have been to a different African distant future, was very instrumental in that crime with his ruthless and merciless conception of 'exploration by warfare'.

Conrad's novel was quite influential in the reversal of international public opinion on that 'philanthropic experiment' and the ultimate transfer of the Free Congo State from Leopold's personal property to a less brutal form of colonization under the responsibility of the Belgian State. However, Chinua Achebe[1] (1997) mounted a vigorous attack against that very novel and its author on the charge of racism. Trespassing the argument about whether the narrator(s) (two actually) and Conrad's views are identical, he asserts that *Heart of Darkness* conveys a vision of a dehumanized Africa with Africans only able to utter episodically a 'violent babble of uncouth sounds' but much inclined to 'hands clapping, feet stamping, bodies swaying and eyes rolling'. That is a useful reminder of how sensitive[2] it still is in the eyes of Africans to venture analyses and views when you are not one of them, how easy it is to err with visions of this subcontinent, romanticized or not.

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[1] Chinua Achebe is a leading writer from Nigeria born in 1930. His most famous works include *Things fall apart* and *Anthills from the Savannah*.

[2] This obviously is valid for any part of the world not belonging to "the West". But certainly this is more acute in sub-Saharan Africa than everywhere else (slavery and colonization). A similar sensitivity can be experienced in its relationship with the Middle East and North Africa too (slavery).

Pitt's comparison between Britain and Africa implies several temporal perspectives. Perhaps a Roman senator taking interest in such a remote country might have predicted Britons 'ever to be slaves' at best, but he certainly would have foretold an irretrievable disaster in the 'improbable' case of the cessation of Roman presence. That indeed took place at the beginning of the fifth century A.D. Due to the departure of the Roman legions, state government collapsed with a catastrophic impact on the economy which was probably gradually reduced to subsistence level.

Nevertheless in 1792, when Pitt was delivering that speech, Britain was already the second richest country in the world (by per capita GDP[3]) and on the eve of the first genuine Industrial Revolution. It brought the country to near hegemony, in every dimension, in the late nineteenth century, i.e. at the time when Stanley quoted Pitt's words. Actually a switch of economic and subsequently political leadership was already at works. The United States, of which Stanley was a citizen, stands now in a category of its own. The quasi numerical parity of GDP and per capita GDP between Great Britain and France has settled a long-extinct rivalry and lodged them in a distinct tier of nations, still of global considerable influence and affluence, but much relatively reduced.

Two centuries later the fits and starts of economic power, or in other words the 'inquiry into the nature and causes of the wealth of nations' as Adam Smith titled his founding essay, and consequently the poverty of other nations[4] too, is still a lively and open field of research among economists and historians. This prompts a variety of questions. What generated the Industrial Revolution? Why did it happen in Britain? What are the proximate and ultimate sources of growth that have so favored Western Europe and its 'offshoots'[5] ? Will all nations and continents ultimately get on board, as was the case with the 'Neolithic Revolution' which saw the nearly general transition[6] from hunting-gathering to domestication of plants and animals? Are these ancient questions enlightened by the new era of globalization?

Africa itself is a very related but distinct puzzle not only to economists and academics but to diplomats and aid practitioners. There seems to be something wrong with it. Why is Africa apparently so unsuccessful in partaking of development and globalization? Africa appears to have always been on 'the dark side of the force': enslavers, colonizers, globalizers. Jared Diamond (1997) in his well-known *Guns, Germs and Steel* makes us dream of 'Rhino-mounted Bantu shock troops [that] could have overthrown the Roman Empire', had biogeographical endowments [in domesticable native plant and animal species] been different. But 'it never happened'.

Not only has Africa been lagging behind ever since the Industrial Revolution, but there are indications from the mid-1970s onwards that much of the subcontinent has been in absolute decline, at least economically. After pondering the already ongoing processes in Sierra Leone and Liberia, some scholars have even explicitly referred to the ' return to the heart of darkness' as a plausible scenario for most of Africa (Bayart, 1999).

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[3] (Maddison, 2001 (appendix B)) Netherlands was still first by that standard in the late 18th century.

[4] 'The causes of the wealth and poverty of nations – the grand object of all enquiries in Political Economy' in a letter of Malthus to Ricardo dated 26 January 1817. Citation used as a general epigraph by David Landes to his book *The Wealth and Poverty of Nations* (Landes, 1998)

[5] In Maddison's terminology.

[6] It took admittedly several millennia and was just "nearly" general.

This paper will emphasize only a few questions by reviewing part of the relevant literature, mostly economic, and occasionally by supplementing it with personal experiences acquired during nine years in various African countries[7]:

Are development and globalization congruent?
What do we know about growth and non-growth?
Is there any distinctive African curse?

Section 2 covers two possible relations between development and globalization: is development going global, and is globalization conducive to development? Planet-wide convergence cannot be excluded but is not likely to happen any time soon. After all, development is neither linear nor irreversible. Attention turns then on globalization, mainly economic globalization, with a focus on free trade as a policy instrument for making globalization reach a country. It appears, though, that as a rule liberalizing imports does not cause growth per se. It may be more supportive of growth at the international level but only under some conditions. Globalization and development happen to be of a different nature. The first is just a process with problems and opportunities, as well as options to deal with them. The latter is also an objective.

Section 3 presents an overview of the recently advanced various theories of growth and for that matter, of underdevelopment too. The emphasis on institutions as a determinant of growth, in addition to the role of free-market forces, is certainly inescapable. The constituents of the 'genome of growth' have probably been isolated, but the sequencing has not at all been completed. Pending that, a disaggregation of 'institutions' between structures and principles, ideas and values, is suggested.

Section 4 tries to make tentative inroads into several questions pertaining to Africa. Notwithstanding its partially elusive coherence, there is indeed a pervasive development disorder[8] in economic, social, cultural and political terms. Reviewing the various possible reasons for that, the main point will be that while nearly everything that can play a role is wrong or worse in Africa, there is nothing like a distinctive African curse or effect. Obstacles loom large, but there is no geographical or cultural destiny.

Section 5 will venture some concluding remarks. There is a wide scope for action and questioning at many levels. In that regard, the rhetoric of development institutions has changed for the better and practice also moves forwards, though much more slowly. However there are reasons for doubting the solidity of the pillars of the Monterrey consensus[9], the self-responsibility of the developing countries for good governance and sound economics, and the solidarity of the affluent ones in matters of access to markets, aid and debt cancellation. Emphasis is placed on the need for rich countries to remove their trade barriers and provide some essential international public goods in agricultural and health research. Another major question is how best to induce change for the foreign partners. Constructive engagement in order to support agents of change, democracy as a meta-institution of change, rules-based regional integration mechanisms, or in extreme hypotheses, 'development orthopedics' are recommended. Ideas will make the decision in both poor and rich countries. Ultimately, for better or worse, Africans themselves will make their own history and It is rightly so.

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[7] They have been stylized and 'denationalized' in the hope of erasing any diplomatic impropriety.

[8] 'Pervasive development disorder' also happens to be used in psychiatry to refer to some form of autism. At no point is there hereby an implied metaphor between Africa's problems and autism.

[9] The UN conference on 'Financing for Development' was held in Monterrey, Mexico in March 2002.

2 – Are Globalization and Development Congruent?

What is development and how do we know a country is more developed than another or than in the past? Development as used in the modern sense is a rather new concept (the 1930s), slightly younger than growth and distinct from it. In the past, in the Western mindset, one would more likely have spoken about 'civilization' gaining ground. Even after 'Western Development' took a substantially dynamic turn (in the early nineteenth century), subsequent colonization was to remain, for much of its duration, ideologically under that banner, the 'enlightening the dark continent'. If 'development' was used, it was more in the sense of 'valorizing' resources and territories, not in the explicit objective of expanding the well-being of the natives, still less their freedom.

It may be worth noting that 'civilization' is not an extraneous concept in African ancient cultures. John Illife (1996) makes clear in his masterly synthesis, *Africans – The History of a Continent*, that, among Africans, 'distinctions between the cultivated and the wild', or if need be in some regions, between 'field and forest', 'civilization and savagery', 'provided an important intellectual framework'[10].

Conversely, according to some anthropologists, there can be no such thing as general development. The rationale is that there are many heterogeneous valuable ends of life, 'cognitive, spiritual, ethical, social, political and material', which 'cannot be simultaneously maximized'[11]: progress in one implies some decline in one or several others. There are even scholars who deplore the negative consequences of the Neolithic Revolution on the quality of social interaction or of human nutrition, on the intensification of violence and warfare.

Globalization is a very different concept. In a very broad sense, it may be seen as referring to the 'networks of interdependence at multicontinental distances', as Keohane and Nye put it in their introduction to *Governance in a Globalizing World* (Nye and Donahue, 2000). However they make a tentative distinction between globalism and globalization (or possibly deglobalization), the latter referring to the upwards (or downwards) movement of globalism.

In this comprehensive definition and subsequent comments they account for:

- the plurality of dimensions of globalization (economic, social, intellectual, bio-geographical etc), and therefore the possible plurality of distinct phenomena[12],
- the depth or intensiveness of the interdependence networks at stake ('Silk Road' trade flows are cited as a 'thin' globalization),
- the intercontinental linkage (i.e. it needs to be more than regional but need not be universal),
- the presence of network effects, which implies more than single links; the idea of a kind of process with multiple simultaneous relationships at work.

[10] Among many others, Akan peoples and Benin are mentioned. The Myene in Gabon too, for instance, used to qualify themselves as the 'Ayogo', the 'civilized', because they were the coastal people in relation with the Europeans.

[11] Contribution of Richard Shweder in *Culture Matters* (Harrison H. and Huntington S. – 2000)

[12] For instance, the interwar period is known as a period of economic 'deglobalization' but technology was still a globalizing force (radio broadcasting e.g.)

But the reason why globalization became such a buzzword by the late twentieth century has to do with economic globalization, the still ongoing global economic integration process of the late twentieth-century and the hostile reactions to it.

Whether development is going global and whether globalization is conducive to development are obviously two major questions but with many possible perspectives. The present section will focus on the economic dimension .

2-1 Defining and Measuring Development

The origin of the concept of development coincides with the emergence of macroeconomic concerns and of national accounts statistical systems in the aftermath of Keynes and World War II. Lord Peter Bauer is known for having argued that concepts such as the 'Third World' and underdevelopment were to some extent the malign consequence of the 'invention' of foreign aid and of the creation of the seminal aid agency, the International Bank for Reconstruction and Development[13].

At the risk of oversimplification, and given that current conceptions may present some obvious nuances and inflexions even from one World Development Report[14] (hereafter the WDR) to another, depending on the lead author, it can be argued that the main axes of the expansion of the definition of development have been from income to freedom, from flows to stocks, and from a time horizon limited to the present to an inter-temporal perspective. This evolution has occurred much in parallel to the definition of poverty.

Income, Not So Simple

Even income is not as simple a concept as it might seem. The conventional reference (in the United Nations (UN) 1993 system on national accounts for instance) is usually to Hicks (1939). Briefly, income is what you can spend without getting poorer, or more formally, what can be consumed without reducing the real net worth. So it is more an ex-ante concept that should just serve, according to Hicks, 'as a guide for prudent conduct'. He even dismissed its use as an ex-post measurement for understanding how the economic system works. In any case, it is clear from this definition that it is rigorously impossible to estimate income (a flow), without having the full picture of assets and liabilities (stocks) and of what is required to maintain or service them.

Very much articulated to this viewpoint integrating flows of incomes to stocks of assets and thereby the need to compensate for their possible destruction or depreciation, is the approach to 'sustainable development' whose first much-publicized definition was provided by the Brundtland Commission in 1987. The criterion is that 'the needs of the present' must be met 'without compromising the ability of the future generations to meet their own needs'. At stake is the concern for some sort of intergenerational equity in transmission of assets[15].

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[13] Now usually called the World Bank.

[14] The World Development Report is the annual landmark report by the World Bank on development issues. Although meant for the general public, it tends to be considered (by this public) as the epitome of mainstream development economics thinking.

[15] On an even more general and different plane, with respect to thermodynamics, the theory is grossly that there cannot be any genuine development, to which a local decrease of entropy is a condition, without resort to depletion of external sources of energy. Claude Levi-Strauss made this connection between 'anthropology' and 'entropology' in *Tristes Tropiques* (*Sad Tropics*).

Its primary application was to the environment: to the depletion of non-renewable resources, or the breaching of thresholds susceptible to generating irreversible ecoshifts. Recent definitions try to generalize the notion of assets[16] which can be, in these views, human (skills), natural, human-made either physical (e.g. equipment.) or financial, informational (codified knowledge), and social (networks and trust). The earlier industrialization of the OECD countries is interpreted as consisting of the depletion of environmental assets and the accumulation of human-made ones. Ultimate sustainability depends on whether there is substitutability between the assets that are destroyed and those which are accumulated. A relatively moderate opinion is that, so far, substitutability has been high but that in several issues environmental sustainability cannot any longer be taken for granted. But that is outside the focus of this paper[17]. Lastly, the meaning of sustainability is being tentatively extended from the economy and the environment to 'social sustainability'.

From Income To Freedom

An even more comprehensive and ambitious definition of development is the view of *Development as Freedom* by 1998 Economics Nobel Prize laureate Amyarta Sen (1999). Development is considered 'the expansion of the freedoms of people to lead the kind of lives they value and have reason to value'. Freedoms are diverse; they may relate to processes (permissive liberties of taking actions and decisions) as well as to actual capabilities, the 'substantive freedoms', and they may reinforce each other. Hence, the famous proposition that 'no famine has ever taken place…in a functioning democracy'.

It offers a tempting and consistent theoretical framework with a variety of notions such as 'capabilities' and 'functionings'. For instance, one man starving and another fasting have the same 'functionings' but very different 'capabilities'. Poverty is seen as 'deprivation of basic capabilities rather than merely lowness of income'. Referring to the controversial findings of Fogel and Engerman (1974) about the 'relatively' high pecuniary incomes of slaves in the American South, Sen recalls, 'Yet the slaves did run away'.

This is also a deliberate 'universalist'[18] view of development, as people-inclusive, demanding in social arrangements, and comprehensive in the coverage of concerns as possible (human rights, security guarantees…). Freedom is 'both the primary end of development and the principal means of achieving it'. Sen positions himself in direct filiation of Adam Smith and the Manchester liberals, whose recommendations were just an 'application to economics of principles applying to a much wider field'. Sen's conception has been very influential and is reflected in the discourse of the multilateral development institutions about 'facilitating empowerment' (the World Bank) and

[16] See especially chapter 2 of the 2003 World Development Report: 'Managing a Broader Portfolio of Assets' (World Bank – 2003)

[17] Let's just note that it is hard to find an opinionated view arguing that our planet could deal with a world population enjoying the same standard of living than presently an average OECD citizen with the now available 'technology-kit'.

[18] Sen (1999) stands uncompromisingly for his 'universalist presumptions' seeing voices in favor of freedom in every culture. He cites Rabindranath Tagore 'Let me feel with unalloyed gladness that all the great glories of man are mine'.

promoting 'human development' (The United Nations Development Program (UNDP)[19]) and in some wide-ranging analytical tools such as the Comprehensive Development Framework (the World Bank again).

But this approach has been criticized for lack of operational pertinence (How do we measure in the real world the capabilities and the functionings?) and even of originality. T.N. Srinivasan (1994) has provocatively suggested just that in his paper, 'Human Development: A New Paradigm or Reinvention of the Wheel?' He argues that the success of these ideas beyond the borders of the economist profession, where they are perceived as profoundly new, does not do justice to history. And indeed many economists and policymakers have for years been nurturing a wider meaning of development, using indicators other than income per capita. Some explicitly envisioned it as a way to 'increase the range of human choice' (Arthur Lewis[20]) and man's freedom.

Another danger of these multifaceted but all-encompassing views that posit a framework where all concerns can intellectually be reconciled might well be to minimize the real trade-offs that exist in policy-making.

Back to Per Capita Income

Though the concept of development was born with the first instruments for taking a macro-view of the level of production of an economy, it already meant more than that with underlying notions such as well-being and quality of life. Since then it has been so enlarged and enriched that it has probably outgrown the possibilities of measuring whatever it is supposed to mean.

In his aforementioned paper Srinivasan (1994), among others, places much emphasis on the 'metric of exchange value' for being 'operational', an elegant way of advocating the use of real income as a measure of development. It is indeed the most traditionally used measure of development [21], the main reason being the absence or at least poor availability of alternative options. It must be noted that notwithstanding the reference to the 'Hicksian' definition of income in the UN-sanctioned national accounting system, which should translate into NNP, the Net National Product, it is a 'gross' statistic, the GNP, or even more often the GDP[22] (usually more accurately obtained than the GNP) that is used, due to much uncertainty on the depreciation of capital and consequently on the computation of any 'net' statistic.

The most developed and utilized sources of data for cross-country or time comparisons are the Penn World Tables[23] (PWT) and Maddisons's series. Both use GDP as a foundation stone. The PWT dataset derives from the UN International Comparisons

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[19] Sen pays homage to the Pakistani economist Mahhub Ul Haq for inspiring the first UNDP's reports on 'human development' from 1990 onwards which 'throw systematic light on the actual lives lived by people, especially the relatively deprived'.

[20] In *The Theory of Economic Growth* (1955); cited by T. Srinivasan (1994).

[21] Various indicators corresponding to any one of the many dimensions of development are in use (proportion of patents detained, internet users…) or being designed (corruption, quality of bureaucracy…). The focus is here on those capturing the overall level of development in one single shot.

[22] Reminder: In short, GDP (gross domestic product) has a territorial basis. GNP (the gross national product, currently being replaced by GNI, the gross national income) equals GDP plus factor incomes earned from abroad by residents less domestic factor incomes accruing to non residents.

[23] A presentation of the Penn World Tables is in "The Penn World Table: An Expanded Set of International Comparisons, 1950-1988", *Quarterly Journal of Economics*, May 1991, by Robert Summers and Alan Heston. Website is http://pwt.econ.upenn.edu/

Project launched in the early 1970s under the direction of Kravis, Heston and Summers. They provide data for about 167 countries between 1950 and 2000. The main focus is on GDP in international dollars; that is, after adjustment for purchasing power parity (PPP-adjusted) although there are some economists[24] who disagree in principle with that correction.

Angus Maddison's data (2001), regularly revised, look at a much longer sweep of history and provide, as the title of his most recent publication suggests, a *Millennial Perspective* (e.g. What was the GDP per capita of China in the year 1000?). There is unsurprisingly a place for a debate about the confidence intervals of all these presumed 'data': quality of national accounts in the least developed countries, existence and age of the benchmark studies for establishing an aggregate purchasing power parity, extrapolations and 'guesstimates' etc.

It is naturally possible to build on these datasets: adjustments can be made to GDP itself to account for the number of hours annually worked and for leisure time. The productivity level, that is the GDP per worker or per worker and per hour, is also very much used as an indicator of 'development' besides the average income per inhabitant.

The Human Development Index

The second best alternative for measuring development, but far behind in coverage, is the Human Development Index (HDI) of the UNDP. Though criticized, it has gradually acquired a wide recognition beyond professional economists as a more comprehensive measure of development than the pure monetary dimension.

It is devised to vary between a minimum (0) and a maximum (1) level of development and is a composite index giving equal weight to three elements:

- health (longevity, that is life expectancy, is the only variable used),
- education (a weighted average of literacy and school enrollment),
- PPP-adjusted income per capita. A correction is made to account for a diminishing contribution of marginal income to well-being[25].

With the same pre-1999 methodology as the UNDP series and available at best from 1960 onwards, there are long-run HDI estimates that go back to 1950 and even earlier (1870) in some cases (see references in (Crafts, 2000)). Though quite useful for cross-country comparisons, per capita GDP and HDI, being averages for a whole country, tell nothing about the distribution of the income between individuals, households, sexes, regions, classes…. and *a fortiori* on inequality and poverty in a country. But there are appropriate or specific measurement tools[26] for that too.

In the most recent conceptions of development, poverty is defined as deprivation of capabilities or as lack of assets. We have even seen in the 1990s, notably at the initiative of the World Bank's president and senior staff, an irresistible rhetorical pressure

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[24] See for instance some remarks by Robert Wade in his article in *Finance and Development* (December 2001): 'The Rising Inequality of World Income Distribution'.

[25] Since 1999, the discounting of income as it increases has been refined and smoothened to deflect criticism against the sharply penalizing previous formula.

[26] A very common (of many) tool for assessing inequality is the Gini coefficient. It measures the extent to which the distribution of income deviates from a perfectly equal one. It is the ratio of the area between the Lorenz curve of the frequency distribution of incomes and the line of absolute equality to the maximum area under that same line. It varies between 0 (perfect equality) and 1 (one single agent has all the income).

to assimilate development with poverty reduction. However, poverty is still commonly measured in income and monetary terms, be it the international poverty lines[27] of which the same World Bank is the 'guardian', or the national poverty lines.

Income Per Capita for General Comparisons

So there is a wide contrast between the all-encompassing conceptions of development and poverty on one side and the available instruments of measurement on the other side. This is unsatisfying but, at least for wide general comparisons in time or between countries and when the focus is on what happens to the least 'developed' ones, there are reasons to believe that this impression can be mitigated and that income-based statistics are robust enough to accurately convey a general picture.

That is a sort of corollary deduced from the more general conclusion of David Dollar and Aart Kray (2001a) that "Growth Is Good for the Poor". It has not always been the mainstream view in the field of development economics, especially in the 1960s, and it is not even now a unanimous one. The main point is, 'Income of the poor rises one for one with overall growth'. Dollar and Kray's findings come from a study of 80 countries over four decades.

Technically, the relationship (of one to one) refers to the elasticity of the average income of the lowest quintile in respect to the overall income per capita. It is very robust over time and across countries and 80% of the variance is explained. This of course may very well indicate that 'inequality' in a country is generally resilient and not a statistical artifact[28].

It does not mean that distribution is unimportant since the relation is between relative variations. A country more unequal must grow faster to achieve the same absolute average income increase in the poorest quintile (in order to pass the poverty line e.g. and thus lower the poverty headcount) than a country more equal. If growth of GDP is good for the poor, use of GDP for comparing development levels of poor countries over time or vis-à-vis rich countries is certainly indirectly given additional relevance other than rarity of other data.

2-2 Is Development Going Global?

A Millennial Overview

The wider (millennial) picture is given by Maddison (2001). In the year 1000, due to the protracted decline of Western Europe after the collapse of Rome, Asia produced 70% of the world GDP and Western Europe only 9% and its GDP per capita was slightly below that of China and much of Asia. But all were in the vicinity of $400 (in international 1990 dollars).

The main feature of the past millennium (see Figure 1) is the long-term performance of Western Europe (hereafter WE) and the divergence between a group comprising not only WE, but its Western offshoots[29] and Japan (almost the membership

[27] Measured in 1993 international dollars' (that is in PPP adjusted prices) they roughly are of $1 or $2 a day respectively for 'extreme poverty' and 'poverty'.

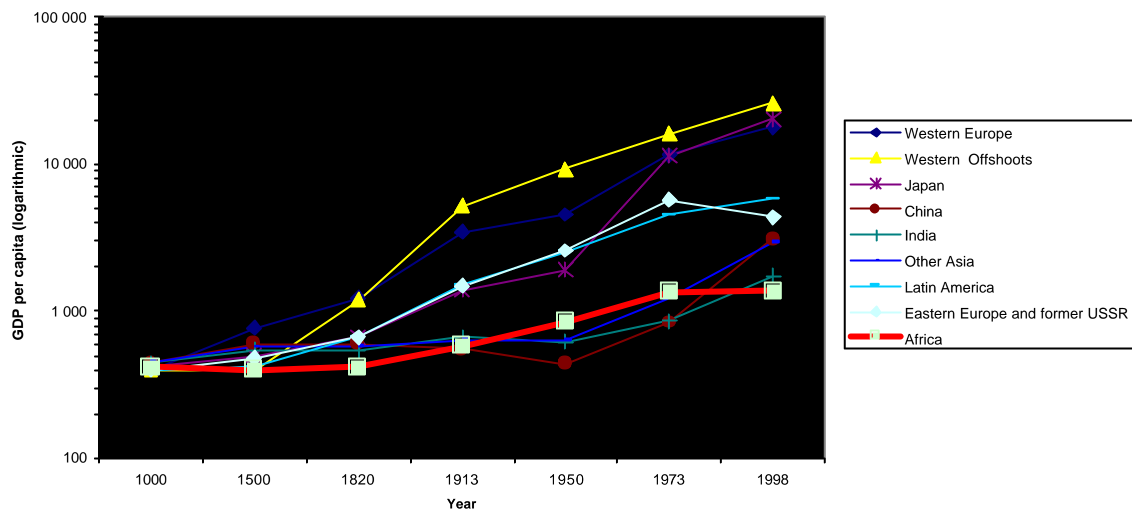
[28] There are of course exceptions: the Gini coefficient rose between 1992 and 1996 in Bangladesh and declined in Uganda.

[29] In Maddison's terminology adopted in this paper, they include only the United States, Canada, Australia, New Zealand; that is the Anglophone or non-Latin settler colonies. Some do include Latin

of the OECD[30], the Paris-based Organization for Economic Cooperation and Development, formerly named OEEC, until admission of new members such as Mexico from 1994 onwards) and the rest of the world. WE overtook China in the fourteenth century and, despite what Maddison calls a 'slow crawl', by 1820 income per capita had already tripled in WE as compared to the year 1000 and was twice that of China.

Year 1820 is a turning point for this group of Western offshoots which forged ahead afterwards at a much faster pace: GDP per capita rose 19-fold compared with 5.4 for the others between 1820 and 1998.

Figure 1: Level of GDP per capita in 1990 international dollars
Source: Maddison, 2001



Income gaps are now much wider than at any time in the past: with respect to Maddison's regional groupings, the interregional spread of GDP per capita grew from 1.1 in 1000 to 19.1 in 1998. There are some other interesting features in these data:

- The 'Western' group which diverged so much from the rest of the world actually saw much disparity in its ranks. Some states started earlier, some joined later. It is a group only by the performances of its members as achieved at the end of the last millennium. This a very much a convergence[31] story within this specific set of countries, especially what has been called the 'Atlantic Economy' (O'Rourke and Williamson, 1999);

America among the offshoots. Former narrow minority settler colonies, South Africa e.g., are never called Western offshoots in the literature.

[30] Except for Turkey which was a member from the beginning.

[31] There is convergence when the GDP per capita of a poor country (or group of countries) grows faster than in affluent ones. The ratio between the two declines gradually but the absolute difference will continue to widen for some time. If affluent economies (GDP per capita say at $20,000) grow at 2% and a catching-up economy (starting at $1,000) grows 5 % faster, that is at 7%, the difference in average personal income will continue to increase for another 37 years.

- ✍✍Japan is a case in itself. It probably overtook China in the 18th century and then caught up with the West[32] in the late1980s;
- ✍✍Africa[33] has the least dynamic performance. The only bright episode is during 1820-1973 when its level of personal income rose about 3.5-fold. However that still was not better than any other region in that period, and from 1973 to 1998 it was in decline.

Interestingly enough, reversals of fortune occur quite often in economic history despite the Western exceptionalism since the eleventh century [34]. There are disasters, miracles and comebacks. Neither divergence nor convergence is for certain.

One magnified disaster, a multimillennial one, is the so-called Fertile Crescent, where large areas of what was one of the very first few centers of civilization with fertile woodland 'are now desert, semi-desert, or heavily eroded or salinized terrain' (Diamond, 1997). Its past primacy proved ephemeral with the conjunction of man-made deforestation and overgrazing with a fragile eco-environment.

Another much documented (Landes (1998), Diamond (1998), Maddison, (2001)) and entirely self-inflicted reversal of fortune is the case of China in the middle of the fifteenth century. From what we know today, it seems clear that China had been the 'leading country' in technology (naval construction, compass, gunpowder, paper, printing etc) and income per capita all throughout the first millennium and the first five centuries of the second. But China stopped maritime exploration[35] and even shipbuilding; it ceased any active role in Asian trade and withdrew from the world, mainly because of a policy-dictated lack of interest in it. After stagnation came the collapse of the economy between the 1840s and World War II. In 1950, Chinese GDP per capita was 73% of the 1820 level.

China actually illustrates the case that even reversals of fortune can themselves be reversed. It has had one of the highest growth rate of per capita income since the reforms of 1978. The wider 'miracle' concerns what Maddison calls the 'Resurgent Asia': a substantial catching-up and another story of convergence. It had been the fastest growing part of the world economy since the mid 70s.

The Two Last Centuries

Many more studies have been published with a shorter temporal perspective, covering part or the totality of the nineteenth and eleventh centuries. Data are more reliable and available on a larger country basis. The general picture is similar, as evidenced in the famous 'Divergence, Big Time' from Lant Pritchett (1997a). The average income in the richest 20 countries is now 37 times that in the poorest 20 and this ratio has doubled in the past 40 years (World Bank, 2003)

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[32] At least in GDP per capita but not in terms of productivity.

[33] In Maddison's computations Africa stands for the whole continent. This is the region with the highest margin of error due to the absence of written and quantitative records for most of the period covered. Maddison's Africa comprises 57 economies: the 5 North-African ones, the 48 usual sub-Saharan ones plus 3 European overseas territories (Réunion, Mayotte, St Helena) and former Spanish Sahara.

[34] As mentioned earlier, there were many switches of leadership inside this group over the centuries: Italy, Portugal, Spain, Netherlands, Britain, United States…. Some managed to remain all the time in the top class (France) others had bumpier paths till the 1950s.

[35] Admiral Cheng-Ho commanded several expeditions which explored the East Coast of Africa, the Red Sea and the Persian Gulf between 1405 and 1433.

It is worth mentioning, though, that the Human Development Indexes (which have been recalculated backwards in the past) tend to converge in recent history. Comparing the 1870, 1950 and 1995 indexes, Crafts (2000) draws the conclusions:

- The levels of human development (by UNDP measurement standards) in 1995 of the poor countries are well ahead of the 1870 scores of the most affluent countries at that time. Mozambique's 1995 index of 0.281 (166th rank) is above the 1870 level of Spain and Italy. Australia's 1870 score would rank 127th in 1995;
- After increasing from 1870 till 1950, since then, there has been a reduction of the spread between the average HDI of the rich countries (ex OECD) and the HDI of Africa, falling from 0.608 to 0.391.

Crafts makes the point that this is chiefly a mathematical effect of using an index of living standards giving a substantial weight to life expectancy, since there has been (so far) a vast improvement in mortality rates during the twentieth century largely independent of changes in real income. But on the other hand that is precisely what is at stake. If we value substantially the lengthening of life expectancy, perhaps we indeed do have some convergence.

Another, though indirect, angle of view may be obtained from the recent research at worldwide inequality. The objective is to go beyond the within-country and between-country measures of inequality and to draw a picture of the real income distribution among individuals (or households) independently of the country, which could provide a different methodology for assessing the global poverty headcount. After all if worldwide inequality and global poverty decrease in parallel, this is a good case for arguing that there is some convergence in development.

Bourguignon and Morrisson (2002) have taken a very broad historical view of world income inequality. They find that inequality was already high in the fifteenth century (Gini coefficient at 0.61), worsened until after World War II (Gini coefficient at 0.64 in 1950) and has grown more slowly and stabilized since then. Chen and Ravallion (2001) estimate that a decline in the number of people in absolute poverty has even taken place in the 1990s (up to 200 million). Sala-i-Martin (2002) comes to the same conclusion with technically quite different methods. He sees a substantial decline of global income disparities in the last two decades by any available measure[36], and the number of the one-dollar-poor people presumably fell by some 400 million worldwide between 1974 and 1998. *The Economist* (20 July 2002) titled that discovery: 'Convergence, period'.

So is economic development becoming a global process? So far there is clearly more divergence than convergence, even if there are elements of both. Development is anything but linear and unstoppable. General catching-up will not happen any time soon.

Many Faltering Economies

As Lant Pritchett (1997a) put it, there are 'strong forces of stagnation', if not of reversal. Many countries can and do experience positive growth for some time, but only

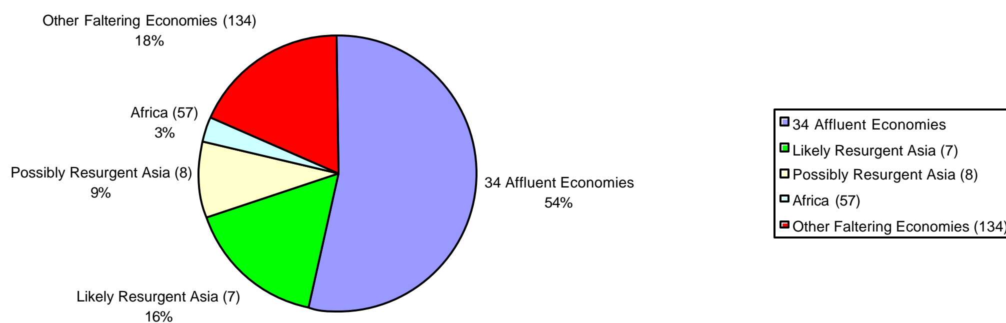
[36] The main reason why worldwide inequality between individuals has declined in the two last decades despite the widening disparity between countries is the fact that China with 1.3 bn people, a huge poor country, has made tremendous progress.

some happy few seem to have been able to sustain positive growth over a very long period (accounting for variations around a clearly positive trend).

Easterly, Kremer, Pritchett and Summers (1993) emphasized the instability[37] of growth rates over time in a paper suggestively titled 'Good Policy or Good Luck?' and found much variation due to random shocks such as terms of trade shocks. Volatility indeed seems a characteristic of many countries and is muting development.

Pritchett (1997a) noted that of 108 developing countries covered by the Penn World Tables over 1960-1990, 16 had negative average growth rates, in 28 the rate was less than 0.5% and in 40 the growth rate was less 1% (the range of annual rates was from –2.7 % to 6.9%).

Figure 2
1998 World GDP
Source: Maddison, 2001



Both Maddison (2001) and the World Bank (2003) agree that one-third of the world's population lives in 168 'faltering economies' (of which 57 are in continental Africa) accounting for about a fifth of the world's GDP and three-quarters of the countries (Figures 2 and 3).

Could a Majority Be Converging After All?

While the Neolithic revolution did spread, over millennia, to most of the planet, it is hard to augur that a catching-up type of development is becoming widespread for the 'Industrial Revolution'.

If all the 15 countries classified by Maddison in the loosely defined group named 'Resurgent Asia'[38] were to enjoy sustained high long-run growth rates, this would be a

[37] The fact that past growth rates are a poor predictor of future growth rates is also the starting point of Rodrik (1998). The paper elaborates on the various capacities of countries to react to similar types of shocks in regard to the quality of their institutions of crisis management.

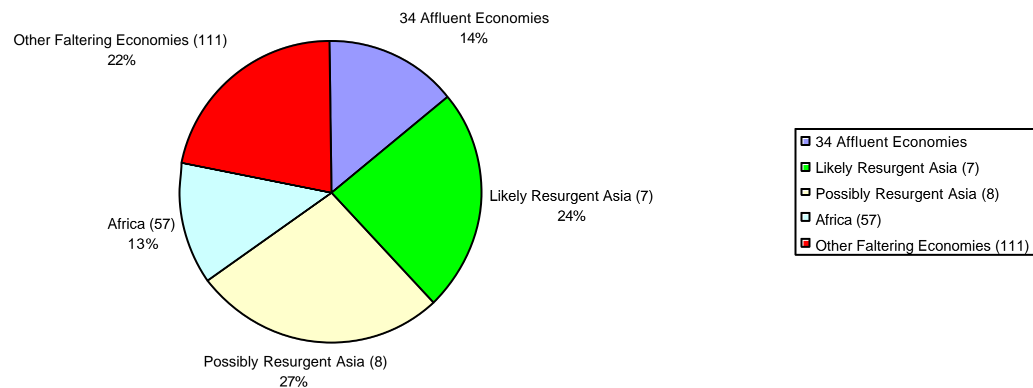
[38] Hopefully named 'Resurgent Asia' includes not only China, Hong-Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand, (a group called here 'Likely Resurgent Asia') but also Bangladesh, Burma, India, Indonesia, Nepal, Pakistan, Philippines and Sri Lanka, whose 'resurgence' credentials are not so well established (this group is called 'Possibly Resurgent Asia').

very meaningful switch of regime, two-thirds of the human species (Figure 3) being either affluent (Western Europe, Western Offshoots, Japan) or converging, the main reason being that massively populated India and China are 'resurgent'.

Is development to occur like the melting of the ice shelves around the Antarctic continent with huge icebergs breaking off from times to times? Is 'Resurgent Asia' the most recent block to be detached from the frozen undeveloped world, with more regions, the 'faltering economies', to do the same in some inscrutable but inescapable future?

It would be of some comfort and it is a possibility, but there is no compelling reason why it should happen 'by itself and of itself' and in a human life horizon.

Figure 3
1998 World Population
Source: Maddison, 2001



Why should whatever started in the early nineteenth century in Western Europe, inevitably spread all over the world? After all, almost every country has regions that develop rapidly and others that persistently remain behind, such as Southern Italy. There are clustering effects[39] at country level in development as in real estate at more local levels. Why not, even if the prospect is not welcome, at the world level? The fact is that many 'developing' countries are not developing at all. But there are also regions that developed early and took a nosedive (e.g. coal-mine districts and towns in Britain) or that did develop only relatively recently (e.g. Bavaria). There are always new constraints and opportunities, and managing them or not is a matter of public choice.

2-3 Economic Globalization: Not So New, Not That Far

The definition of economic globalization refers to the growing integration of economies, the integration of the 'markets': the commodity markets (goods and services if tradable internationally) and the factor markets (capital and labor). Consequently, measurement of globalization makes great use of ratios of foreign trade, capital, and labor flows to the size of a given economy (country, region, world). Economists such as

[39] M. Porter (1990, 2000) is the most obvious reference on cluster effects and cluster theory, and more generally locational influences on productivity and competitiveness..

O'Rourke and Williamson (1999, 2000 and 2002) are more demanding. They assess genuine integration by the decline in the dispersion of prices (or interest rates or wages) across countries[40]. The addressed shortcoming is that if flows of trade, capital etc do indeed tend to rise with globalization, they may well rise for other causes too without globalization taking place and so without any reduction of price spreads. This strict definition implies that there must be more to integration than just increased flows.

The First Globalization Century Prior to the Great War

Research by economic historians has shown that world economy was in 1913 extremely well integrated even by late twentieth century standards. The strict definition of globalization shows this is the result of the first 'global century' (1820-1913) and should end the debate about 'When Did Globalization Begin?'. O'Rourke and Williamson (2002) demonstrate that the discovery of the American continent in 1492 did not open an era of globalization despite the vast transfer of plants and diseases, the enslaving migrations, and the subsequent rise of the share of external trade in the GDP for all the leading European powers. They found no evidence of any price convergence between 1500 and 1800: 'Transport productivity improvements must have been offset by trading monopoly markups, tariffs and non-tariff restrictions, wars, pirates…'. And they explain up to two-thirds of the trade boom over the three centuries by Europe's surplus income growth (rents accruing to the wealthy landed classes were driven up by rising population pressure on land). Briefly, growth generated trade. So international income per capita gaps did widen during these centuries but without any globalization.

In contrast, 1820-1914 was a period of huge globalization achievements. Lindert and Williamson (2001) estimate that price gaps in commodities were cut by 81%, chiefly because of an amazing decline of transport costs which explain 72% of the evolution. Much less of the convergence (28%) is due to liberalization of tariffs. As a matter of fact, for Blattman, Clemens and Williamson (2002), this period was not an overall era of trade liberalization. Much of the move towards free trade actually took place before 1870 (the 'liberal interlude') and the dominant feature of the 1870-1900 protectionist drift is therefore not the heavily researched tariff-hike in Germany and France. The move was stronger nearly everywhere else: the European periphery, Latin America, the Western offshoots (at the exception of the U.S. which retreated somewhat from the exceedingly high Civil War tariffs), and much of Asia (except China because of the coerced international concessions).

Mobility of factors was enormous too. This was the epoch of mass migrations with 60 million Europeans crossing the ocean for a labor-scarce New World, not mentioning migrations within Europe and the flows of Indian and Chinese immigrants towards Ceylon, Burma, Malaysia, Thailand, and East Africa. And capital exports from 'the core countries' as well as the foreign capital 'dependence' of the receiving ones were massive. For instance net foreign investment flows from UK represented up to 8.7% of GDP in 1911 and half of the capital stock of Argentina was owned by foreigners.

The wide picture for 1820-1914 is a high degree of growth and convergence in terms of GDP per capita or per worker within the Atlantic economy. O'Rourke and

[40] International price differentials account for the possibility of arbitrage to keep prices in line or drive them further down. Differentials include costs of transportation, risks and all possible 'barriers' to trade, public or private, tariffs and NTBs, monopoly mark-ups…

Williamson (1999) demonstrate the causal link between globalization on one hand and convergence of development among these countries on the other, which they attribute to the 'open economy forces'. More precisely, they find that the central force was the mass migration of labor, which explains two-thirds of the GDP-per-worker convergence. But the contribution of trade was altogether small. And finally, on balance, the integration of capital markets even played an anti-convergence role because capital flowed from the low-wage old Europe to the high-wage resource-abundant New World, tending to raise productivity where it was already higher.

As is well known, the interwar period (1914-1950) witnessed the Great Depression and the full beating of the 'autarkic retreat': the Smoot-Hawley tariff in the U.S. and the retaliation by all the large economies, the core joining the protectionist bandwagon initiated by the periphery prior to World War I.

After World War II, price gaps had doubled, back to 1870 levels, mainly due to tariff and non-tariff barriers (NTBs). Migrant flows were again weak. Capital markets were completely compartmentalized with very effective capital account controls (and current account ones very often too) at the national level. Although gobalization did not cause the Great Depression, rather it was inappropriate national and international monetary and exchange rate policies, much of the 'coordination failures' among governments and central banks was due to the general resentment towards free trade, mobility of capital, and migration which had been gaining momentum prior to the Great War in the public opinion of every country and consequently their elected 'agents', the governments.

New Momentum Of Globalization After World War II

A new wave of globalization took off after World War II. There is some controversy as to whether there have been one or two distinct waves in that period, with an alleged turning point[41] somewhere between the mid 1970s and the early 1990s, and as to whether the world economy (trade, labor, and capital flows) is now more or less integrated now than in 1914.

Price gaps are now lower than in 1914 (Lindert and Williamson, 2001). In the last half century they have been reduced by 76%. What is new is that 75% of that move is due to liberalization of trade barriers (GATT cycles etc), and the rest to reduced transportation costs. The less refined analysis of the ratio of merchandise exports to world GDP (Maddison, 2001; table F5) matches that fact: 7.9% in 1913 versus 17.2% in 1998.

There is no worldwide recognized indicator of long-run labor migration. The conventional view is that labor flows have been on the rise since the 1950s, which is substantial but still on the whole much less than at the beginning of the century. From 1950 to 1998 the Western offshoots absorbed 34 million[42] immigrants and Western Europe 20 million in strong contrast to the nineteenth century where the latter globally exported labor.

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[41] Different reasons for a possible turning point and a distinct second wave have been advanced: the fall of the Berlin Wall and the 'linking' of Eastern Europe and the former Soviet Union to capitalist mechanisms and the world economy, the generalization of the use of Internet and the revolution in communications technology in the developed countries, the East Asian miracle and its impact on world competition, the end of the golden age of growth in ex-OECD, even though there is some fuzziness in dates (the mid 1970s, the 1980s or the early 1990s) if all were to be reconciled.

[42] Maddison, table 3-4, 2001.

As to the integration of capital markets, there is some debate. Economic historians tend to minimize the intensity of present integration. They note that no country has yet manifested the same rates of net foreign capital flows (as a share of its GDP) as the U.K. or France prior to World War I. Economists use the 'Feldstein-Horioka' coefficient to measure integration. This refers to the seminal research by Feldstein and Horioka (1980) which illustrated the high correlation obtained in regressing national investment shares on savings shares (of GDP). By this yardstick, integration of capital markets in the 1990s, after a marked progression from total segmentation in 1950, is about the same as in 1913 (Obstfeld and Taylor, 1999).

Some statistics, however, such as the ratio of foreign-owned assets to world GDP, lead to another conclusion: the 1914-level of 17.5% was surpassed in 1980 and now stands at 56.8%. Obviously the magnitude of absolute gross cross-border capital flows is now much higher than ever: the daily turnover in foreign exchange markets worldwide in April 1998 was US $1.5 trillion, 78 times the volume of exchanges in goods and services. The capital account flows (and ebbs) now dwarf the current account moves when they do not determine them. But, as mentioned, this is not proof of integration per se.

Beyond the question as to whether the world economy is now more integrated than prior to the Great War is the possible difference of nature of the present wave, in its contents and context. There is more solid ground for that supposition. In addition to the smaller leeway left now to migration, there is for instance the massive intra-industry[43] component of contemporary world trade (and the implied element of competition) as compared to the dominance of primary commodities prior to 1914.

Another feature is the 'deindustrialization' of the most developed countries with truly developing countries representing an increasing share of industrial production. The context is different too, with the international 'cooperative' architecture comprising the Breton Woods institutions (IMF and World Bank) and the ex-GATT now transformed into a full-fledged international organization, the WTO, as originally planned in 1944.

Altogether the past half century has therefore witnessed at least a return to the levels of integration reached at the end of the first global century. It has also been an epoch of growing divergence worldwide in income levels between countries. However massive convergence and growth did once again take place within the Atlantic Economy.

World GDP is over 6 times greater than in 1950 and world trade is nearly 22 times what it was. But as a troubling echo to the finding of O'Rourke and Williamson (2002) that trade expansion between 1500 and 1800 was generated by income growth, Baier and Bergstrand (2001) assert that 67% of the OECD export boom between the late 1950s and the late 1980s can be attributed to income growth, placing the causality again from growth to trade and not vice versa.

Finally, however more or differently integrated the world may be now than it was a century ago, integration remains very limited as shown in Frankel (in Nye and Donahue, 2000) or Rodrik (1999) compared to what would be total and perfect integration (an ideal or a nightmare).

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[43] Intra-industry trade is trade in similar but differentiated products, like cars. A given country exports and imports goods at the same time in the same sector or sub-sector. Another new trait is the globalization of the production process itself with much of trade (25 % is oft quoted) taking place between branches of the same transnational group (parts and components produced and/or assembled in a variety of places).

The prominent obstacles or protections are:

- The home country bias[44] for cultural, linguistic, institutional reasons, in trade. Proof is the border-effect from Helliwell's (1998) finding that trade between two Canadian provinces is on average 21 times greater than the trade between a US state and a Canadian province that are otherwise similar;
- The evidence of the persistence of substantial price differentials in tradable commodities even in the purported EU single market;
- The abovementioned Feldstein-Horioka puzzle, which is to say the strong home bias of investment portfolios;
- The persistent gaps of real interest rates between countries;
- The low profile of labor mobility in post-World War II globalization and the restrictiveness of most national policies within the OECD.

The intrinsic reason is actually the nation-state and the institutional discontinuities that go with it.

2-4 Does Trade Liberalization Make a Country Grow?

A typical and still dominant view in development policy circles is, the one expressed by Mike Moore, the former director general of the World Trade Organization (WTO)[45]: 'The surest way to do more to help the poor is to continue to open markets'. Openness in both the strictest and the most common economic sense means liberalization of imports[46] (tariffs and NTBs).

That's the best and most readily available policy instrument for 'integrating': it instantly erases one of the causes of international price gaps. It is seen as the surest way for economies to join the allegedly beneficial globalization bandwagon, and 'therefore' to initiate or, at least, accelerate growth. The standard view is that at country-level, trade liberalization will cause or increase growth? But there does not seem to be a strong case for such a general unconditional assertion (nor, obviously, for the contrary either).

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[44] Or shouldn't we say preference?

[45] 'The WTO is a Friend of the Poor', *Financial Times*, 19 June 2000. Cited by Rodrik (1999) and Legrain (2002).

[46] I will consider mainly trade hereafter. But openness and integration concern factor markets as well. Governments also have a policy choice in abolishing capital controls or immigration barriers. The case for/against capital mobility and capital account liberalization is an immense question in itself. But to some extent it seems slightly more simple. The theoretical case for the supporting-growth role is somewhat stronger than for trade, although analysis must make distinctions among the various types of capital flows, foreign direct investment taking the lead. The empirical case is, on the contrary, much more negative with the possible benefits muted by enormous risks: intrinsic volatility, as in all markets for assets, with possible devastating impacts on the real economy of the switch in net flows. The mainstream view now is more and more that unimpeded flows of capital are, after all, not such a blessing. The latest IMF paper (Prasad, Rogoff, Shang-Jin Wei and Kose, 2003) is more than skeptical on the virtues of financial integration for developing countries. The approach should be 'cautious' and 'country-specific'. Even the idea of 'putting sand in the capital markets wheels', at least on capital account short-term inflows, with flow-segmenting regulations or Chilean-type taxes may well be gaining ground (Rogoff, 2003). The case for labor mobility, international freedom of circulation for workers, has not generated much attention recently. It was a central force in the last century but there is no contemporary intense political demand for it in the potential receiving countries. Certainly pressures are mounting in the 'exporting' ones, in Africa especially (Hatton and Williamson, 2001).

A Relatively Good Case in Comparative Statics

The Ricardian principle of comparative advantage is unchallengeable; it reflects the increase of real income, the 'win-win' game sum, that results in a given situation from specialization[47]. But the paradigm of free trade, the Standard Trade Model, as derived from this principle and the Hecksher-Ohlin factor-endowment theory, is not as airtight in theory as is assumed.

There is actually not too much disagreement among economists on its value and limitations 'in principle'. The framework is the comparison of static alternative results either in the absence of trade or with trade, with intermediate situations accounting for trade 'distortions', usually restrictions[48] by tariffs or non-tariff barriers. In the archetypical case of two nations, two commodities and two factors, it predicts gains in real income from trade for both countries.

Each nation will export the commodity which is intensive in its relatively abundant and cheap factor and import the commodity intensive in its relatively scarce and expensive one. Trade will operate on the demand for factors whereas mobility of factors, if permitted, will modify their supply; altogether there will be a trend towards equalization of factor prices. This insight is crucial for understanding the role of factor endowments.

The case for free trade derives from the generally negative net impact of a tariff on a nation's welfare[49]: free trade usually raises the welfare of all partners and a war of tariffs is typically a negative sum game. A common, but eloquent, argument is that a new trading possibility resulting from reductions in tariffs or prices of foreign goods, is not formally different from an improvement in technology (except that, politically or sociologically, imports are always from 'abroad'). This free trade paradigm has however become even more influential among Western policymakers[50] than inside the economics profession.

There are limitations with this model, of which a few are hereafter mentioned. First there are 'in principle' cases applying to a country that is large enough for its demand to have an impact on the price of its imports, where 'activist trade policies' can sometimes increase its own welfare. Another consideration is that the generalization of the model to any number of countries, commodities, and factors generates a much wider range of outcomes and much weaker normative results. It echoes, to some extent, the unsolvable 'Three Body Problem'[51] encountered in physics when generalizing the Newton's gravity model beyond the case of two bodies. Next, among the assumptions of

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[47] Its validity is limited neither to trade nor to nations. It is about specialization.

[48] There are other kinds of distortions, such as export subsidies. But most post-independence African rulers have built a well-deserved reputation for having experimented, through government-owned marketing boards (Bates, 1981), trade regimes 'protecting' themselves, so to speak, from developing their cash-crop agricultural exports, a very 'original' form of distortion.

[49] Case studies on the dangers of protection as practiced in the real world are innumerable.

[50] Regarding policymakers, this does not imply sinless behavior or intellectual consistency. The famous French moralist La Rochefoucauld said, 'Hypocrisy is the homage which vice pays to virtue'. Advocacy for free trade sounds more often than not like an 'open thy door ' policy.

[51] The 2-body interaction has a unique nice and clean solution, an ellipse. But there is no such thing as a 'closed form' solution for three or more objects. Any small difference in the initial conditions will produce huge ones in the final phenomenon. This is what has been called dynamic chaos.

the Standard Trade Model[52], are some that are clearly as fundamental to its relevance as they are unrealistic in most economies, such as the existence of an autarkic equilibrium in the absence of trade. The existence of externalities (for instance economies of scale at the level of the industry[53] such as clustering effects allowing for a specialized supplier to exist) also has very ambiguous and contingent effects on national welfare. Theoretically it may be possible that trade makes a country worse off than it would be in the absence of trade. Finally comes the 'second best theory' applied to that case. It asserts that when perfect free trade cannot be achieved, not every step towards freer trade will necessarily increase welfare.

Dynamic Indeterminacy

A crucial point is that all these possible/probable gains from trade are of a static nature. They do predict, with some qualifications, a higher income with trade than without trade, and with free trade rather than with protection. These are once-for-all gains; this is not about growth or higher growth over time. However, as we are reminded by Rodrik (1997), 'many trade economists also believe in dynamic gains from trade, i.e. higher growth rates resulting from more open trade policies'.

The fact is, there is no influential univocal paradigm as in the static model. New models of endogenous growth (with non-decreasing returns to scale, externalities, endogenous technological change …) generally do harbor presumptions that freer trade enhances growth. But Rodriguez and Rodrik (1999) make clear that most of these models allow for, or can be tweaked to allow for, diminished sustained growth. The issue is whether the activities favored by initial comparative advantage (especially in factor endowments and technology) are in the long run dynamic or not. This is the 'formalization of old arguments about infant industry'[54]. Trade hampering growth is now recognized as a possible outcome of technically impeccable models. As Professor Richard Cooper (2001) concludes: 'there are no compelling theoretical reasons to believe, in general, that trade promotes growth (as distinguished from an increase in real income)'.

Many economists argue, though, about whether those theoretical limitations do matter in practice, or, even if they do, (i.e. if there are indeed market failures that could be 'theoretically' addressed by informed activist or strategic trade policies), whether governments are likely to be apt enough to discover the relevant policy and wise enough to adopt it. 'Government failures' may well be more pervasive and more dangerous than market failures. And Africa is certainly not an exception here. But that does not make true the proposition that there is a systematic causal link from trade liberalization to growth.

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[52] A brief, non-formal, overview of the common and hidden assumptions to the family of propositions derived from the Hecksher-Ohlin model (Stolper Samuelson and Rybczynski theorems, factor price equalization… .) is in the address of Murray Kemp (2001) to Kobe University.

[53] The hypothesis of economies of scale at the level of the firm may account for the existence of intra-industry trade not founded on comparative advantage.

[54] As exposed by Alexander Hamilton in his '*Report on Manufactures*' (1791) and Friedrich List in '*The National System of Political Economy*' (1841). Ironically, Adam Smith's advice for the United States seems basically to have been: stay in agriculture and buy British manufactures (*Wealth of Nations*, Book IV, Chapter 7, Part 2: 'Causes of Prosperity of New Colonies').

Inconclusive Empirical Research

Cooper (2001) has also reviewed the empirical work, based mostly on cross-country regressions, having tentatively established the influence of trade openness on growth across countries. Three of the most influential studies are those of:

- Sachs and Warner (1995a). Their index of 'openness', widely used thereafter in much of the literature, is a binary dummy variable based on several criteria, each of which must be fulfilled for an economy to be considered open in a given year or period (e.g. average tariff rates, extent of NTBs, black market premium, monopoly of major exports, socialist economy). They arrived at a very significant and robust finding: the average annual growth rate is higher by 2.44% when economies are open;
- Frankel and Romer (1999). They proposed the first influential gravity model of external trade. Their model postulates that trade flows between two countries depend positively on each one's geographic size and negatively on their distance[55]. This geographic component of trade has important effects on actual trade and is uncorrelated with other determinants of income. They used it 'as a natural experiment for identifying the effects of trade' on income per capita (not growth rate). They found a 'large and robust relationship' though 'only moderately statistically significant'[56];
- Dollar and Kray (2001b). This is one of the most recent studies and has been heavily used by the World Bank (2002a). The indicator of openness is the increase of the trade share of GDP (and FDI share too) over the two decades from 1975-79 to 1995-97. They singled out the top third of countries with the highest increases which they called the 'globalizers'. They established that income per capita grew at an average annual rate of 5% among the globalizers compared with just 1.4% for the non-globalizers.

Cooper (2001) describes the 'withering critique' by Rodriguez and Rodrik (1999) of the first study (and many others of the same vein). He states that 'They 'persuasively find fault with the surrogates elected by the various authors, or with their choice of data to analyze, or with the specification of the model'. For instance, the strength of the influence of 'openness' in Sachs and Warner (1995a) is dominated by the export monopoly and black market premium criteria which is 'indistinguishable from the use of a sub-Saharan dummy variable'. When average tariffs and coverage of NTBs are isolated as genuine indicators of openness, no meaningful relationship is any longer observed by Rodriguez and Rodrik.

They have also rerun the regressions of Frankel and Romer and shown that their results can be attributed to the direct effects of geography by testing such variables as the distance from the equator and the country's land area. Even Frankel and Romer (1999) had explicitly warned against applying their results for assessing the impact of trade policies, as policy may not induce trade with the same mechanisms as geography. Their

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[55] Most recent gravity models of trade do not have this 'geographic' mindset, crucial to Frankel and Romer's paper. Size becomes economic mass, not area, and distance often becomes 'resistance' with inclusion of landlockedness and transportation costs.

[56] Key t-statistics are around 2.

work rather identified the trade bricks made from geography (within and outside countries) that build the level of income.

The last study (Dollar and Kray, 2001b) has also received devastating critical comments. First, the 'globalizers' happen to include China and the average rate of growth of the globalizers is a weighted average dominated by the mass of the Chinese population. The average non-weighted result of a 'globalizer' state is just 1.5%, as compared to 1.4% for the non-globalizers, which renders the difference negligible. Further disaggregation shows that there is even some overlapping between the two groups: one-third of the globalizers happen to have individual rates of growth inferior to some of the non-globalizers (Oxfam, 2002).

Second, increased trade flows (or trade shares of GDP) may have several origins (e.g. increases in demand or supply, lower costs of transport, lower tariffs). Though very much in use as indicators of openness, trade shares are just outcomes of many possible factors among which trade policy is just one of many; it seems therefore reasonable to assert they should not be used as proxy variables for such policy inputs as was the case in Dollar and Kray (2001b). Another endemic problem with strong negative technical implications is that governments usually pursue a broad package of reforms with some common inspiration (for instance 'liberal'). Identifying a separate effect of a single one of these reforms may just not be achievable. On the other hand, in the post-World War II era during which world trade grew twice as fast as world GDP, it is not disconcerting to find that countries which on average succeeded in trading more (trade openness in the largest sense) tended to have higher growth rates. And while packages of market-oriented reforms may well have more often than not helped development, the unconditional causal link from imports liberalization to growth is nowhere to be seen.

Much of the literature recognizes that no empirical cross-country study has rigorously established a causal link from strictly defined openness to growth (Cooper, 2001; Collier and Dollar in World Bank (2002a)). But it does so reluctantly. Cooper for instance, though 'agnostic' regarding the theory, feels the need to assert: 'It strains credulity to believe that trade liberalization did not play a significant role[57] in the growth of the world economy in the second half of the twentieth century'. Collier and Dollar cite Lindert and Williamson (2001): 'The doubts that one can retain …threaten to block our view of the overall forest of evidence'. But this looks more like a leap of faith, more the type of arguments that a practitioner can push forwards, not academics.

Rodrik (1999) by contrast sees the 'persistent interest in this area as reflecting the worry that the existing approaches haven't gotten it "quite right" '. For him the search is irredeemably 'futile'. He doubts that there can be such a general causality without taking into account a variety of variables and even a country-specific approach.

Paradoxes in Economic History

Economic history provides another opportunity for weighing the argument of trade liberalization. The evidence is not compelling. The stylized effect of 'openness' is the free trade shock imposed to autarkic Japan by American battleships in 1858: in the subsequent 15 years, trade rose 70 times from nil to almost 7% of GDP and its terms of trade rose by a factor of 3.5 (O'Rourke and Williamson, 1999). This marks the

[57] This is clearly contradictory to the aforementioned finding of Baier and Bergstrand (2001) (in 2-3) placing causality from growth to trade for that period.

conventional beginning of the Japan's catching-up. 'Openness' in a general sense is certainly at the root of it but there is usually and rightly much emphasis on the Meiji Restoration and on the collective determination under the leadership of the State to 'modernize' in the traditional account of Japan's successful industrialization. Openness meaning openness to foreign ideas, technology and institutions may have been more important than just free trade.

It is to be noted that Japan eventually succeeded in circumventing its initial coerced obligations to free trade and its tariffs happened to be quite high prior to the Great War. This coincided with the transition (Landes, 1998) from the first Japanese industrial revolution (1873-1900: silk and cotton textiles manufacturing, food staples) based on comparative advantage to the second industrial revolution (with heavy industries).

What is at stake here is the same question as the one arising from other successful experiences of catching up, or at least of sustained rapid high growth, in the twentieth century: the East Asian miracle (and the subsequent crisis in 97-98), China, Vietnam, or Mauritius…. Did openness, specifically here the liberalization of imports, capital and migration flows, play a significant or eminent contribution (among many other possible suspects: cf. section 3) in kicking off and enhancing development?

There are many competing views. The main cleavages are between those who see export-led growth based on specialization according to the comparative advantage; those who emphasize the fundamentals such as investment, physical capital accumulation and local entrepreneurship; and those who underline the activist role of the State[58] and of its various incentives to favor investment and exports.

For the East Asian miracle (till 1997), the general dispute is whether they did grew so fast because of activist policies[59] or despite these policies (because of huge savings and investment shares, of high and relevant educational attainment etc which muted any possible policy failure). The World Bank (1993) recognized that measures such as directed credit and export subsidies could have had a positive impact in some cases but concluded that on average industrial policies did not work. This is still largely disputed and the debate has been much affected by the necessity to integrate the causes of the financial crisis[60] of 1997 in the global picture.

Even when one is not qualified (like the author) to sort out the debate, it is difficult not to see like Rodrik (1999, 2001) that, except for Hong Kong, all used or maintained import barriers[61] at early stages; that in most cases the State did intervene very extensively contrary to the received wisdom of the 1990s. For all large economies (China, Vietnam, South Korea, Taiwan[62]) there was a period of reforms and internal

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[58] In China and Vietnam the 'activism' consists in liberalizing reforms gradually introducing more and more market mechanisms, initially in agriculture for both cases.

[59] When they did have activist policies. Nearly all of them did, but the policy mix was highly heterogeneous. Taiwan had a more 'off-hands' approach than South Korea e.g.

[60] For some Western-biased reason, it is common to refer to that crisis as 'financial'. But for all countries concerned, the real side of the economy (production, demand, bankruptcies, massive lay-offs…) was much more impacted. The ILO estimated that the crisis destroyed 24 million jobs in East Asia alone.

[61] Mauritius which is famous for its export-producing zones (EPZs) did maintain outside its EPZs where machinery and inputs were freely imported, a fully protectionist regime until the 1980s for its domestic sector.

[62] Even Taiwan had its initial agricultural reform with expropriations giving shares or bonds in industry to former landlords as partial compensation (Kuo, Ranis and Fei, 1981).

growth prior to (and allowing) the export expansion period and then only an ultimate (often very imperfect) move towards import liberalization. There is no evidence of prior overall liberalization of imports kicking off a subsequent sustained period of growth.

Beyond that panel of success stories, it is as easy to find examples of countries that have liberalized without any real growth (Haiti) or that have neither liberalized nor 'grown' at all (the Albania of Enver Hodja!). But the point is to check whether there is a general causal link from import openness to growth, not to deny that successful countries, whose economies grow fast, indeed tend to become more 'open', especially in the tariff sense over time, at least in the post-1945 era.

Recent work by O'Rourke (2000) and Clemens and Williamson (2002) has actually confirmed on a much wider sample of countries and with macro-econometric analysis, some intuitions of Paul Bairoch (1972) who had argued that, during most of the nineteenth century and until 1939, there was a positive correlation between protectionism and growth, the opposite of the post-World War II positive correlation between openness and growth. More precisely, it appears that protectionism was indeed associated with faster growth between 1870 and 1939 but in the industrial European core and its English-speaking offshoots only. These however were and still are the most important economies. Elsewhere[63], there was either no association at all or association with slower growth, depending on the region and the period (pre-1914 or interwar).

Clemens and Williamson (2002) show that 'there is no incompatibility between the positive tariff-growth correlation before 1914 (wherever it applied) and the negative tariff-growth correlation since 1970' after accounting for the external tariff environment of the main players. They find an explanation to that paradox in the level of tariffs facing the average exporting country, referring to the fact that trade policy decisions are not isolated decisions but a game with multiple equilibria. Others have also pointed to some peculiarities of the structure of prewar tariffs which could have induced a lower relative price of capital goods and so have favored investment (and growth). Whatever the reason, it is 'evidence that it was not always true that open countries finish first'. The potential benefits of openness are neither inherent nor permanent.

So this paper does side with the 'skeptic' and 'agnostic' views of respectively Rodriguez and Rodrik (1999) and Cooper (2001). Trade openness, in the strict sense of liberalization of imports, does not in general cause improved growth performance by itself and of itself. As Rodriguez and Rodrik (1999) assert, the relation is probably a highly 'contingent one', 'dependent on a host of country and external characteristics', including related complementary policies or institutions at country and world levels. It may even have a reasonable chance of being elucidated only on a country-specific basis and not as part of a cross-country econometric regression.

Open Agnosticism and Eclecticism

As Cooper (2001) says, for a given nation, ' the key policy issue is whether for each country starting from where it is, some liberalization of trade (or foreign investment) would improve its performance'. Agnosticism is no rationale for absurd economic regimes and policies such as presently in North Korea[64] or Zimbabwe or even the kind of

[63] See Blattman, Clemens and Williamson, 2002.

[64] According to official statistics, North Korea enjoyed a higher (twofold) level of income per capita than South Korea in 1960.

egregious trade restrictions Africa used to have. But being open according to the widely used Sachs and Warner index leaves in fact a wide range of options in tariffs which can stand up to anywhere between 0% and 40% without changing the qualification of 'being open'. Within these broad limits skepticism is quite appropriate for the assessment of the general and unconditional effects of liberalization 'whatever the circumstances'. At no point does doubting the existence of a general unqualified robust causality going from trade liberalization to growth mean that pretending that isolationism and autarky tend to generate development.

There have been, though, periods in the past when import-substitution industrialization (ISI) policies were seemingly 'associated' in certain countries with sustained growth: in most of Latin America from the 1930s to the mid 1950s at least. This is an unconditional association. In their aforementioned 'conditional analysis' however, Clemens and Williamson (2002) did not find a positive correlation between protection and growth for Latin America between 1870 and 1939 'after accounting for other factors'. If any policy-input did play a role, it has more to do with a conjunction involving other facets of ISI policies or more than just ISI, whatever that might point to, than with the single impact of protectionism. ISI strategies came late, after the Great Depression, but high tariffs had been a trait of the region since the mid-nineteenth century.

In general this agnostic view does not preclude the existence of usually positive effects on growth arising from imports liberalization. Liberalization begets competition, enforces the discipline of what the Hungarian economist and Harvard Professor, Janos Kornai, used to call the 'hard budget constraints'[65]. It exposes people not only to foreign goods but to foreign ideas[66], meeting often the deep expectations of the population too. And besides import liberalization, the second side of the trade medal, exports, can have highly beneficial impacts. Let's mention some issues.

Catching-up has always been associated with investment in import-intensive capital goods, the technology for catching up being possessed by those foreign countries who are more advanced. The specific (tariff and non-tariff) liberalization of barriers affecting imports of required capital goods (and of most key inputs and intermediate goods too) is a distinct and crucial point, whatever the global regime or policy trend is.

The impact of new exports on incomes and even growth may be powerful[67]. Long-term rising exports do constitute a component of growth and may enhance other components[68]. But it is quite misleading to regroup export-led growth — which can and did happen (broadly the case of South Korea e.g.) — with some possible trade

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[65] *The Road to a Free Economy: Shifting from a Socialist System—The Example of Hungary* (W. W. Norton, 1990).

[66] Expectations of the population may be highly influenced by the seduction of living standards and culture of more affluent economies.

[67] An oft-quoted recent example is Vietnam which, from a small net importer of rice (16 years ago), has become the world's second exporter with more than $1bn a year of hard-currency export sales. The one-dollar-a-day poverty proportion of the population dropped from 75 % in 1988 to 37 % in 1998.

[68] Even in that case, the sequencing seems to start from some internal momentum of growth to export-led supplementary, then possibly dominant, growth. Rodrik (2001) points to thoughtful clues arising from related microeconometric analyses at the plant level in a variety of countries. They confirm that exporting firms are generally more technology advanced, more dynamic, more productive and outperform non-exporting firms but indicate that it is firms that are already successful for other reasons that 'self-select' over time into exporting activities and not the contrary.

liberalization-led growth — which seems much less frequent at early stages to say the least — under the single banner of 'trade causes growth'.

Successful specializing in exports in dynamic activities, if and when achievable, is certainly a way of 'surfing' on a globalization wave, of integrating the world economy, and of 'plugging to the mains'. But there is no evidence that this has generally been caused by initial general liberalization of imports. The sequence is usually just the reverse. The history of the most performing economy, the United States, which was consistently highly protectionist in trade (but open to migration) in its ascension to leadership in the second half of the nineteenth century, is hardly reconcilable with any such theory.

What Happens when Liberalization Doesn't Work?

The comparison of trade liberalization with technological innovation has many virtues. In a well-functioning economy, factors (capital and labor) that were used in obsolete or no longer profitable activities will move to other activities and the economy will move to a more productive equilibrium without any net destruction of jobs after a short period where safety nets should help the (provisional) losers. But as Stiglitz (2001, 2002) has pointed out, that situation does not accurately characterize most faltering economies.

He is not at pains to mention episodes of botched tariff liberalization when the expected new activities and new jobs never materialized. The main thesis is: 'Moving people from low productivity jobs to unemployment does not increase a country's income'. The stylized explanation he gives however is very 'orthodox' and academically embedded: 'It takes capital and entrepreneurship to create jobs and new firms'. Obviously decades of protection as practiced in the real world do not favor the emergence of Schumpeterian-style businessmen (rent-seekers and 'gate-keepers' are more likely) and moreover such liberalization moves generally happen in the context of excessively high real interest rates[69] which mute any investment.

Imports liberalization teaches hard and challenging lessons. But if the patient does not survive there is no way for him to make use of these lessons. The responsiveness of the 'economic fabric' of society, if there is any, to the signaled required reallocation of factors is the key issue. Trade liberalization per se may certainly sometimes act as a spur (in India with an existing entrepreneurial class e.g.) but this is not the typical outcome in faltering economies.

Another insight is to start from the heavily documented secondary effect of food aid donations, a magnified and caricatured impact of what an overall tariff liberalization might cause. The main fact is that some existing low-productivity producers tend to be wiped out[70] because their activity is no longer profitable. In theory food aid addresses emergency humanitarian situations. This requires that it arrives in time and is directed to those in need, a benchmark rarely achieved. But everybody seems to agree (rightly) that food aid, whether on time or late, well directed or not, undermines local food production capacities. It seems easily understood that neither the starving nor the ruined 'peasants' in

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[69] Most sub-Saharan African countries, outside the CFA-franc zone, experience real lending rates from 20 to 50 % in their own local currency

[70] In Ethiopia (December 2002) US Food Aid Wheat was sold for less than one-third the usual price of local producers (5 euros for a quintal (100kgs) against 17 euros).

the kind of countries benefiting of food aid are much likely to 'reallocate' themselves to cultivation of greenhouse cut-flowers, software engineering or other higher value-added productions, just by virtue of the signals given by the market. What must be clear is that the crowding-out mechanism is not due to the 'unfair' origin of the sudden downfall of the local market price, it is rooted in the conjunction of lowered prices with an impossible responsiveness in the reallocation of factors.

A similar case, without the famine background or even any 'dumping' action, '*salaula*' as it is called in Zambia. Cast-off or donated used clothes from Western countries are sold off into the international market then reexported as second-hand textiles and clothes at rock-bottom prices. In Zambia, '*salaula*' is killing the small local inefficient state-owned industry, perhaps a mitigated wrong even after accounting for the lost jobs, but numerous self-employed tailors are ruined too.

In this type of countries, however resilient people may be, there is no 'well-functioning economy' providing for the spontaneous emergence of new activities, for safety nets or for retraining capacities. There, the 'destructive creation' process trumpeted by Schumpeter stops at half-course, which is just why they are not developed and are not developing. Focusing on amplifying 'shock', the destruction side is not a recipe in itself.

Such agnostic views, regrettably unoriginal or unspecific (in content or normativity) as they are, advocate humility, country-specific approaches, cautiousness in policymaking even for rolling back the scope of 'policymaking' and of government's tinkering in the economy. It is about emphasizing the importance of getting the pacing and sequencing of reforms right, and no tentative rationale for complacency towards negative value-added firms, vested interests or for maintaining any status-quo.

Regarding economic globalization, the most we can say at the country level is that recent examples of success indicate that countries that grew faster on a sustained basis often became eventually 'outward oriented' with rising trading shares of GDP but rarely so at initial stages. This need not be the case for every country at all epochs, of course, and there is no evidence of a one-size-fits-all strategy. They usually liberalized their own overall barriers to imports only at later stages, a move that did not stem principally from the inward conviction of the energizing virtues of free trade but from the growing pressure applied to these performing countries by the already affluent ones. But the success of these outward-oriented paths depended on two aspects of globalization: the rapid rise of world trade and the openness of the external markets these countries broke into. Globalization, 'openness' was operative, but in that very different sense (the openness of some export markets in a globalizing context), in bringing out development in 'Resurgent Asia'.

2-5 Globalization, Development and Global Governance

However on a world level, the international trade regime, the most prominent governance mechanism of globalization, has some curious features which are less than optimal for development.

The Grand Bargain

Until the 1980s the post-1945 liberalization drive (and the various GATT-rounds) was mostly an intra-OECD process. Whereas the socialist countries could not be part of the process, the developing countries (DCs) were, in short, left out of the core of the bargaining process and of any subsequent commitment. At the risk of oversimplification,

no major concession or liberalization was expected from them, though some preferences[71] and some special agreements were extended to them. This explains why the average tariff is still much higher in poor countries (13%) than in the rich countries (3%) (Bhagwati, 2002).

But the incremental moves of the recent decade do not convey the same picture. Unilateral moves toward more open trade policies, often 'inspired' by the Bretton Woods institutions and the general intellectual trend of ideas on development, coalesced with new planned commitments under the Uruguay Round to produce a substantial reduction of protection in the developing countries. Average tariffs have been cut in half by DCs from around 30% in the early 1980s to about 15% in the late 1990s and their absolute reductions have been much higher (Collier and Dollar, (World Bank, 2002a)).

The Marrakech agreement was supposed to be a 'grand bargain'. Developing countries, now legally full-fledged stakeholders, committed themselves to further and binding lowered tariffs on manufactured products and new stricter standards on intellectual property rights in exchange for the phasing out of the Multi-Fiber-Agreement, the effective placement of agriculture under GATT disciplines, and the abolition of Voluntary Export Restraints. But it is common knowledge that the DCs are disappointed. They perceive not only that rich countries are slow to deliver on their commitments but they tend to view the 'grand bargain', even if and when fully implemented, as too imbalanced because they underestimated[72], so some of them say, the full implications — the value for the 'North' and the unanticipated heavy costs for themselves — of their own concessions and commitments. For instance, it has been estimated that it would cost a typical developing country $150 million, a more than substantial sum for most countries[73], to implement three of the most technically demanding WTO agreements, those covering Customs Valuation, Intellectual Property Rights and Sanitary and Phytosanitary Rules which basically codify established practices in the most developed countries.

Concerns about Asymmetric Results

Interestingly enough and well outside their working or research papers, both the World Bank and the IMF[74] in their official publications and senior officials' pronouncements do recognize much 'asymmetry' in the new trade regime and vent off many 'concerns' from a development perspective.

Of many issues, a few deserve perhaps a special reminder: the costs of Northern protectionism and the Trade Related Aspects of Intellectual Property Rights (the 'TRIPs'). Notwithstanding a much lower average tariff, affluent countries happen to

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[71] Such as the generalized system of preferences for DCs or, regarding the EU, the non reciprocal duty-free admission for most products of the African, Caribbean and Pacific (ACP) countries.

[72] Developing countries were, and still are, at a significant disadvantage in trade negotiations due to a deficit in representation and capacity. Many (60 %)have no or skeletal representations and do not have expertise even at home.

[73] Zambia for instance has a GDP of about $3 bn and tax revenue is about 25 % of GDP. That means total tax revenue is $667 million to cite an order of magnitude which is less than 5 times the abovementioned cost.

[74] The stand reflects the institution's staff views (reviewed at the highest level) and the superfluous waiver is that they do not necessarily reflect those of the Executive Board or of the member states.

impose far higher tariffs on products of particular export interest[75] to the developing countries and of concern for them. The World Bank (2002a) gives $43bn as a 'conservative' estimate of the potential gains for developing countries from unrestricted access to developed countries' markets through tariff reductions and $100bn for the total impact of all kinds of restrictions. That is twice the yearly amount of the 'official development aid' (ODA) extended by all OECD countries to developing countries. Similar results showing huge mutual possible gains in improving global market accesses for all countries very much stand in favor of a successful development round as tentatively launched in Doha in November 2001 but which is deadlocked so far.

Agricultural protection in rich countries is an extreme case in that global inhibited development context. It not only represents some $11 to 20 billion of gains consequently denied to the developing countries but a much bigger amount in costs to the OECD countries. Total Support Estimate (TSE) of OECD farm policies amounts to $327 bn in 2000; that is the entire GDP of sub-Saharan Africa ($322 bn). Though the benefits do not typically go in all cases to the farmers themselves, it represents an exorbitant average[76] of $14,000 per European farmer, $20,000 per US farmer and $28,000 per Japanese farmer. Another devastating effect of agricultural policies in the rich countries comes through export subsidies[77] and most food aid[78] donations, which undercut the cost of production in poor countries.

Clearly too, some 'concerns' outlining part of the agenda of the stalled Doha round have to do with interpreting and revising elements of the previous Uruguay Round, mostly in matters related to health and environment. It emerged that, after all, it would not be such a bad idea to state clearly that WTO rules do not prevent environmental protection as already enshrined in existing international law or treaties. In any case it appears logical enough to deal explicitly with the potential legal conflicts between trade provisions (bans mostly) envisioned in some multilateral environmental agreements, or indeed other multilateral conventions, and WTO rules and rulings on the validity of trade restrictions.

There have also been the famous plans for improved access in poor countries to cheap essential drugs, especially against AIDS, in literal exception to the TRIPs rules. But efforts to implement the Doha declaration of November 2001 according to which the TRIPs agreement 'does not and should not prevent governments from taking measures to protect public health', have been stalled for a long time because of US opposition.

These are indications of growing doubts not only among the usual suspects, the anti-globalizers, but even inside the Bretton Woods institutions that convergence in rules has perhaps received too much emphasis over development needs (beyond the obvious question of the cost of implementation for poor countries) and of second thoughts on

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[75] Staple food products, tobacco, some beverages, fruit and vegetables, food-industry products, textiles, clothing and footwear. On average, the 48 least developed countries face tariffs 20 % higher than the rest of the world on their exports to industrialized countries.

[76] Figures per farmer relate to Total Producer Support 'only'. Inside the EU the main beneficiaries are chemical and fertilizers companies, silos owners, refrigerated transport firms and the largest farmers. Typically, small farmers do not 'rake in' a substantial share of the costs of the policies pledged to support them.

[77] French President Jacques Chirac suggested at the latest African-French summit in February 2003 that the G8 countries should suspend all export agricultural subsidies to sub-Saharan Africa.

[78] FAO has reasonably pertinent and well aimed 'Principles of Surplus Disposal' for food aid. They are non-binding and therefore rarely complied with.

whether the right balance, as in intellectual property rights, was achieved at the Uruguay Round. Stiglitz (2002) reports that even the US Office of Science and Technology worried at that time that producers' interests had been placed too much over those of the users, including researchers in developed countries.

Managed Institutional Diversity

'Some recent developments in the global trading and investment regime are pushing countries toward undesired standardization. It is important that trade agreements respect countries' freedoms in a range of areas from intellectual property rights, cultural goods and environmental protection to social protection and labor standards' Nicholas Stern, Chief Economist and Senior Vice-President in his foreword to 'Globalization, Growth and Poverty'. (World Bank, 2002a).

Obviously the fact that this argument is heralded even at such senior positions from people with impeccable credentials regarding their beliefs in the benefits of globalization does not make it more valid or less than if it were only propagated by anti-globalizers. But the intellectual trend, though timid, is certainly of interest because it shows gains of wider audience and respectability for the legitimacy of some 'institutional diversity' across nations, in sharp contrast to the oft-repeated and unquestioned view that all countries should adopt shorter or later the same legal systems, rules, policies and institutions for trade, social protection, culture, education etc. Usually these happen to be deemed close to those of the actual American model because they are supposedly the most market-friendly and the most pro-growth ones.

Other pure 'research publications' do begin to echo dissenting views in favor of some institutional diversity such as those from Collier and Dollar (Word Bank, 2002a) and Rodrik (2002). The former just 'do not see a reason why economic integration cannot respect that [institutional diversity]'. The latter has titled indicatively his paper, for the UNDP: 'The Global Governance of Trade as if Development Really Mattered' and vigorously concludes likewise. The main point is not to defend diversity in itself or to argue that all institutional options are equally beneficial. It is rather to question the virtues, if any, and the sustainability of imposing convergence upon societies with wide valuational gaps and which do not consequently 'own' the choices their governments have ostensibly made, but sometimes not very consciously, through international agreements on uniform institutional rules. Moreover no theory can prove these rules to be universally applicable and advantageous.

Plausible excesses in institutional convergence combine their effect with the increasing challenges of globalization to buffet and 'shrink' democratically exercised sovereignty. But managing institutional diversity around some common procedures of cooperation within improved global governance regimes, especially the trade regime, can be an exit option from the integration constraints.

There has been indeed recently much research about the GATT/ WTO and its role in addressing the coordination problems arising from the terms of trade-driven prisoners' dilemma and generally from strategic trade games. In 'GATT-Think', Bagwell and Staiger (2000) make the widespread assessment that the core principles of the WTO, reciprocity and non-discrimination, are well designed to assist governments in escaping low-quality-equilibria. Focus is more in defining or reforming operational rules, jurisprudence mechanisms, types of compensation, escape clauses, a balancement between core standards and managed flexibility.

Apart from solid considerations that current WTO rules, if they had been enforceable in the past, would have prevented all currently affluent or resurgent countries from reaching their present level of development, and that optimal institutions and standards may well be different at different stages of development, Rodrik (1997, 2002) makes a more sophisticated argument, borrowed from Bagwell and Staiger (1990). It stems from the finding that in repeated games 'sustaining cooperation among players throughout a long horizon, when there are shocks to the system, may require periods of non-cooperation'.

In that view, the WTO's mandate should be more to manage diversity and to set up a framework of adaptative and cooperative interfaces between distinct national social arrangements. This includes for instance the possibility of preserving some degree of autonomy for developing countries even in labor standards. As Jeffrey Sachs provocatively put it: 'My concern is not that there are too many sweatshops but that there are too few' (cited by Legrain (2002, page 48)). This is also about respecting legitimate objectives of advanced countries to maintain high labor, social and environmental standards at home and of keeping distinct preferences regarding their own 'social arrangements' (e.g. the United States vis-à-vis Sweden).

The WTO should provide rules and proceedings, including criteria and restraints on possible diverging or non-cooperative conducts[79], as well as principles and limitations on responsive measures, rather than pretending to impose uniformity. The core mission should be to build 'multilateral rules on how one can depart from multilateral rules' agreed otherwise among willing countries, i.e. managing the inevitable institutional diversity across countries or throughout the years.

There is already something of that in the existing WTO. It does not have any 'enforcement' mechanism per se and countries may eventually choose to persist in practices and policies judged contrary to WTO rules by a definitive ruling. But it will be at a cost, since the ruling authorizes trade sanctions in response. The main new point is that it does regulate and quantify the maximum impact of the sanctions.

There seems to be a case, through reforms of WTO's rules and proceedings, for a wider more systematic and effective contribution of globalization to development. It could hopefully be more flexible and allow for managed institutional diversity. This implies at least revisiting some issues from the Uruguay Round, especially the potential legal conflicts or excessively negative implications which may arise in environmental and health matters. It may also be about opening new fields for multilateral standards and rules.

It is worth recalling that other economic 'concerns', within and outside the WTO, also persistently point out for improved or new international regimes and governance institutions: investment, taxation, competition, financial markets regulation[80]. There is

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[79] Some issues: changes (from cooperation to non-cooperation or vice versa) should not happen all the time and without notice, some domestic criteria of motivation, transparency and inclusive consultation of the people, should have to be met for a country to 'diverge'; list of possible matters giving right to resort to institutional diversity, limitations on actions and retaliations (the right to choose, not the right to impose), arbitration and judgments etc.

[80] The aborted Multilateral Agreement on Investment, whatever shortcomings or biases it contained or the lack of transparency in the negotiations, is no reason to ignore potentially substantial gains from having international rules. The same stands for fiscal coordination problems such as compatibility of tax definitions, multiple taxation issues, transfer-price systems, which run against the wish of multinational

probably a need for both more of such multilateral cooperative networks and more institutional flexibility in their frameworks than is currently provided. A balance needs to be achieved between some core convergence and some flexibility in case of valuational gaps.

Obviously principles of 'proper and fit' accounting standards need not be for instance 'softened on the edges' and subject to 'social arrangements' from a country to another but perhaps even detailed world-uniform specifications are required only for large firms.

Integration Trilemma and Global Governance

Obstfeld and Taylor (1999) emphasized the now famous 'open policy trilemma' in their oft-quoted paper about the integration of global capital markets. They found that a given country can enjoy only two of the three hereafter economic 'capabilities':

- Having fixed exchange rates,
- Maintaining an autonomous monetary policy,
- Allowing capital mobility (capital account liberalization).

Rodrik (1999) generalizes this economic trilemma[81] to the wider field of integration and politics:

- Allowing the free play of international economic integration,
- Exercising sovereignty at the nation-state level,
- Keeping 'mass politics' with universal franchise, high mobilization and institutions responsive to these mobilized groups in each sovereign entity.

Rodrik's 'augmented integration trilemma', as it could be named, is not a formalized impossibility theorem. It is more an intuition or a metaphor illustrating trade-offs and constraints which may prove hard to escape. Well-functioning democracies with governments acting as trustworthy agents of their principals, that is their various electorates, are very unlikely indeed, always and everywhere, to choose and adopt the same alleged 'best-practice policies and institutions' (the US-style 'golden straitjacket' of Thomas Friedman (2000)) and stoically accept moreover any consequence globalization might entail for whatever winners and losers in their societies. On the other hand, a world federalism is highly unlikely in absence of genuine convergence on beliefs and norms at peoples' level which means it would not be welcome and acceptable.

However, the need for global governance as an imperfect and permanently ongoing process for softening the trilemma's edges and sometimes solving it has been developing and will continue to do so (Keohane and Nye, in Nye and Donahue eds, 2000). The trend in academic research to accommodate institutional diversity in the case of strong 'valuational gaps' between peoples by devising new multilateral cooperation

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companies to organize themselves as if they were a single entity and as if there were a single market. Competition rules or coordination at global level of would be welcome not only because of potential conflicts between rulings of the US and EU competition authorities. There are also restrictive trade practices on other markets which cannot be dealt with efficiently by any national entity, not mentioning the fact that consumer welfare is rarely an issue in any trade round where access to market and other producers' interests dominate the agenda. 'Corporate protectionism' is also an issue after all. The benefits of improved standardization of regulation and supervision of financial systems are hardly contested even if progress is slow to come (Basel 2 accord e.g.).

[81] This is called a 'trilemma' not because there are three objectives but, as posited, only three options that is the number of possible combinations of two of the three preferences, which is three.

and safeguard clauses opens perspectives. The view is to maintain or even promote long-run capabilities in solving coordination problems while keeping the protectionist forces and vested interests at bay. Though hard to devise, it does not come to squaring the circle, and it seems an especially interesting direction. Some governments, including among the EU and the DCs, should probably pay more than attention and try to build on it.

The demand for global governance is obviously not limited to economics. The point has often been made in global environmental issues, such as the ozone layer or climate change induced by greenhouse gases, or in global health issues such as control of propagation of infectious diseases. The list of challenges requiring international cooperation, global governance is unfortunately even more multifaceted. Besides the war on terrorism, Moses Naim (2003) makes this reminder in 'The Five Wars of Globalization': those pertaining to illegal trade in drugs, arms, intellectual property, people and money. Is the Ricardian model of comparative advantage between Britain in cloth and Portugal in wine still the single appropriate comprehensive paradigm when considering its twenty-first century version: North Korea and its missile technology on the one hand and Pakistan with its know-how in enriching uranium on the other.

It seems now more obvious, after 9/11, that globalization cannot be left 'in principle' unrestricted, even in the absence of an irresistible popular backlash against it. Which US citizen could now ostensibly brag that 'Loyalty is just a click away?'. It tells a lot about the power of ideas and the impact of a change to the perimeter of what is, at a given time, considered acceptable and legitimate, the 'socio-political atmospherics'. As Legrain (2002) states, globalization is a process not a 'destination'. When the intellectual climate and the prevailing views concur to make it desirable, globalization seems unstoppable. To a large extent we have to live with it but it comes with a 'menu of options' (ibidem) which we must learn to display and use. When the public mood swerves, when a new 'legitimate' concern (security, health…) emerges, previously unthinkable regulatory constraints, delays, to the free circulation of goods and people, even capital[82], and so high transactions costs, are put in place with little objection.

Globalization is not the same thing as liberalization. Legrain (2002) takes the examples, first of the US airline domestic-routes market, deregulated but not open to foreign companies, and second of the pharmaceuticals market, heavily regulated by the FDA but open to vigorous foreign competition. Globalization is a force for good or wrong. It has to be harnessed, embedded by and in global governance. Official G8 communiqués do not disagree. Harnessing implies a variety of outcomes depending on which dimension of globalization is at stake. That could mean liberalizing or regulating or prohibiting the different subprocesses, even prescribing compensation for the losers if they are not illegitimate (crime). It may entail strict common rules, or just core common rules, or a framework of procedural rules on institutional diversity if valuational gaps do matter.

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[82] Possibilities of evading and frauding tax and of money-laundering in drug and other criminal activities offered by rogue international banking, complacent off-shore places and other tax-heavens, had never been as worthy of interest and action, especially to the US administration, as after 11 September due to the realization that the same facilities were crucial to terrorist networks too. The FATF, the Financial Action Task Force which is an intergovernmental body, was substantially expanded in its scope and programs of work in late October 2001. Tax-heavens account for 1.2 % of the world population but for 26 % of the assets of American multinational companies (Hines and Rice, 1994).

The focus of this paper is not on global governance, but making trade work for development illustrates a wider proposition: Making globalization work for a better world requires deeper global governance. The institutional capacities of global governance should not be outpaced by the increasing risks and the missed opportunities as they are now.

Another conclusion of this section is the overemphasis from a development perspective certainly given to imports liberalization at a national level and even to access to markets[83] at a worldwide level as policy instruments. Globalization could and should be made a much more effective force for enhancing growth. It played a role in all recent examples of catching-up. Most of these countries (although with highly different policy mixes) embraced an export-oriented path at some later stage, which enhanced growth. The international architecture needs to be reformed with that consideration in view. But breaking into foreign markets however is not a policy-tool, and liberalization of imports, which is one, was not the initial starter to growth for the large economies in all these recent success stories. Its role as a key to growth and a priority in development policy has probably been 'greatly oversold' (Rodrik, 2001) by the IMF, the World Bank and many others. 'Deep trade liberalization cannot be relied upon to deliver high rates of economic growth' (ibidem). Even if trade can help in some (conditional) ways at some stages, the key to growth must be elsewhere.

[83] The demonstration is provided by the duty-free access facilities to ACP countries. They made a poor use of them. Even access to markets is not sufficient for growth to happen.

3 – What Do We Know about Growth?

As Jeffrey Sachs states in his contribution to '*Culture Matters*' (Harrison and Huntington eds, 2000), 'the greatest puzzle in economic development is why sustained growth is so hard to achieve'. A stylized history of development economics suggests that we have made some progress in identifying and collecting some pieces of the puzzle.

For instance David Hines[84] sees three main phases. The first phase, in the 1950s and the 1960s was dominated by the search for government interventions that could bring about capital accumulation, which was seen as the proximate cause of development. Some theoreticians (Rosenstein-Rodan, Hirschmann) had rich intuitions having to do with economies of scale, low-level traps, and virtuous circles driven by externalities. But as they were not formalized in mathematical models they fell into some disregard and attention was focused on capital accumulation (Lewis, Rostow) and filling financing gaps with aid. Phase II, covering the 1970s, 1980s and the early 1990s, is seen mostly as a reaction against interventionist policies in the wider context of the intellectual climate in mainstream economics and in the West in general. Poor policies causing micro- and macroeconomic rigidities were seen as the major cause of underdevelopment. Free markets, undistorted prices, and appropriate incentives became the main horizon of policy-making ('structural adjustment', the 'Washington consensus'). Phase III, the present one, corresponds to the rediscovery of the insights of the first generation and to the reappraisal of the importance of 'social infrastructure' (Hall and Jones,1999), or of 'social capability' (Abramovitz,1986, 1996) for growth, expressions covering both institutional quality and policy choice. For some commentators, this translates into a more balanced view of the respective roles of the markets and the institutions conveyed by a sort of 'augmented Washington consensus'.

Forcing the traits just a little, it would mean that aid agencies which now nurture a comprehensive conception of what is 'sustainable, equitable, human development' have acquired a rich and complex view of the interrelations between the determinants of growth and have realized that the solutions must fit the diversity of their partners. These can be only country specific and should be adopted as the result of an all-inclusive participatory process in the society.

That historical view, though not utterly incorrect, is however somewhat misleading as to the third phase. There is no such 'reconciled' core consensus on a balanced appraisal of the roles of markets and institutions. There has certainly been a global switching of the pendulum, but there is wide disagreement about where that will lead us or what we think we know about growth. And there is a lot we still do not understand. This section[85] will focus on some of these issues: the impact of the Solow model and growth-accounting, the new leads in growth theory, the evidence from the cross-country literature, and the open question of social capability.

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[84] In Meier and Stiglitz eds (2001, 135-145)

[85] There is deliberately hereafter no overview of all growth theories or intuitions, past and present. No attention is given for instance to the obsolete Harrod-Domar model, to the Rostowian sudden 'take-off' which fell into disregard due to lack of evidence in quantitative economic history, or to 'dead ducks' such as dependency theories (however cf. 4-2 legacy of history).

3-1 The Neoclassical Leads

The 'neoclassical' conception of growth in development economics has come to be identified with the 'Solow model' derived from the seminal theory of growth' presented by Robert Solow in two articles (1956,1957). The model itself has been enriched in order to accommodate evidence and criticism. The empirical research using growth-accounting technique can be to some extent associated with this trend due to a partially common origin.

The Inadequacy of the Initial Solow Model

The initial Solow model is a production function (Cobb-Douglas type) with two factors, labor and capital, which are 'paid' their marginal product (hypothesis of perfect competition). There are diminishing returns to physical capital and labor separately and constant returns to both inputs jointly. It is well known that Solow's findings were that technological change was both empirically the main cause of growth and theoretically the only possible long-run source of productivity. The empirical finding is that the contribution of the variations of the factor inputs fails to account for the major part of growth. The main factor for growth is a residual illustrating a progress in the combination of factors, known as total factor productivity (TFP). The theoretical proposition was to identify the residual with the influence of technological change and to introduce a variable for technology, growing at an 'exogenous' rate for reasons outside the model ('like manna from heaven'). One core assumption was added when this model[86], designed initially for covering growth variations in the course of time for a given economy, was used for explaining income and growth rate differences between countries. The assumption is that the same technology is available everywhere, i.e. all countries have the same production function and technology progresses at the same rate in every economy.

It is now clear this conventional model cannot fit the cross-country data on income and growth differences. Lucas (1990) synthesized some of the main objections to the Solow model clearly: if technology is the same everywhere, differences that can be observed in production per worker between poor and rich countries can only be due to different levels of capital per worker. If so, due to the diminishing return of capital (taken separately as a factor), the marginal product of capital in the country with the lowest level of capital per worker (the poor country) should be superior to the return of capital in the richest one. We should see then capital flow from rich countries to poor ones. Since this does not happen[87], the question (which is the title to his publication) is: 'Why doesn't capital flow from rich countries to poor countries?'. The core of Lucas' argument is not qualitative. The fundamental obstacle comes from the orders of magnitude the Solow model would imply. The ratio of 15 between an Indian and a US worker's productivity as observed then mathematically requires, within the model, the US worker to have 871

[86] The model was meant to explain growth in a given country over time not income or growth differentials among different economies.

[87] As documented by Feldstein and Horioka (1980), countries with high savings rates tend to have high domestic investment rates not large current-account surpluses. The American economy, the largest and most advanced one, is famous for having a huge current-account deficit and thus 'importing' capital. Capital moves mostly between rich countries: Most (85 %) global FDI flows come from US and EU companies and 70 % of them are invested in the US and the EU (Legrain, 2002, p 112). Developing countries receive only 19 % but the biggest beneficiaries are the resurgent 'economies' not the faltering ones .

times more equipment than in India (the reality is about 20 only) and the return on investment in India to be 58-fold the return in the US. With such differentials between countries one would expect no investment at all in the rich ones and capital should literally 'flood' the developing world.

The Augmented Solow Model's Shortcomings

The Solow model was enriched to accommodate such evidence. A major improvement was the incorporation of human capital; since then it has been routinely called the 'augmented' Solow model. Technically it introduces a third factor in the production function. This helps, because it ultimately implies much lower differentials in rates of return of capital between poor and rich countries: from 58 to 5 in the previous example (India and the United States). This seemed more within the range of tentative complementary explanations such as likely capital market distortions in poor countries due to government policies.

Human capital improves the performance of the Solow model in another dimension, the convergence debate. The dynamics of all Solow models (for a given country) is that there is a transition period during which an economy converges towards a steady-state path along which it afterwards travels at the rate of technological progress. The model makes quantified predictions for the transition period and the steady-state level. The steady-state paths, or just 'steady states', differ for countries; key determinants are the rates of capital accumulation and of population growth. The Solow model does not predict global convergence (except if all countries had the same determinants). But it does predict convergence of each economy towards its steady-state path. In particular, it can be shown that this convergence will be all the more rapid as initial income is low. Intuitively this comes from the fact that, *ceteris paribus*, the lower initial income is, the lower the stock of capital must be too; hence marginal product of extra capital is higher and growth is faster. These results are usually called the 'conditional convergence': it means convergence appears only after controlling for the other factors. When human capital is taken into account, convergence tends to occur more slowly[88] and more realistically than the excessively rapid rates derived from the core model and is therefore less incompatible with international data.

There have been attempts (e.g. Barro and Sala-i-Martin, 1992) to relax some of the strict assumptions of the model about the uniformity of the level of technology across countries. This allows for diffusion of technology to play a role in explaining large differences in productivity without implying differentials in returns to capital, and in enhancing the convergence rate. Closing the technology gap supplements the role of initial income in accelerating growth during the transition period (which is extended too). These are ways in which the neo-classical literature echoes and formalizes the argument of Gerschenkron (1951, 1962) on the advantages of 'economic backwardness' although with a totally opposed normative conclusion about the role of the state.

But the most influential and perfected versions of the augmented Solow model, the framework of Mankiw, Romer and Weil (1992), the 'MRW model', later refined again by Mankiw (1995), are very true to the original view about the level of technology being freely available to all (almost a public good). But they do allow for the various

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[88] An economy in the MRW model will be halfway to its steady state in about 35 years instead of 17 in the textbook Solow model.

initial national levels of efficiency to be affected by other factors than technology such as resource endowments, climate, institutions, etc. Their model was shown by them to be consistent with current cross-country data comparisons. But as one of the authors, Romer (1994), himself later recognized, it fails[89] to account for other kinds of evidence.

Lucas (1988) actually developed another paradox, not on capital flows but on patterns of international migrations. He showed there were difficulties in reconciling them with the Solow model, especially the augmented Solow model. In short, what is gained in muting the capital flows paradox —'Capital flows North'— is lost in the labor flows paradox —'Talent moves to where talent is abundant'—. The augmented model typically predicts that the absolute wage of skilled labor will be higher in, say, India, than in the US (3-fold ratio), although the wage of unskilled labor is much lower (about 1 to 15 as seen before). So skilled labor should migrate from the US to India and, at least, unskilled Indian workers should be more likely to migrate to the US than the skilled ones. But just the reverse is true. So the augmented model, which posits that technology is the same everywhere, cannot explain that human capital 'moves from places where it is scarce to places where it is abundant'.

Human capital (e.g. skills, knowledge, health) nevertheless did give the augmented Solow model more power and durability. It evidently also has some intrinsic value as a concept. There is a vast literature on human capital, summarized by Psacharopoulos (1991), on the 'high' social returns to the various levels of education across countries based on comprehensive microeconomic studies, with the secondary finding that in lesser developed countries (LDCs) the returns are the highest for primary education and the lowest for tertiary education.

But intriguingly enough, recent macroeconometric direct cross-country regressions such as those by Pritchett ('Where has all the education gone?', 1997b) and Benhabib and Spiegel (1994) have failed to find any association between increase in average years of schooling and growth rates. Here it is not difficult to think of examples in Africa: while many countries did experience rapid growth in human capital (as proxied by schooling) after independence, growth disasters were frequent. These studies point to an absence of a relationship between education and growth even after accounting for the other determinants. Benhabib and Spiegel, however, did find a relation between the initial level of schooling (not its variation) and subsequent growth.

This hardly means that education does not matter. First, it gives direct 'capabilities' and is worthy per se. But it is hard to interpret the discrepancy between the micro and the macro studies. Regarding sub-Saharan Africa, it seems that deducting rates of return to primary, secondary and tertiary education mostly from salaries of people employed in the formal sector (public and private) does not account for the massive part of the labor force which is either unemployed or is in the traditional and informal sectors. This could explain the overestimation of the real average 'expected' returns on human capital: not weighing the probability of achieving the potential return when a position is found with the other less rewarding options. The problem is more in the difficulties of finding an opportunity to use one's human capital. Moreover, length of schooling is a

[89] Another more technical shortcoming is that the MRV model uses variation in secondary schooling as a measure of human capital. This ignores the contribution of primary schooling and provides figures which exaggerate the variation of human capital, whose role is thus overestimated.

very distant proxy to human capital, since it is not adjusted or controlled for quality, real skills and post-school training.

Growth Accounting's Conventional Wisdom

Growth accounting is essentially a technique which seeks to apportion growth between its proximate sources, the variation of inputs in labor and capital and the residual which, if positive, shows that the economy has been globally more efficient in combining its factors for a given production with given amounts of factors. This is the total-factor productivity (TFP) which is often assimilated, wrongly in principle[90], to technological change in the society.

The initial framework[91] is the same as the neoclassical model but there is no assumption of the type of the production function, though in practice some approximations are sometimes directly inspired by the Solow model. Crafts (2000) takes a view of the sources of growth in that TFP perspective for the developing world in the post-1960 period. 'The startling contrasts … are between the much faster growth in East Asia in a still to be completed process of catching up the OECD and the growth failure in Africa which has fallen behind'.

Table 1: Growth accounting (average yearly growth rates) from Crafts (2002)

Countries/Regions	Capital (%)		Labor (%)		TFP (%)		GDP (%)
East Asia 1960-1994	3.5	(51%)	1.6	(24%)	1.7	(25%)	6.8
Korea 1960-1994	4.3	(52%)	2.5	(30%)	1.5	(18%)	8.3
Africa 1960-1994	1.7	(59%)	1.7	(59%)	-0.5	(-18%)	2.9
USA 1950-1973	1.0	(26%)	1.3	(33%)	1.6	(41%)	3.9
Germany 1950-1973	2.2	(37%)	0.5	(8%)	3.3	(55%)	6.0

TFP growth was negative for Africa during the years 1960-1994 (Table 1), but contributions from both factor inputs were significantly positive. However, the African GDP growth rate (2.9%) is the lowest of the sample. And this unfortunately is roughly the astonishingly high population growth rate (a yearly average of 2.8%) in Africa for the same period, illustrating the fact that real GDP per person has stagnated there. One reason of this stagnation of income per capita is the degradation of the share of the labor force in the population, notwithstanding its absolute growth. As a matter of fact, high and growing dependency ratios happen to be a major problem for African countries. In contrast, the 'demographic dividend' played a crucial part in East Asia. The working-age group rose there from around 57% to 65% of the total population between 1965 and 1990. Demography and the structure of the population (working-age group, gender participation) actually may wield considerable influence, negative or positive, on growth and per capita income performance.

[90] Identity is realized only in the neo-classical theory and with the Solow model. There may theoretically be a bias between TFP and technological change in one way or another. For instance, the latter could be less than TFP growth in the case of economies of scale. Conversely, if the elasticity of substitution between factors is less than one and if technological change has a labor-saving bias, it may be underestimated by TFP growth. But even that involves an all-encompassing definition of technological efficiency including the 'social' abilities, meaning organizational at both the firm and country level, to put technology into practice. This is a tricky field not deeply explored.

[91] Growth accounting may deal either with growth or income per capita (or per worker)

The second factor, capital, may also have very different influences across countries. In East Asia, the observed high investment rates translated into a strong contribution from capital. Globally, table 1 shows that growth there has relied much more heavily on factor inputs and much less on TFP growth (25%) than in (Western) Germany (55%) during what has been called the Golden Age (1950-1973). Crafts (2000) notes this corroborates the finding that 'East Asian TFP growth has been outstanding relative to that of Africa but not so impressive by earlier European standards'[92].

So growth accounting does make inroads into the comprehension of the growth rate. The role of capital is not exclusive and the impact on growth may vary across countries and over time. Easterly (2002b) in his stimulating and iconoclastic book titled 'The Elusive Quest for Growth' makes clear that the link between capital and growth is even looser. According to his results, there is no stable and tight relation between investment and growth in the short run (a few years).

He cites several studies which fail to see a relationship between growth and previous lagged investment. He obviously wants to mock the (notwithstanding) very common use of the Incremental Capital to Output Ratios (ICORs[93]) by international financial institutions to establish that for achieving a given rate of growth, a certain rate of investment is required and therefore a certain level of aid to supplement domestic savings.

After this more balanced quantitative appraisal of the factors themselves, ultimately comes the 'residual', TFP growth, which is just 'some sort of measure of our ignorance'(Abramovitz, 1956). At least, it is likely that TFP growth rates are not the same across countries and if there were a close relation between TFP and technological change, this would be another argument against one assumption of the neoclassical view, that technology progresses at the same rate everywhere.

Actually it is less technological change per se that counts than the way a given society is successful in adopting the available and progressing technology. As Temple (1999) recognizes, 'Understanding the reasons for differences in technical efficiency and TFP is essential'.

3-2 New Leads on Growth in economic theory

There is no new alternative general development theory to the neoclassical model, although Stiglitz did sometimes claim to see the contours of one (Hoff and Stiglitz in Meier and Stiglitz eds, 2001). But many would agree more with Ranis (ibidem) who do not see in the host of distinct and stimulating classes of recent works in development economics the 'beginning of any kind of even partially woven tapestry'. The shortcomings of the neoclassical paradigm, especially as applicable to the developing countries, are more established and recognized but the new leads and insights point in different directions; they often are non-contradictory, possibly complimentary, but substantially distinct. A few have been selected hereafter, along the themes of endogenous growth, new market and coordination failures, agency problems and institutionalism.

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[92] This thesis was made famous when Paul Krugman (1994) used some preliminary findings of Alwyn Young (1995) in an article for *Foreign Affairs*. Some figures were later controlled downwards but the argument stays, it seems.

[93] Temple (1999) vigorously contested this point.

Endogenous Neo-Schumpeterian Growth

Endogenous growth is certainly the most famous new field of work opened in the 1980s by Romer and Lucas. The name comes from the common denominator of this research which is to account for the rate of growth of the residual, of 'technology', within the model itself. This is in deliberate contrast with the neoclassical Solow model where, although technological progress is the single source of long-run growth, its exogenous origin is left undetermined.

In this new perspective growth becomes endogenous, an outcome of the economic system. Romer (1994) is well placed to characterize the common intuition of these models: 'technological advance comes from things that people do'. So it is not out of the reach of economics to try to uncover the parameters and choices, public and private, which may affect it. And the importance of the endogenous theory less lies in the achievement of 'endogeneization' itself than in the tentative disclosure of some key parameters.

Technically, the models of endogenous growth use production functions at the level of the firm which show constant returns for the input of rivalrous factors[94] but display aggregate increasing returns because of an externality. Formally, the technological efficiency of a given firm is usually dependent on the accumulated stock of some factor[95] in the total economy, be it human capital (Lucas) or knowledge (Romer). This is an externality because some initiative (e.g. training, research) in one firm has a positive spillover effect on the efficiency of all others.

New knowledge in the model is generated by investment, typically in research and development, and technological progress is accounted for by endogenous physical capital formation and the increases in the stock of knowledge. Knowledge must be taken in a general sense, not an academic one. It must be noted that endogenous-growth models do not in general predict convergence. There is no steady-state path, and differences may persist permanently because of technology and knowledge gaps between countries.

The introduction of increasing returns effects into the production function has generated specific subsets of interest independently of any endogeneization in a larger model of growth. So it is with the O-Ring theory of Kremer (1993) built on a production function with increasing return on skills[96]. Using a metaphor that references the failure of a single minor component (the O-ring) causing the explosion of the Challenger shuttle, the theory builds on the principle that when production is sequential (a series of tasks), the value of each worker depends on the quality of all the others. Employers and workers will both have interest in the matching of workers of the same level of skill because this leads to higher output and wages.

This model of 'skills clustering' has proved consistent with many observations: high value-added firms paying their workers more, firms being smaller in poor countries, specialization of firms by level of skill, the tendency of skilled labor of poor countries to

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[94] 'Rivalrous' goods or factors are those whose use by an agent reduces the amount that can be used by another agent or later. Ordinary goods and physical capital are rivalrous. Knowledge is non-rivalrous.

[95] To some extent, the concept of 'learning by doing' formalized in 1962 by Arrow as the effect of the global stock of physical capital on the efficiency of one firm was similar in inspiration.

[96] In the seminal model the production process is subject to mistakes and the high-skill workers are those who make few mistakes.

join the skilled labor in rich ones, the tendency of capital to go to high-skill places, the specialization of poor countries in primary goods and rich ones in complicated products etc.

There are negative faces to the O-ring theory. In a society where skilled people are rare, the return on education may be significantly lower since there will be little (individually perceived) probability of matching up with other skilled workers of the same level. The externality therefore becomes negative and may inhibit people from trying to acquire high skills (low-level equilibrium). And what is more, when there is imperfect observability of skills, the model can explain the persistence of ethnic differences in income and education.

The second generation of endogenous growth models is usually called the 'Neo-Schumpeterian' approach (as in Aghion and Howitt, 1992). This came from the additional introduction of imperfect competition in general and especially the recognition that if knowledge is 'non-rivalrous' it may be partially 'excludable' at least. People and firms may have some control, legal (patent) or practical (tacit know-how), on the access and use of knowledge. Knowledge is recognized as not fulfilling the second criterion of a public good and the prospect of monopoly profit may thus induce future innovation.

The focus of these neo-Schumpeterian models is subsequently on innovation, the economics of its institutions, incentives and effects, and the possible underprovision of knowledge and underinvestment in innovation because of the externalities involved.

New Appropriation, Market, and Coordination failures

A recent paper by Hausmann and Rodrik (2002), although not linked explicitly to the endogenous growth models, is very congruent with these types of concerns in a development perspective. It draws on the similarity of problems faced by prospective entrepreneurs in developing countries when identifying which productions they could engage in, with potential innovators in advanced countries. Both will have to do with a costly trial and error process.

In the advanced societies the patent system will allow the innovators to appropriate the benefits of their investment. But in developing countries pure innovation is rare and the typical 'project' is to produce locally an already existing product with an already existing technology. Hausmann and Rodrik remark that whether it will be at a comparative advantage and profitable cannot be known in advance. Transfer of technology, even if transparent with extinct patents, always requires 'tacit knowledge' and adaptations with uncertain degrees of success as to final productivity and profitability. There has to be 'self-discovery', they assert and this implies prior costs and taking risks.

On the other hand, there is 'great social value' in learning that for instance 'cut-flowers can be produced at a comparative advantage in Colombia'. But in contrast to innovators who can enjoy protection by patents, those who make the cost discovery, although bearing all the risks and sunk costs, will be able to capture only a small part of its value in case of success. For instance, other entrepreneurs will have no great difficulties in emulating the discovery by raiding skilled workers of pioneer firms.

Hausmann and Rodrik demonstrate that, in a 'decentralized' equilibrium, entrepreneurs will typically very much limit their investment in 'learning' what can be produced in new activities. Lack of sufficient incentives closing the gap between social returns and private returns will delay or mute economic transformation. They obviously

find a possible role for government policy in providing some kinds of 'temporary rents', the equivalent of the patents, to stimulate the cost-discovery process (e.g. trade protection, temporary monopolies, subsidized credits, tax incentives), and solving therefore the 'appropriation problems' of the would-be entrepreneurs.

The authors observe, though, that only some East Asian governments have shown any talent in instrumenting this type of strategy, whose ultimate benefit depends equally on the 'temporary' character of each given rent. States must exercise the requisite subsequent discipline consisting in phasing out the rents and pushing out unsuccessful firms and sectors, which is why so few succeeded.

Besides this kind of appropriation failures, new market and coordination failures have also been uncovered. They are associated first with the exploration, or rediscovery under a mathematically-correct form, in the 1980s and the 1990s of a variety of cases where the mainstream paradigm was at fault: development traps, imperfect and costly information[97], increasing returns to scale, dynamic externalities and multiple equilibria etc. A common denominator was that the implications for theory and government intervention seemed to be 'beyond the earlier attention to public goods and externalities' (Meier, in Meier and Stiglitz eds, 2001).

On a general plane one can mention the impeccable argument on the inseparability of distribution and efficiency as a consequence of the economics of (imperfect) information. In that view imperfect information cannot be considered as just another transaction cost easily digested by the neoclassical model of the general competitive equilibrium. The type of interactions through which information radiates implies characteristics in the underlying mathematics, fundamentally contrary to the model's assumptions[98]. This has major implications. There may be several equilibria and not a single one, and it is no longer possible to separate issues of efficiency and distribution (the second welfare theorem is invalidated).

That umbrella fits well with the empirical result that 'inequality does cause underdevelopment' (Easterly, 2002a). In brief, high inequality is a significant barrier[99] to growth. On a more specific level there has been a multitude of research reflecting the diversity of activities or interactions such as innovation (again), honesty, and trust in trade and investment, where externalities may generate low-level and high-level outcomes depending on some degree of intervention or coordination.

The formalization of the interaction between an economy of scale and the size of the market by Murphy, Shleifer and Vishny (1989) has permitted[100] giving a mathematical foundation to the fuzzy concept of 'growth trap'. What is 'crucial' in that model, as streamlined by Krugman (1999), 'is some form of dualism' between a traditional sector (with constant returns) and a modern one (industry) with increasing returns but which must cover its fixed costs to break even and which pays a wage premium to move workers to modern employment. A preliminary condition is that fixed

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[97] With the theory of 'contracts' using strategic behavior models under asymmetric information.

[98] This is of course about the assumptions of convexity and continuity. Economics of information introduces non-convexities and inflection points whence intuitively the possibility of multiple equilibria (or a continuum of them).

[99] Or to put it in a familiar way, referring to Dollar and Kray (2001a): growth is good for the poor but the poor are not good for growth.

[100] Rediscovery of the 'big push' theory of Rosenstein Rodan and similar intuitions of Albert Hirschman.

costs in industry are small enough, and the marginal cost sufficiently large, to ensure that the economy produces more if it were using all its resources in the industry than in agriculture.

It can be shown there are three cases. If the wage premium is very low, there is one equilibrium and the economy always industrializes. If the wage premium is above a certain level, it never industrializes. Between these two key values of the wage premium, there are two possible equilibria; since it is not profitable for a single firm to start production so no industrialization at all is a solution, but if they do all simultaneously start production, it will be profitable for each of them and the output of the economy will be much superior. This is typically a case of coordination failure, where an appropriate intervention is conceivable.

There have been many models of poverty traps but less exploration of their practical relevance. Graham and Temple (2001) have however tested a two-sector model with another type of production externality: the output of a firm in the modern sector is an increasing function of total non-agricultural employment (or output) which technically ensures two possible equilibria. They argue that they can explain under reasonable assumptions between 40 and 50% of the inequality of living standards between 127 countries without having to resort to characteristics such as geography and institutions by the single fact that some are in low-level equilibria and some are in high-level ones.

New Approaches Within or Towards Institutions

A first significant thrust of development economics has been to go and see inside 'the black boxes of institutions' and of political decision-making. The inspiration is not to take these as exogenous and (very) suboptimal parameters but to explain rigidities or negative behaviors in markets or elsewhere in terms of information, incentives, and choices.

The political economy of development also tries to explain why governments adopt, change and maintain policies; why they implement ones which restrain growth; why unpopular reforms can be sometimes initiated and why reforms usually fail, why governments and officials can be corrupt too, seek rents or why at times ideas, leadership, and technocrats can impulse genuine change; and why 'equilibria' may originate, persist or switch to another equilibrium. In this field, the State is no longer a benevolent social planner. It may act as an aggregating function of pressures from interest groups who might be bargaining, coalescing or competing. Politicians themselves (Grindle and Thomas, 2001) may behave as autonomous agents with distinct objectives and preferences. And within the state apparatus, 'agency problems' loom large between the people and the government (its alleged representative), politicians and bureaucrats, executives and subordinates.

This is a vast field drawing on many traditions and techniques, economics of imperfect and asymmetric information (moral hazard, adverse selection, principal/agent relationship), sociology, public choice, rational choice, collective choice, 'bounded rationality', Nash equilibria in repeated and evolutionary games theory. Typical examples are in the research on urban labor markets and urban-rural wage premiums in developing countries with the famous efficiency-wage theory of Stiglitz, the various classic essays of Bates on rural Africa (1981, 1983), or the influential contribution of Krueger (1974) on the rent-seeking society.

Robinson (1995) proposed a theory of 'predatory states' showing that it can be 'rational' for a dictator not to initiate reforms that could 'fatten the cow he has the power to milk', due to the risk of upsetting the rent-extraction mechanism. Most recent models of predation such as Robinson and Torvik (2002) emphasize the short time-horizon and consequently the high 'discount rate' of policymakers. They tend to overextract because they discount future gains too much. That's why elections[101] with finite terms may have ambiguous impacts depending on whether there is a clause allowing for multiple terms (and probably whether there are prospects of immunity or prosecution). Humphreys and Bates (2002) find weak empirical evidence of positive influence of electoral accountability on predatory policies in Africa.

In the same vein is the research by Murphy, Shleifer and Vishny (1993) on a multiple equilibria model where individuals have three possible activities: innovator, subsistence producer, and rent-seeker (i.e. extracting part of the output of the innovators). They show the existence of a low-level equilibrium where rent-seekers are numerous but innovators rare and returns to innovation are low, and of another equilibrium where it is the reverse. Shleifer and Vishny (1993) have also formalized two extreme alternatives of corruption: one centralized when government has monopoly over bribe collection, and another decentralized where multiple agencies take bribes independently one from another. The latter produces the highest corruption tax and is the most detrimental to global efficiency.

Another example of models trying to explain why governments can adopt and persist in anti-growth policies and 'unsmart predation' is in MacMillan and Masters (2000). They develop a political economy one-sector model of a 'growth trap' induced by rational predatory considerations. It is built around a repeated strategic game between a government fixing taxation and sectoral R&D expenditure (thus raising productivity) and domestic producers responding with output. It has two equilibria, a low-level one with confiscatory tax rates, low investment and stagnant or retreating economy, and a reverse high-level one.

If the government is not a faithful representative of the producers, who are the citizens — meaning if they value substantially more (in their preference maximizing function) tax revenue than the producers' surplus, a rather plausible hypothesis in most countries — and in the absence of an institutional mechanism ensuring credibility of the government's commitment to a given taxation level over time, two parameters are prominent in the formation of a growth trap: a high discount rate of government as expected and a large share of 'sunk costs' (of prior investment) in total costs in the economic sector, because this raises the producers' losses if government turns to predatory tactics after investment occurs. The model emphasizes representativity and accountability as strongly recommended institutional remedies.

Interestingly enough, the factor of the sunk costs ratio suggests that differences in cost structures across economic sectors substantially influence their relative degrees of exposure to the risks of bad governance and their ability to be developed. Paul Collier (2002) also argues that political economy may contribute to form countries' comparative advantages through the selective impact across sectors of the various additional

[101] Elections by and of themselves. Democracy is of course not only about elections, even free and fair ones.

transactions costs and risk premiums generated by corruption, insecurity — poor governance generally.

The detailed reasoning is that exposure increases with the sector's 'intensiveness in transactions', that is the share of non-factor inputs (intermediate goods and services), but decreases with the share of immobile factors which will have to bear reduced returns (land and labor, since capital will want to move elsewhere). He shows from statistics about global cost structures that the activities that are the most resistant to poor governance, having the highest 'scope for compression', are agriculture and natural resources, in full accordance with the usual profile of most faltering economies. Though these two insights are somewhat different in their contents, a relationship between cost-structure and viable activities in poor investment climates seems very thoughtful.

The second main thrust of these new approaches towards institutions stems from the emergence of 'New Institutional Economics' and 'Cliometrics', especially the discussion of the catching-up hypothesis in Abramovitz (1986) and the seminal works of North (1981, 1990 and later) emphasizing the crucial importance of institutions for growth and development.

For Abramovitz the root of differences in productivity and income between countries lies in technological gaps. Subsequent convergence, whose pace is due to increase with this gap (the conditional backwardness's advantage again), depends on the 'social capability' to absorb the more advanced technology. He stresses the human capital and institutional components of social capability and the dramatic shifts, in one way or another, that social and political history can have on some countries.

North's emphasis on the crucial importance of institutions for growth, though there has been some slight evolution[102] throughout his work, is widely known: well-defined property rights and other institutional arrangements that reduce transaction costs (risks of opportunistic confiscation especially) are crucial elements in the incentive structure of the society[103] (extent of gaps between social returns and private returns) which itself conditions productive investment and innovation. And this was the key to the rise of the West (North and Thomas, 1993).

In an all-encompassing view, institutions are not only formal rules (e.g. constitutions, laws and regulations, law-enforcement process and rules) but also informal constraints such as norms of behavior, trust (cf. Fukuyama, 1995), conventions, beliefs and values, traditions. They are the rules, organizations, and social norms that shape coordination of human action. Subsequently they may be more or less growth-friendly. They are resilient, difficult to change, and 'path-dependent', previous history and patterns having persistent effects (hysteresis).

North pointed out that there is no natural selection process ensuring the emergence and/or survival of the 'fittest' institutions over time and place. Inefficient institutions may endure, and previously seemingly efficient ones may become less so at ulterior stages of development where different types may be needed. Another lesson is the observation of complementarities between various distinct institutions, which may imply that 'transplantation' of a specific one has some perils of its own.

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[102] Along the years, North seems to take a more complicated view of institutional change with less straightforward impact of direct market-related institutions and more accent on informal ones and hysteresis effects.

[103] The basic element is the extent of gaps between social returns and private returns. 'Incentives are embodied in institutions' (North).

There is a lot of debate on the respective definitions of institutions and 'social capital'[104] another signal field of recent research. In institutional economics there is a tendency to define institutions broadly as 'rules of the game', 'interactions' and to restrict the use of social capital to local interpersonal networks and associated trust and values. But there is certainly no widespread shared norm[105] as to the meaning and use of social capital.

There is possibly an implicit 'politically correct' aspect too, since it's certainly better to diagnose a 'lack of social capital' than 'anti-growth institutions'. Institutions and social capital are in any case a major lead into the research on growth.

3-3 The Debates Spurred by the Cross-Country Regressions on Growth

The literature on growth statistical regressions was a substantial and new aspect of the 1990s. The widespread use of regressions to search for the sources of growth and income disparities stemmed from two factors: the fresh availability on one hand of reliable time series and international data on growth due to the works of Maddison at the OECD and of Heston and Summers (the PWT tables), and (obviously too) of user-friendly computer software for running them on the other hand.

There are substantial technical and methodological problems in estimating and interpreting growth regressions inherent to any such exercise[106], including the pervasive and unsolvable causality questioning. There are also fundamental but easily forgotten questions underlying the regressions: Why should there be country-level aggregate production functions at all, and Why should there be a single mother production function usable for all times and all countries and even in that case, Why should the relationship be just one of the few regressions that can be mathematically run easily[107] ? Temple

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[104] Social capital is not a trademark owned by Robert Putnam. He does not claim it to be so, his definition of social capital is not 'imperialist' since it is restricted to local horizontal associations and associated norms. But he very much popularized the concept outside the academic world. But its first use is reported in 1916 and many used it since then before Robert Putnam. Economists have also worked on it, such as Collier (1998b), or advocated against the very use of the name 'capital' as misleading, such as Solow ('Notes on Social Capital and Economic Performance', in 'Social Capital: A Multifaceted Perspective', World Bank, 1999). Briefly the argument goes that way: What kind capital is it which cannot be measured as a cumulation of past flows and which may increase when it is used?

[105] See 3-4 also for a schematical comparison of the alternative boundaries between institutions and social capital.

[106] Plaguing any empirical research: multicollinearity, measurement errors (and biases since confidence intervals widen probably with the distance in time and with the underdevelopment of the economy), intrinsic uncertainty in the form of the model or in the choice of regressors, biases induced with by possibly omitted variables (country specific e.g.) or endogeneity of regressors, regional spillover effects, impact of outlying observations (and of failed states whose data do not exist), reverse causality if causality is hypothesized. Many sophisticated tests have been developed in several directions to address some causes of error or, rather, to enable to accept or reject with some degree of confidence the possibility that some suspected errors may be present. Refined methods of estimation are also available to account for that, although too rarely used (Hoeffler, 2002). However, due to the essence of estimation techniques, there can be neither an all-cases-encompassing reliability test nor any 'proved' causality, except if there is something else we 'know' already or 'learn' by another channel.

[107] Linear, log-linear and episodically polynomial or reciprocal. Easterly and Levine (1997) test for instance a quadratic relation ship (polynomial) for the conditional convergence.

(1999) discusses most of these problems and questions in a very sober and expert way: conclusion is there are problems but regressions do bring some inputs.

Part of the literature is, or rather was, oriented towards the specification and testing of the augmented Solow model, with emphasis on initial income, physical accumulation, human capital and their impact on the rate of growth of income (per capita or productivity per worker too).

But the most important and recent part of the cross-country works use informal 'ad hoc' regressions opened to the testing, on the right hand side of the regression, of any variable that can stand on its own or had already been used in previous publications. That comprises other 'hard' possible factors such as geography (climate, natural endowments) and 'soft' factors such as macroeconomic or trade policies and various institutional, social, or political characteristics (e.g. property rights, corruption, ethnic or religious fractionalization, civil war).

They are called 'à la Barro' regressions from a seminal study by Robert Barro (1991). It is a sort of empirical research into the bases of endogenous growth. On the left-hand side of the regression, the focus has been widened (from initially the rate of income growth exclusively) to cover the level of income (and sometimes the volatility of the growth rate too).

This is a trend partially consistent with some gradual disillusionment or tiredness from the first type of results beyond the hardly unexpected confirmation of the role of the variation of inputs in growth performance and the finally more elusive than anticipated conditional convergence[108]. The object of the search has been moved from the proximate factors of the growth rate, as in the strict Solow framework, towards the 'deep structural determinants' of the level of development (and not only the rate of growth) outside the framework of any formal theory of growth. The latter drive illustrates some distrust with the excessive use of growth rates which tend to show some intrinsic instability as mentioned before (Easterly, Kremer, Pritchett, Summers, 1993).

There are presently three main contending theses on the explanatory factors to growth in the literature: geography, policies and institutions. The latter view is currently a kind of mainstream thinking[109]. These factors need not to be mutually exclusive and most agree that there are reciprocal effects, although not on the details. The debate is more about weighing the respective global 'additive' influences and assessing which ones 'ultimately' dominate the others given their possible reciprocal interaction, and the underlying or associated, theoretical or historical, arguments which are summoned for support.

The Main Geography Thesis

Jeffrey Sachs (Sachs and Warner (1995a, 1995b, 1997), Bloom and Sachs (1998), Gallup, Sachs and Mellinger (1999), Sachs (2000b, 2003)) is the most ardent defender of the importance of the geographical factor. The studies do not deny the role of policies and

[108] Most of them do find a statistically significant conditional convergence: that is a negative relationship between the growth rates and the initial levels of income. But contrary to early results claiming a common quantitative finding (catching up rhythm at 2 % a year), it seems now that there were too many econometric problems with them and more 'reliable' estimates vary between 0 and 32 % generating a 'consensus of uncertainty' (Temple, 1999) if not a rejection of the thesis (Crafts, 2000).

[109] Within the circle of development economists which is not the 'economics profession', many members of which doubt the very existence or specificity of 'development economics'.

socio-institutional factors, but they do establish that geography matters, directly and independently from whatever effects it may have had or still has on institutions and policies. This is a reaction to the 'neglect' of physical geography in other analyses although the association between ecological zones and per capita income is in their view 'perhaps the strongest empirical relationship' (Sachs, 2000b): economies in tropical zones are nearly everywhere poor and temperate ones are generally rich except if hampered by decades of communism or extreme geographical isolation'.

The U-shaped distribution of per capita GDP per latitude band is a reality which is not contested. The core argument is to see in the 'tropical underdevelopment' the direct effect of pure inhibiting geographical factors such as tropical location, landlockedness and endowments in natural resources after controlling for other variables. The most recent 'geography' regressions try to make use of the most 'exogenous'[110] possible geographical variables (exogenous with respect to current incomes) and with arguable explanatory factors. Sachs (2000b) uses for instance as a definition of 'tropical' an aggregated version of the Koepper-Geiger climate classification system.

The referred mechanisms at work in hindering development are in the two critical areas of food production and health: fragility and low fertility of tropical soils, high prevalence of crop pests and parasites, ecological conditions favoring infectious diseases for humans but inhospitable to temperate grain crops. And since growth implies a lot of positive 'feedback effects' (increasing returns to scale and clustering effects in production, skills, power, ideas and knowledge), Sachs argues these initial gaps were amplified over time through economic, demographic, technological and political-military factors.

This echoes a long tradition of thought from Herodotus seeing 'Egypt as a gift of the Nile' to the recent but famous '*Guns, Germs and Steel*' by Jared Diamond (1997). Landes (1998) devotes the first chapter of his authoritative survey of world economic history to nature's inequalities. Diamond's work presents a plausible long chain of connections going from ultimate causes rooted in bio-geography (endowments in 'domesticable' native plant and animal species plus north-south orientation of continents) to more diverse, proximate and dependent ones[111] accounting for the variations in prosperity levels. Interestingly enough his thesis has directly inspired a cross-country regression by Olsson and Hibbs (2002). They find that their indicator of initial bio-geographical conditions explains 2/3 of the variance in the timing of the transition to sedentary agriculture. In more economic terms their geo- and bio-geographical variables explain 40% of the present dispersion of incomes per capita. With the inclusion of commonly used socio-institutional variables, the ratio rises up to 76% with the geo- and bio-geographical regressors retaining 'significance and importance'.

The 'position' claimed, rightly it seems, for geography in the Sachs regressions is substantial but not dominant. The order of magnitude implied may be conveyed by the following indications: 'All other things equal, a temperate zone country would grow at

[110] Exogenous with respect to current incomes. Initially regressors used for location derived from the latitude, a seemingly 'astronomical parameter'. But it was proved incorrect. First there is no underlying theory to assume any strong 'direct' effect of the latitude per se on economy, except through it's effect on climatic factors (duration of daylight). Second it can serve - and was used as in Hall and Jones (1999) – as a proxy for institutional factors such as Western influence because the tropics were hostile to immigration.

[111] Diamond does not exclude cultural, individual or serendipitous factors acting concurrently or interacting with the biogeographical ones. He just makes a good case for the latter's determinant role.

around 1.6 percent per year more rapidly (…) and in the long run could expect to have a level of GDP per capita equal to 2.7 times that of an otherwise comparable non-temperate zone country' (Sachs, 2000b). In Bloom and Sachs (1998), geography[112] explains 21% of the growth rate gap from 1965 to 1990between Africa and East plus South East Asia.

The Alleged Resource Curse

Detached from the main geography thesis is the 'resource curse' theme, the poor growth performance associated with exploitation of natural resources (mineral and agricultural (food and non-food) primary commodities). The empirical case was made initially by Sachs and Warner (1995b) and has stood its ground since then. Recently, Auty and Kiiski (2001) found that between 1960 and 1990 developing countries with few natural resources grew 2-3 times faster than those with abundant resources. The adverse effect tends to be the highest in case of enclave-type (Deaton, 1999) or point-sourced production (ibidem).

But the problem seems to concern only some developing countries. A counter-example is provided by Australia and Canada who 'became rich[113] and industrialized by developing the technology and capital goods industries associated with their resource sectors'. Moreover even as a group, the 'developing countries' are no longer dependent upon primary commodities: 80% of their exports are manufactures whereas in 1980, 75% of their exports were primary commodities. Some have forged ahead in Asia, others are faltering or declining. Africa for instance stands in strong contrast to that overall trend of the misleading category of 'developing economies'. Most African countries illustrate the alleged resource curse: exports concentrated in a few primary commodities and low income per capita growth, if any at all. The underlying theories are economic and political.

'Dutch disease' is the oldest contender for explaining the potential curse: booms in resource incomes tend to raise the real exchange rate and the relative price of non-tradables, making the local production of tradables less competitive. Typically, manufacturing contracts or is muted. As Hausmann and Rigobon (2002) remark, this is a static argument. There must be the additional yet plausible assumption that industry is more dynamic over time than the non-tradable sector. And it does not fit the fact that countries tend to have better growth performances when prices of their natural resources exports are doing well than when they are not.

Collier (2002) makes another point: even if there is a tightened competitiveness condition due to the Dutch disease, the question is whether the country is really 'priced out' by its higher real incomes and wages. Since Africa has the lowest income in the world, he asserts that the Dutch disease effect is not likely, except for a few oil exporters, to have precluded industrialization there.

One other major problem with primary commodities is that their prices are highly volatile. According to Deaton (1999) there are 'enormous swings' and 'what they lack in trend they make up for in variance'. Collier (2002) mentions that a 'typical large negative

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[112]This is contrary to what is usually cited or remembered from their paper. The main claim this study makes is that geography (21%) plus demography (26 %) plus health (26 %) account altogether for 73 % of the African growth handicap with Asia whereas only 27 % can be attributed to policy and governance indicators. And certainly geography, policies and institutions are to be summoned together to account for the status of health and demography in Africa.

[113] Cited by Hausmann and Rigobon (2002, p6) from an unreferenced World Bank study in 2001.

shock' is a year-on-year fall of 44% with a direct shock to the GDP of 7% triggering a cumulative contraction of the economy of 14%. On the other side booms are often missed opportunities for institutional weaknesses: windfalls are confused with permanent increases of income and bad governance sets in.

This asymmetry makes volatility detrimental to growth but 'more a nuisance than a curse' according to Hausmann and Rigobon (2002). They construct a more damaging model on the dynamic interaction over time of volatility and Dutch-disease-type specialization, a vicious circle which gradually eliminates the tradable sector. Due to risk aversion, investors demand a higher return to hedge volatility; raised interest lowers investment and contracts the tradable sector. But since the number of firms declines global volatility now has a higher effect on the profit volatility of each individual firm whereby investors request a higher premium etc.

Explaining the natural resource curse must in the end turn, oddly enough, to factors in the institutional field. The availability of ample government finance from the taxation of natural resource exploitation may not only exceed the technical capacity to manage these flows but, more deeply, it tends to free the rulers from the necessity of seeking the consent of the taxpayers. They feel less need to consult or to develop institutions where they would be held accountable.

And control of these large funds 'confers power, facilitates patronage and provides a basis for co-option' (World Bank, 2003). Corruption, rent-seeking, clientelism are more likely; the society will be less 'entrepreneurial' and growth will be hampered. Collier and Hoeffler (2000, 2001, 2002) have also pointed out in their works on the causes[114] of civil war in Africa and elsewhere (the 'greed' versus 'grievance' theses) that dependence on natural resources increases the probability of conflict. It is all the more so if they are location specific and lootable since it rebel organizations can more easily become financially viable. In any case, institutions are a key aspect of the debate on the natural resources curse. An overview across all countries throughout history, distant and recent, tends to make the endowments in primary commodities neither a curse nor a blessing. Politics and institutions can be weakened but they will determine the result..

The Policies Thesis

It must be noted that some studies have deliberately not separated policies and institutions. Hall and Jones (1999) successfully tested the explanatory power of 'social infrastructure' on the level of output per worker across countries. They defined social infrastructure as 'the institutions and government policies that determine the economic environment within which individuals accumulate skills and firms accumulate capital and produce output'. It is growth-friendly when it gets closer to the situation where 'individuals capture the social returns to their actions as private returns'. And their proxy of social infrastructure gave equal weight to institutional quality (law and order, bureaucratic quality, property rights… from the International Credit Risk Guide (ICRG)) and trade openness (Sachs-Warner type). This sounds very much like an echo of the already cited 'social capability' by economic historian Abramovitz (1986).

There are not many recent works advocating the thesis. It could be argued that there is no need to search for what has already been established. This refers to the

[114] Three economic variables turn out to be the most important: dependency on primary commodities plus level and growth of income.

'causation' reading of the pre-geography work of Sachs (Sachs and Warner, 1995) or the research of Frankel and Romer (1999)[115] on the robust relationship between trade openness (in the general sense) and growth. And there is no need at all of an econometric confirmation that hyperinflation, profligate spending, unemployment, high real interest rates, financial repression are contrary to 'sound macroeconomics'.

Another good reason for the lack of recent regressions illustrating the policies thesis is more technical: their inherent incapacity to track the role of policies. The recent tendency to run regressions focusing on the determinants of income levels (and not of growth rates) is not likely to show any evidence of a role for policies, as made clear in Rodrik, Subramanian and Trebbi (hereafter RST, 2002) and in the IMF's[116] World Economic Outlook (WEO) (2003).

First, present income levels are the result of policies conducted over centuries and of many other factors. Second, to a large extent, the institutional level is a 'stock variable' already incorporating the 'cumulative outcome of past policies'(RST, 2002). Third, the regressor standing for a possible role of policies is typically the average of some macro-indicators over the last decades. But what is the 'economic sense' of averaging policies which show a high variability in time and have short-run effects and horizons? Finally the subjective measures of institutional quality used in the regressions may represent a mix of perceptions of policies and institutions.

Within these qualifications, it seems to be a reasonable view that 'it is inappropriate' (RST) to draw any conclusion on the role of policies in regressions of income levels. As for growth performances, the IMF's WEO (2003) mentions that the 'background work' research conducted for the publication confirms that macropolicies remain significant in regressions of growth rates even after controlling for institutional quality (which has a major impact however). 'Differences in economic policies can explain much of the difference in growth performances' as Dollar and Easterly (1999) put it. Though obvious, it is perhaps worth mentioning that even the defendants of the institutions thesis do not claim that policies do not matter at all. Their argument is that they do not impact economic performance 'beyond their influence on institutional quality'. This is a blatant econometric distinction but most agree that, in practice, the most immediate way they can think of for improving institutions is through policies.

The Institutions Thesis

In the past few years there has been a congruent flow of new research using cross-country regressions on the importance of institutions for economic performance, a sort of empirical support of the works of Douglas North (1990) and Institutional Economics . In parallel, broader measures of institutional quality have been developed, especially[117] by Kaufmann, Kray and Zoido-Lobaton (hereafter KKZ) (1999). From over 300 indicators

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[115] As commented in section 2-4, Frankel and Romer do not claim to have 'established' that policy-induced trade causes growth, though it is certainly their personal belief. Their 'scientific' argument is that the higher the geographic propensity to trade is, the higher the level of development is. But trade impulsed by policy could well play through different mechanisms and have different effects from the geographic component of trade, they say. 'Blessed are those who trade naturally' in short.

[116] Maitland McFarland is the lead author for the chapter III 'Growth and Institutions'

[117] Other highly esteemed indicators (expert opinion based) are to be found in the Polity IV dataset of the University of Maryland (http://www.cidcm.umd.edu/inscr/polity/) or in the country ratings of Freedom House (political and civil rights, economic and property rights) (http://www.freedomhouse.org/).

(survey results, ratings by experts or direct observation) they constructed six measures: for:

- voice and accountability of citizens
- political stability and absence of violence
- government effectiveness (quality of public service)
- regulatory burden (on business and international transactions)
- rule of law (protection of persons and property, quality of judiciary…)
- freedom from graft (corruption…).

Most recent studies use the average of these six measures as an index (KKZ index). But the use of indicators of institutional quality, however less wide-ranging they were, is nearly as old as the literature. Though the first regressions (regarding the growth rate as aforesaid) always found institutional quality, or rather at that time governance indicators, significant, they did not usually establish a dominant role for it. In Sachs and Warner (1997), trade openness and life expectancy come first. Bloom and Sachs (1998) found that institutional quality explains only 5% of the growth differential between Africa and Asia, behind 22% for policies and 73% for the 'compact' of geography, demography and health.

But it was common at that time to use a variety of regressors to address the full scope of socio-political factors. Some (e.g. civil war, ethnicity, political instability, common-law or French-type legal system) are still instructive. The mixing of so disparate instrumental and potentially linked variables is technically perilous. It is not hard to see why demography and health for instance could be substantially the simultaneous result of geography, policies and institutions. This lowers the reliability of these writings for the ultimate role of institutions.

A significant result for the 'institutions thesis' was achieved by Rodrik in 'Where did all that growth go?'(1998) about the interaction between institutional quality and growth volatility. He found that lack of persistence in growth rates is not due exclusively to external shocks, but mainly to the quality of 'institutions of conflict management' which determine the extent to which countries will be affected by volatility. The three most recent studies, which regress the level of income (and not growth rates), are those by Acemoglu, Johnson and Robinson (hereafter AJR) (2001, 2002), Rodrik, Subramanian and Trebbi (2002) and Easterly and Levine (2002).

AJR (2001) use the mortality rates of European colonizers (soldiers, bishops and sailors) more than 100 years ago in 64 former colonies as a proxy to the various quality of current institutions. They present some historical and econometrical evidence as a justification. The story goes from the effects of these rates on the emergence either of settler colonies with European-type institutions with property rights and rule of the law (low mortality) or of natural-resource extractive colonies (high mortality), to the persistence of these traits till now. After controlling for that 'institutions' factor, African countries, or close to the Equator, generally 'do not have lower incomes' than others.

In 'Reversal of Fortune' (AJR, 2002) they reinforce their assessment of the differential effect of colonization by finding a significant negative relationship between the prosperity and density of 41 prospective colonies in 1500 and their present per capita income. The hypothesized argument they tested is that wherever European colonizers found dense and urbanized regions the settler-colony strategy was not a viable option and they had to rely on 'extractive' institutions which staked the cards against future industrialization.

AJR's regressions very much echo the works in economic history of Engerman and Sokoloff (1997) and Engerman, Haber and Sokoloff (2000) on the diverging paths of North America on one side and Latin America and the Caribbean Islands[118] on the other. But their own historic presentation focuses more on the prior stage and insists on the influence of natural endowments on the type of colonization and the institutional choices which were made at that time.

Easterly and Levine (2001) test the three main theses — natural endowments , policies, and institutions (use of KKZ index) — and some additional variables such as ethnolinguistic diversity, for their explanatory power on present level of income per capita (72 former colonies). Basically they did find that endowments have a strong impact on level of institutional quality but do not have any significant additional contribution to development beyond their contribution to institutions.

This is for them the invalidation of the geography thesis ('tropics, germs and crops'), for which they do not find any direct effect after controlling for what is already 'incorporated' from them in the institutions. As explained before, they do not find any role for policies either. Their regression accounts for a 38-fold difference of income between Burundi and Canada (the real factor is close to 107).

Rodrik, Subramanian and Trebbi (2002) also ran regressions of the level of income per capita on three samples (from 64 to 140 countries) with alternative indicators of geography, integration policies, and institutions (the KKZ index is preferred). They reached broad conclusions similar to Easterly and Levine: 'institutions trump everything else". But they take issue with the settler mortality rate as ambiguous (institutions or geography) and somewhat limited for a general theory, since many countries, developed or not, have never been colonized. And, as seen before, they refrain from drawing any general conclusion on policy ineffectiveness since this type of regression on the level of income, and not on the growth rates, is not the appropriate framework for them.

They assert that fundamental changes of institutional quality may result from policy innovations (e.g. reforms undertaken in Japan, South Korea, China). Simultaneously they argue that sound economic principles never did and do not 'map directly' into the same 'institutional forms' everywhere. They insist that appropriate desirable institutional 'embodiments' are likely to have a large element of country-specificity.

The cross-country literature on institutions has covered many other viewpoints or considerations. For instance Grier (1999) endeavored to settle the old sub-debate on the seemingly economic outperformance of former French or generally 'Latin' colonies by British colonies. While he did find this relationship in a comprehensive study of 63 countries even after controlling for many common factors such as initial income and duration of colonial episode, but he ultimately showed that the crucial variable is the measure of educational attainment at independence: its explanatory power is more than the conjunction of the colonizer variable and the duration of colonization.

This will not end the ongoing debate on the legal system, whether it is derived from the British common-law system or from the French-type of formal written law, a

[118] In 1700 Barbados and Cuba were enjoying e.g. much higher income per capita than the colonists settled in the future United States, respectively 50% and 67 % more. Caribbean islands were held in high consideration for their 'riches'. Easterly and Levine (2001) mention that Britain wavered between New France (Eastern Canada from Newfoundland till Ontario and notionally all future Canada) and Guadeloupe island as its victory's prize after the Seven Years War ('French and Indian Wars') !!!

debate slightly distinct from the colonizer's nationality. Recent regressions by Rodrik, Subramanian and Trebbi (2002) and Easterly and Levine (2002), for instance, do not find any additional statistical significance to this variable. As the IMF's WEO remarks, since France and Britain have almost the same GDP per capita, the origins of the differential, supposing there is one, would have to be found elsewhere in the institutional development.

Other research that can be mentioned as another sign of the vitality and diversity of the 'sub-institutional' regressions literature are the study by Rauch and Evans (2000) on the influence of non-partisan meritocratic career systems on bureaucratic quality measures and the paper by Bockstette, Chanda and Putterman (2002) on the positive contribution of an 'early start', meaning the antiquity of state-type control (China e.g.) on the level of 'social infrastructure' (as in Hall and Jones, 1999).

Ethnicity emerged as a factor in cross-country analyses when, analyzing 'Africa's Growth Tragedy', Easterly and Levine (1997) found a robust correlation between ethnic diversity with low physical infrastructure, poor education levels, financial repression and low growth. They cite supportive empirical evidence e.g. some studies documenting the links between the change of the 'regional bases' of the respective coalitions of Kenyatta and Moi with the variations of their road-building investment shares (in power and not).

The outline is that ethnic diversity 'encourages the adoption of growth-retarding policies' and handicaps consensus on 'growth-promoting public goods'. Though ethnic diversity is no longer statistically significant when they control for public policies performance, they show that its indirect effects through policies account for one-third of the performance gap between East Asia and Africa from 1960 to 1990.

The measurement of ethnic diversity is not perceived as difficult[119]. The most commonly used instrument is ethno-linguistic diversity defined as 'the probability that two randomly selected individuals from a country are from different ethnolinguistic groups'. This is easily drawn from a database initially created, oddly enough, by Soviet anthropologists. But some academics such as Paul Collier (1998a) and Robert Bates (1999) insist that the impact of ethnic diversity is not straightforward and is dependent on the context. It can generate bad governance or violence only under certain conditions. Collier's cross-country research indicates that interaction between democracy and ethnic diversity is crucial for assessing the impact on growth performance. A fully democratic system reduces the maximum negative impact of ethnicity on growth rate to (minus) 0.4% per year instead of (minus) 3% without democracy. This is indeed a huge difference but a loss of 0.4% in yearly growth is still not insignificant as an effect.

Collier (1998) also studied the influence on the risk of civil war in the models he developed with Hoeffler. The relationship appears even more complex: the risk of civil war grows first with ethnic diversity, then peaks[120] with 'moderately diverse societies' and declines afterwards as diversity reaches its maximum. 'A highly ethnically diverse society is even less at risk for civil war than a homogenous one'. This fits to some extent with the findings of Bates (1999), who showed that political violence grows and peaks when there is 'polarization'; that is, when the size of the largest group is in the vicinity of

[119] With the qualification that the 'foundational' problems are left aside. For instance 'since' the repertory of ethnic and language groupings has been, at least regarding former colonies, 'constructed', and some assert 'invented' by external European-biased observers at the time of colonization, is it meaningful?

[120] Technically it means that risk of civil war is regressed with a quadratic function of ethnic diversity.

50%, meaning a danger of hegemony or exclusion, or any subjective but 'expert' sign of the existence of a 'minority at risk' (MAR)[121] in a maximum-tension situation. What seems to be the key is not diversity in itself but polarization, real or perceived[122]. Case-studies do fail to account for the role of ethnic fractionalization but there are numerous political economy models too: Alesina, Baqir and Easterly (1999) (for US cities but transposable) among others, and the 'common pool' or 'tragedy of the commons' (Hardin, 1968) literature.

Nobody disputes the importance of ethnicity in practice (understanding its role is another matter), but it is hard to see why it should have an 'econometric' effect[123] independently of 'institutions' where its impact should be incorporated (except if they were proxied inappropriately). Fortunately none of the recent aforementioned regressions of the level of income find an independent impact of ethnicity beyond institutions.

3-4 Darkness and Freedom in the Black Boxes of Social Capability

In conclusion, geography does play a role in growth, a minor one for direct effects but an important one through its impact on institutions. It can be mitigated: being landlocked may be alleviated through infrastructure (canals, railways), and technology has the potential to counteract low agricultural productivity and endemic infectious diseases. Policies also matter very much in the short term for macroeconomic and political stability and as the main channel to improve institutional quality.

A sobering assessment of this cross-country regressions debate is however provided by Rodrik, Subramanian and Trebbi (2002): 'Operational guidance that our central result on the primacy of institutional quality yields is extremely meager'. We mentioned already (3-2) for instance the similar appreciation of Ranis who found it difficult to see any 'woven tapestry' in the new theoretical approaches.

To a large extent, this applies to the generality of what we have learned and, more often than not, 'unlearned' on growth and 'undevelopment' with all these new insights from theoretical economics, political economy of policymaking, and empirical and econometrical research.

Pristine Complexity but Broad Precepts

Sachs (2003), when taking issue with some studies finding that geography does not have direct effects beyond institutions, blames the weakness and simplicity of our current econometric frameworks and stresses that 'there is good theoretical and empirical reason to believe that the development process reflects a complex interaction of institutions, policies, and geography'.

But this is a conclusion. It leads to a humble and realistic view of where we are, contrary to the exhilarating successive and diverging 'certainties' of the past decades. If

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[121] Cf. Gurr (1993) and the 'MAR project' (http://www.cidcm.umd.edu/inscr/mar/home.htm).

[122] In that line of thought, Marta Reynal-Querol (2002) uses statistical polarization indexes having the property of attaining their maximum when two groups are of the same size. She finds religious polarization and 'animist' propensity more significant than ethno-linguistic diversity on risk of ethnic conflicts. It would perhaps be interested to use such indexes in economic regressions.

[123] In the very long run (millennium?) ethno-linguistic diversity is perhaps 'endogenous' as illustrated by the effect of antiquity of state-type unity in China and European countries where ethnic diversity has been much erased.

complexity is the general picture and still needs to be explored in detail, we may have got some intuitions and acquired some broad precepts.

Bearing in mind that when the first analyses were conducted total-factor-productivity was called 'another name to our ignorance' by Abramovitz (1956), one may doubt whether 'social capability' (Abramovitz again, 1986) is such a vastly more instructive expression after all. Each of these concepts has been a step forward to another smaller perimeter left for more research. Social capability is simply the faculty for a society to adopt high technology and productivity processes through (still very poorly mapped) institutions and policies.

Is it surprising if social capability conveys at first sight the same kind of (un)explanatory power to the causes of growth as 'virtus dormitiva' to how opium induces sleep in Molière's play[124] (*Le Malade Imaginaire*) ? By 'virtue of its faculty to dull the senses' say the physicians about the causal link from opium to sleep, though they say it in Latin. 'Quia est in ea virtus crescenda cujus est natura fructus amplificare' might explain twenty-first century Latinizing economic doctors when commenting on why social capability brings about growth: 'by virtue of its faculty to increase returns'. But a seventeenth century comedy is certainly uninspiring and on the whole pessimistic as a metaphor. There is more deliberate optimism in for instance advancing that the genome of development has not yet been sequenced.

Another energizing but telling comparison may be made with an indisputably hard science such as cosmology: hard but still embryonic in its achievements. Actually the present inventory[125] of the contents of the universe cosmology is able to make goes like this: 'atoms make up 4% and we know something about them, 23% is the invisible dark matter and we just think we have 'guesses' on it, and 73% is the even more elusive dark energy of which we have 'no idea''. At least, economists and other social scientists know something about geography (atoms) and have ideas and guesses on policies (dark matter) as well as on institutions (dark energy).

So even if growth's complexity still widely escapes us, there are general lessons, insights and broad principles (Rodrik, 2000) that have been put to the fore and sometimes rediscovered from other lines of thought and historical wisdom. Hereafter is a tentative, eclectic and of course very disputable list of some of these broad 'precepts':

a) Development is not a pure economic phenomenon. It is an organizational societal process; an outcome of economic, social, and political subprocesses that interact with, and reinforce or weaken each other. Therefore, there is no single cause or key to development. This accounts for '*The Elusive Quest for Growth*' (Easterly, 2002) through, successively, capital accumulation, finance, education, population control and across-the-board liberalization, without forgetting sustained protectionism or command-and-order socialist economies.

b) The full story of growth, still to be written, will be 'full of leaks, matches and traps' (ibidem), 'of increasing returns, amplifying feedbacks and morally ambiguous circles (virtuous or vicious)'. In a more formal way, underdevelopment is the conjunction

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[124] How does opium induce sleep? By virtue of a faculty namely 'virtus dormitiva' ('cujus est natura sensus assupire'). Molière, *Le Malade Imaginaire* (3rd interlude)

[125] Cited appraisals by Dr Spergel (a Princeton astrophysicist) and Dr Tyson (director of the Hayden planetarium) in the Science Review of the *New York Times* by D. Overbie (2003)

of appropriation, coordination, and agency failures keeping an economy in a low-level equilibrium.

As in Hoff and Stiglitz (Meier and Stiglitz, 2001), what is requested to make development happen is 'to induce a movement out of the old equilibrium, sufficiently far and in the right direction that the economy will be 'attracted' to a new superior equilibrium'.

c) When development happens, it is not linear or irreversible. Deflation, depression and decline do not belong to the past. Nothing precludes them from occurring and the first one, firmly settled in Japan, is threatening to spread. Most of 'Resurgent Asia' is at best still convalescing from the 1997 crisis.

In a more distant perspective, ecoshifts (natural or man made) and history (man made but often with unintended results, not forgetting bad luck, reverse serendipity and pure hazard) can stop growth and development. Both are path-dependent.

d) Private initiative, entrepreneurship, competitive markets, and incentives are central, as deducted from the main success story, the 'Rise of the West[126]'. Market-based economies have so far beaten all known alternatives[127].

This is not meant to be a claim for optimality and should be associated with the potency of Schumpeter's vision of destructive creation and innovation by entrepreneurs and of Hayek's intuition of a free market as a processor of the 'tacit knowledge' (how to act, how to do things, managerial skills e.g.) dispersed throughout the system within the agents. Since only they can make use of it, informational (and economic) efficiency requires a decentralized inclusive process.

e) 'The overall achievements of the market are deeply contingent on political and social arrangements' (Sen, 1999). Well-functioning markets do not operate in a vacuum; they need to be supported by non-market institutions. One primary issue is the appropriations problem, ensuring people have clearly defined control (usually property) rights on productive assets and that private benefits are closely related to social returns. Closely related comes the enforcement problem (justice, police) of these rights and of the economic contracts under the 'shelter of the public magistrate'[128].

More generally comes the realization that 'the market economy is embedded' (Rodrik, 2000) in the society at large and that its success is conditional on the foundations and characters of all existing institutions (an obvious reference to Polanyi (1944)).

f) The judicial system, the state, and institutions in the general sense do not exist primarily to delineate property rights and support market mechanisms. Their existence relates to other and more general purposes and needs (Rodrik, ibidem). But there are many potential 'agency' problems within the formal institutions which may preclude growth or limit it badly: 'arbitrary exercise of power, overtaxation, corruption, short-term

[126] As is often stressed, the world has a curious geography in international affairs: there is no longer any East, Japan (The Rising Sun's Empire!) belongs to the West which is the North.

[127] It is difficult, contrary to the common understanding, to find solid foundations to this, since the Arrow-Debreu model of the general equilibrium theory, the central theoretical paradigm which provides for a single optimum equilibrium under some assumptions, is not compatible with externalities and imperfect or endogenous information. Hayek's intuition is not based on an equilibrium but on a discovery process leading to a spontaneous order. An effective price system is central, but the interaction between agents is not driven exclusively by the price, but also by a network of rules and practices.

[128] From Adam Smith, 'An Inquiry Into the Nature and Causes of the Wealth of Nations' (1776).

horizon, cronyism, inability to uphold public order…'(World Bank, 2002). Institutions may kill markets and mute their efficiency.

g) There is some dynamic tension between markets and institutions impacting on values and social cohesion. Adam Smith himself deplored in his *Glasgow lectures* of the 1760s[129] that due to commerce, 'the minds of men are contracted and rendered incapable of elevation'. But most of the state institutions such as justice, army and civil service, which determine to such a large extent the environment of the market, need moral foundations and ethical values, as this description[130]of a West Point officer's career illustrates: 'A lifetime of selfless service to the Nation'.

This kind of belief is antagonistic to the 'selfishness and rapacity' ([128]) the invisible hand is so 'clever' at converting in the interest of society. So when materialistic and hedonistic motivations that markets promote incessantly through marketing and advertising become acclaimed and too pervasive, the institutions which rely on integrity may be undermined.

A deeper tension is also at work too with the 'gale of creative destruction'. It may at times blow too strongly for social cohesion and place excessive demands on ordinary people with the accelerated churning of skills, jobs and firms whose pace may become unsustainable. Pressure can accumulate for long periods before turning points and crises. In the past, mainly the interwar period, this is viewed as having generated either a backlash against markets and free trade and/or demands for social insurance to compensate[131] for the increased risks, not to mention contributing to war (in the overreacting).

In between, social fragmentation is nurtured from basic ethical values being eroded and by the buffeting people receive. Market forces may corrode the very fabric of society[132], which will in turn be detrimental to economic performance.

h) Markets themselves do not have a spontaneous origin; they are historically to a large extent an institution, a social construct, 'the outcome of a conscious (…) intervention on the part of governments' (Polanyi, 1944), even if with a view to limit their own traditional scope of action. The freer the market, the thicker the regulation to keep it functioning free. 'It is not a coincidence that the United States has the world's freest goods markets as well as its toughest anti-trust enforcement', remarks Rodrik (2000) who draws the lesson that 'market freedom requires regulatory vigilance' .

i) 'Markets and entrepreneurs do not arise instantly, even quickly, to meet every need'(Stiglitz, 2002). Imperfect information and externalities generate market failures and coordination problems, which provide in principle a basis for sate intervention that may use regulations and norms but may also rely on existent markets (taxes and subsidies) or new markets (e.g. trading permits of pollution rights).

j) There is no compelling reason for administration or expertise to always identify correctly the problems, discover the appropriate interventions and implement them as

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[129] Adam Smith: *Lectures on Jurisprudence* (Meek, Raphael, and Stein eds, New York, Oxford University Press, 1978)

[130] From the West Point website: http://www.usma.edu/

[131] Rodrik (1997) notes that the augmented or exacerbated risks that integration may inflict on some part of the labor force constitute a negative externality. There is a net positive social return, there are private benefits but some do incur a private cost and they should be compensated.

[132] In a familiar way this could translate as 'Markets are a very efficient detergent but no bleach please'.

intended. Moreover, as mentioned earlier, politicians and bureaucracies are subject to many agency problems. But 'it is overgeneralizing to maintain that all policy-making can be explained in terms of rational choice and self-interest models' … At times, altruism or some sense of social good may be operative' (Meir in Meier and Stiglitz, 2001).

k) Bad governance resulting from unaddressed information and incentive problems at various levels (decision-making and bureaucratic ones) may handicap private companies as much as public organizations, especially monopolies and large firms[133] as evidenced by many recent scandals in the US. This is not anecdotal when considering that 25% to 33% of the world trade is between branches of transnational companies.

k) Institutions are not likely to be optimal. 'People are not always wise and the societies and cultures they create are not ideal adaptive mechanisms perfectly designed to provide for human needs' stresses anthropologist Robert Edgerton in Harrison and Huntington (2000) echoing North (1990) and the New Institutional Economics[134]. Institutions (especially the informal ones) tend to change slowly if at all, except at times of crisis. Ineffective institutions may persist even though no groups would oppose change, just because there is no interest group pressing for a change. (World Bank, 2002). What makes an institution effective and particularly market-friendly may be conditional on the stage of development and on the country itself.

l) There are no links between specific institutional arrangements and specific market-friendly outcomes. 'Best practice in institutional design is a flawed concept' ventures even the World Bank (WDR, 2002). An institution which achieves its goal in a country will not necessarily do so elsewhere, because it must complement the other institutions and fit with the local human and financial capabilities.

Rodrik (2002) draws a stimulating comparison between the transplantation of an institution and technological transfer, and stresses the substantial amount of 'tacit knowledge' that may be required to operate any 'blueprint' in a different country. He also insists that there is indeed 'no single mapping between the market and the set of non-market institutions required to sustain it'. He recognizes however the advantages it may sometimes present as for the Eastern European countries who transcribe in their own laws the '*acquis communautaire*', the existing EU legislation, in order to be able to join.

But this is not the rule. Sweden, Germany, the United States, Japan, all represent successful styles of capitalism, but with widely diverging institutional bases. And they might not cover the whole set of possibilities. China, Mauritius and South Korea are also distinct experiments. This is another argument for a mix of copying and innovation, for reinventing locally the details, and tolerance towards 'institutional diversity'.

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[133] 'The distinguishing mark of the firm is the suppression of the price mechanism' (R. Coase in *The Nature of the Firm*, 1937).

[134] This is obviously a far-reaching principle or assertion since it goes against the idea that Western capitalist institutions – meaning probably the US version of capitalism - are the sum of a very demanding and selective process of evolution and adaptation proving their optimality. Experience proves their superior technical efficiency in production (and pollution for the US model) versus all other known forms. They have indeed adapted to several challenges and crises. But it strains credulity that our societies are 'maximally adapted forms' and even if it were despairingly true, this 'super-selection' would have operated only in the West and only in economic matters. It does not account for the institutional diversity of the West.

A last, more positive result is that there seems to be a consensus in the recent literature (Rodrik, 2002; IMF's WEO, 2003) on the main general functions that institutions need to fulfill in market economies for being conducive to growth:

- Protect property rights and good governance,
- Provide appropriate regulation of commodities and factor markets,
- Ensure macroeconomic stabilization,
- Promote social insurance to make markets compatible with social stability,
- Manage conflicts that with an inclusive participatory democracy.

Altogether, most of these precepts sound like platitudes, though it's fair to say that each may probably be associated with at least one hard-learnt experience. They do not amount to accurate science or operational fine-tuning know-how. They express skepticism and defiance about normative precise rules of universal applicability. They posit the need for a more balanced and comprehensive view of the roles of government, institutions, and the market in general and the necessity of a cost-conscious and country-specific approach if the perspective is to drive some change in a faltering economy.

Social Capital and The Principles of Institutions

Commenting on past unfortunate 'dollarization' experiences, Paul Samuelson (Meier and Stiglitz eds, 2001) blames the more general 'misconception that somehow, by imposing a rigid system, one will bring about the type of behavior that is a precondition for such a system to work'. Besides the relevance of this thoughtful remark on transplantations it is worth remarking that systems of rules and expected types of behavior are 'institutions'. This points to some embarrassment with the wide-ranging definition of institutions, which happen to be a host of different things — organizations, rules, networks, norms, values, trust, beliefs, formal or informal — and which operate at different levels of the society (local or 'micro', 'meso' and 'macro').

The border-problem with the 'social capital' has been previously mentioned. Can it help in any way to address this embarrassment? In Paul Collier (1998b) social capital is defined as the 'internal social and cultural coherence of society, the norms and values that govern interactions among people, and the institutions in which they are embedded (…) Social capital is the glue that holds societies together'. The economic analysis of social capital is that it relates to externalities generated by social interaction (ibidem):

- Repeated information sharing about other members of the group, which builds trust, facilitates cooperation and reduces the danger of opportunistic behavior in transactions between members;
- Information sharing about the non-behavioral environment, such as prices;
- Collective decision making which may overcome the free-rider problem by enforcing compliance of members.

This may also imply negative externalities. A mafia-type organization, or an ethnic group, incorporate positive social capital for their members but at a cost for non-members.

The expression 'social capital' elegantly fills a semantic and theoretical vacuum. The production function now comprises three types of capital — physical, human plus social — the residual being then genuine technological progress since social capital

stands for the organizational capability of society in the combination of its assets[135]. In parallel, in the context of sustainable development, it completes the line of assets — natural, physical and human — that with social capital will form the global 'capital' inherited by each generation whose value it must at least maintain and transfer to the next one.

This definition is as comprehensive as the concept of institutions. Institutionalists tend to restrict the use of social capital to 'micro'- and 'meso-level' institutions, such as interpersonal networks and related trust and values. The social capital literature would rather use 'institutions' in a conventional way for the social and political formal environment such as government, court system — the 'macro-level structural capital' (Grootelaert and Van Bastelaer (2001) .

Some conceptions are narrower and closer to the institutionalist one. Putnam's renowned research (Putnam,1992 and1993) focuses on local 'horizontal voluntary associations' (from choral groups to political parties) and their associated norms. He argues that their higher density in the North of Italy helps to explain the economic success of this region vis-à-vis Southern Italy. Sociologist James Coleman included vertical, hierarchical associations in his work too. There is clearly no agreement about the respective definitions of institutions and social capital, but they both pinpoint the society's capability to make a more efficient use of its assets, its software[136], without improving the technology, the hardware of production.

Besides the micro/meso/macro degrees of range of social capital, Grootelaert and Van Bastelaer (2001) mention a most interesting distinction between the 'structural' and 'cognitive' forms of social capital. Structural refers to 'objective and externally observable social structures and the rules and procedures they embody' (e.g. a sports club, its constitution and traditions) while cognitive points to 'more subjective and intangible elements such as generally accepted attitudes and norms of behavior, shared values, reciprocity, and trust'.

Notwithstanding the modern lingo this prompts a connection with the once famous difference made by Montesquieu[137] referring to the 'nature' and the 'principle' of political regimes, 'governments' in his terminology, institutions in any case. 'The former *(nature)* is that by which it is constituted, the latter *(principle)* by which it is made to act. One is the particular structure, and the other the human passions which set it in motion'. Passion in this older sense means inclination, disposition to act, behavioral attitude, which is illustrated by his assertion that 'virtue [a passion] is the principle of democracy'. Institutions do have 'principles', mental models of behavior that stem from socially accepted and prevalent values and beliefs which usually get people do what they are supposed to do, so as to make a given institution function the way it is meant to function. They are the prerequisites for the structure to perform, a kind of behavioral arrow or compass.

The reference to Montesquieu and to his theory that regimes decline if their principles are corrupted or neglected suggests the same observation that Paul Samuelson made. It conveys the broad argument that systems and behaviors, rules and beliefs, norms

[135] In truth, it should be closer to the role of technology, as an exponent than to the role of an input. Social capital or organizational technology?

[136] As in the distinction between the hard sciences (maths, physics…) and the other, softer ones.

[137] Montesquieu, The Spirit of Laws (1758) available at http://www.constitution.org/cm/sol.htm.

and values, proceedings and levels of trust, objective regulations and mental models, should fit each other and, better, complement each other. Institutional structures affect choices through incentives, but beliefs and values have a forceful imprint on the same patterns of choices too. If they conflict, if the current cognitive social capital of agents diverges from the principles of the structural institution, the 'behavioral' component will more often than not dominate and circumvent the 'system'. The distinction structural/cognitive or nature/principle is not just descriptive, it is about something more meaningful in the way institutions work and influence economic performance.

At this stage, considering these inner behavioral patterns, the non-interrogative question of Gerald Meir[138] in Meir and Stiglitz (2001) comes rather naturally: 'Aside from the technical language, is this anything more than an appeal to consider culture?' There is no denying that it is just that, depending on attaching the right definition of culture or what component of culture is pointed out. In '*Culture Matters*' (Harrison and Huntington eds, 2000; hereafter H&H) Samuel Huntington makes clear that what is referred to is neither the 'high culture' nor the 'thick descriptions of anthropologists' but the 'values, attitudes, beliefs, orientations and underlying assumptions prevalent among people in a society'. Anthropologist Richard Shweder who is the articulate and eminent dissenting voice in H&H has a definition phrased differently but very close: community-specific ideas about what is true, good, beautiful, and efficient'. It is posited here that this 'culture' is intimately connected with the 'mental models' of Douglas North[139] as with the cognitive social capital, or again, the principles of institutions.

It seems inescapable that social capability should involve cultural aspects since it involves the ability to use the knowledge developed by other peoples. Culture probably matters. This is hardly questioned in business schools be it for management or marketing. Landes (1998) makes a very strong argument on that issue: 'Max Weber was right. If we learn anything from the history of economic development, it is that culture makes all the difference'. Even Diamond (1998) allows for 'cultural factors unrelated to the environment'. But 'how' culture matters is a very open and underresearched question.

Venturing in culture, and especially on the links between cultural beliefs and growth, presents two handicaps. It is hard if not impossible to formalize or quantify. This means that it will be rarely perceived as an object worthy of interest for mainstream economics. This calls for other disciplines, but then comes the second problem. As Landes (1998) regrets, 'Culture, in the sense of the inner values and attitudes that guide a population, frightens scholars. It has a sulfuric odor of race and inheritance, an air of immutability'. Sociologist Nathan Glazer (H&H) contrasts this prevailing view that cultures are now perceived 'as resistant as race' and moreover fully entitled to resist any change, with the 'liberal, optimistic and progressive aura' that cultural explanations enjoyed in the 1950s and the 1960s when accounting for economic and educational differences across ethnic groups within the US youth.

So one main divide of the literature on the cultural underpinnings of the 'growth-friendliness' of institutions is between those who dare use the word culture with potentially disturbing implications, like most of the contributors to '*Culture Matters*'

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[138] In fact, G. Meier asks this question about social capital in general and mentions institutions and culture as the answer. The purpose is identical, introducing 'culture' as an explicit field of research.

[139] For North (1990) the interaction of mental models and cultural beliefs with the incentive structure is crucial .

(H&H), and those who concentrate their research in a less controversial style on precise subjects but that is 'harder', scientifically speaking, like Avner Greif (1998, 2002). The emphasis here is on the 'larger discussion' about the role of culture as defined above. The debate is centered on the Western technological and economic precedence, the Western exceptionalism (Landes, 1998) and its 'essentializing ':

- Radical negation. The world did not 'awake from darkness and did not become good for the first time three hundred years ago in Northern Europe' (Shweder in H&H). Technological leadership inclines the winner to see it as a sign of an overall superiority but there cannot be such a thing. Any progress on one valued preference is paid by regression(s) on others. In the same vein, the American Anthropological Association refused to endorse the UN Declaration of the Rights of Man in 1947 on the grounds that it was an ethnocentric document.
- The West is universal (cf. social trust in Fukuyama, 1992). Except for a few idiosyncrasies, it embodies what has to be emulated. Modernity is the model and cultural convergence is the key. The West, whose three pillars were founded in the Judeo-Greco-Christian tradition, has succeeded because it has been the pioneer in developing the appropriate mindsets, values and institutions that can free peoples from poverty, ignorance and irrationalism, possibly due to the impact of some form of Protestantism: curiosity about the world and the others, technical and scientific outlook, risk-taking behavior, tolerance for diverse views, separation of the state and the church, interest for material improvement, business and work ethics, impersonal codes of behavior, political and personal liberty, and so on.
- 'The West is unique, not universal' (Huntington, 1996). Technological civilization is only one component, of many, within Western civilization. Braudel (1987) had already argued that 'When adopting this component, the world does not accept, or need to accept, the whole of Western civilization'. That leaves open the question of what is the 'thin aspect' of Western culture that goes with the technology and exactly how thin it is, but the main point is that cultures need not converge substantially even if there will be some cross-cutting basic core indispensable to efficiency. In that view, cultural fault lines will persist between civilizations.

There have been many works or contributions that do not fit too well within that framework. Some research has been devoted to the mapping of values and beliefs. Such is the World Values Survey run by the University of Michigan which arranges world cultures along two axes, according to replies,: traditional/secular and survival values/self-expression. It confirms the existence of some broad cultural zones, but is more instructive over time on the gap between the US and Europe than on any relationship with growth.

Tentative typologies have been established in a pragmatic way, trying to distinguish values and beliefs according to a single polarization axis, anti-economic or not, meaning static or progressive. Harrison (H&H) identifies ten critical points such as work (reward or a burden), and time (planning for tomorrow or fatalism). The underlying assumption seems to be first that cultures have all experienced changes over the centuries, and second, in the light of these typologies, they can and should change again, however difficult that may be. The concrete implication — a complete reengineering,

slight corrections, constructive (re)interpretation of traditions — will vary with the country and the culture. 'What works' has to be adopted whether the change will be 'thick' or 'thin'.

Without the typology, that is very close to the 'productivity paradigm' of Michael Porter (H&H), the acceptance that prosperity depends on productivity. Cultures and beliefs are dissociated between productivity-enhancing aspects (investment, competition) and productivity-eroding ones (rent-seeking, nepotism). In its World Development Report (2003) the World Bank in less provocative terms recommends that the institutional basis encourage 'the make' and not the 'take which leads to waste and conflict'.

It must be recognized that even under the appearance of pragmatism, these axes of productivity look like very much 'axes of evil' seen in the reverse direction. And it is unclear if they represent a step forward besides a more sophisticated and rationalized description of the 'bad habits' of people in the (un)developing countries, which is not a reason to discard them either. Valuational issues and choices might well be inescapable.

Most interesting are the soul-searching, ferocious critiques of their own cultures by Latin American intellectuals such as columnist Carlos Alberto Montaner (H&H) or Peruvian writer Mario Vargas Llosa (cited by Harrison in H&H) or African executives such as Daniel Etounga –Manguelle from Cameroon (1990 and in H&H).

The latter, advocating a 'cultural adjustment', takes the gloves off and goes straight to his point: 'We must go to the heart of our morals and customs in order to eradicate the layer of mud that prevents our societies from moving into modernism'. For the sake of justice, it must be added that this extreme view is very uncommon, to say the least, among African authors. But that does not close the issue. As a result, Western and Third World scholars may happen to wage controversies on reverse sides. Anthropologist Richard Shweder (H&H) audaciously suggests that his voice, 'after years of fieldwork in rural Africa or Asia is more 'indigenous' than 'a Western-educated MBA' from Africa.

Commenting on another famous discussion, Lucian Pye (H&H) notes ironically that 'the ups and downs of the Asian economies have created serious problems for the advocates of Asian values'. In fifty years, Confucianism has indeed successively explained Asia's incapacity to develop, its miraculous convergence, and recently its crisis. Calls to wisdom might be worth being heard. 'Culture makes a difference … But it is very hard to determine what, in culture, makes the difference. Whatever it is, it will be more subtle than the large characteristics of the great traditions of culture, since too many different outcomes, at different times, seem compatible with each of the great traditions. They have all had their glories and miseries', writes Nathan Glazer (H&H).

Regarding 'Western exceptionalism', Amartya Sen (1999) remarks judiciously that present commentaries on the West have a 'substantial tendency to extrapolate backwards' and to see the arrow of teleology tenaciously cultivating, over the centuries, modernity, the primacy of political freedom and human rights, the agnostic empirical enquiry and the extensive use of markets.

He declines to associate the 'values that the Enlightenment and other relatively recent developments have made common and widespread' exclusively with the long-run Western heritage that was developed over millennia. He obviously enjoys pointing out that Saint Augustine or Plato can be viewed as more authoritarian than Confucius. He mocks the assimilation of one particular reading of Confucius with the diversity of authors and traditions in so large a region and asserts that Buddhism has a more firmly agnostic attitude, an alleged Western virtue, than any other religion.

Professor Tu Wei Ming (H&H) also pleads for dissociating the Enlightenment from the West. He stresses the irony that 'the whole Enlightenment project was an affirmation that cultural traditions outside the West, notably Confucian China, had already developed an ordered society without any revelatory religion'.

Sen stands, it is known, for universalist and ethical presumptions positioning freedom in its various aspects as the end and means of development. He identifies components of these claims in all cultural traditions, as well as adverse elements in all of them too. He emphasizes the powerful role of values and ethics in the efficiency of capitalism, the importance of predictability and trust that the 'established rules of behavior' as Adam Smith called them[140], ensured for transactions. Self-interest is for him just one of many other equally important ingredients such as trust and business honesty. He goes so far as to advance that 'formation of values and emergence and evolution of social ethics are also part of the process of development'.

This is a very appealing thesis very close to arguing that the spirit of the alleged Western exceptionalism is universal, has roots and echoes in every culture and revolves around the notions of freedom and ethics, the real principles of pro-development institutions. Somehow it means that the West is unique like all cultures but what it usually believes that makes it unique is actually universal.

It is not difficult to see that cultural pluralism is here to stay and will be an 'enduring feature of the global scene' (Tu Wei Ming, H&H). But it is refreshing to be reminded by Sen (1999) and others that we have 'capacity for enjoying products of other lands', that 'individuals within cultures vary much more among themselves than they do from individuals in other cultures' (Shweder, H&H), and that cultural purity may be a 'deceiving illusion' (Sen, 1999), either about the past or about the future, or both. Cultures are unique and valuable, they may perish and be greatly missed and protecting or enlivening them is not illegitimate. But they have never been fixed; nor should they.

Last but not least, they are also 'capable of maintaining beliefs, values, and social institutions that result in senseless cruelty, needless suffering and monumental folly in their relations among themselves as well as with other societies' (Edgerton, H&H).

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[140] He would even call them the 'awful virtues' in his Theory of Moral Sentiments (1759): discipline, self-restraint, moral rectitude and righteous anger at wrongdoers.

4 – Is There an African Curse?

'Wars, drought, famine, pestilence, locusts, cattle plague. Why so many calamities, in succession? Why?' wondered already in the late nineteenth century François Coillard[141] , a French Protestant missionary in Buloziland, the floodplain of Zambezi in modern Western Zambia.

It does not require cynicism to remark that the general picture and the daunting puzzle have not changed very much. However, in between, over slightly more than a century, Africa experienced almost total colonization which ended in the 1950s and the early 1960s giving birth to freshly independent new states, of which 48 are currently in sub-Saharan Africa. Colonization brought about an historically unprecedented explosion of the African population from 90 million in 1870 to 621 million in 1990 (for the continent as a whole, in Maddison (2001)) as well as, notwithstanding that challenge, the single bright period of African economic history so far in terms both of income per capita (Figure 1 in 2-2) until the mid 1970s and of human development such as life expectancy and literacy whose indicators seem to have leveled off.

Presently, more than 70% of Africans have no personal memories of colonization, demographic pressures are still huge by any standard and Africa[142] is the poorest region of the world with 11.2% of the world population but representing only 2.5% of the world's GDP. More alarmingly, the trend is worsening.

Africa seems to be going economically in reverse in absolute terms. Incomes per capita are now lower than at the end of the 1960s at the beginning of the post-independence period. Not only this is starting to erode the breakthroughs in health and educational attainments, but Africa is hosting 40% of the world's armed conflicts with about one-third of its states involved in them (source: Project Ploughshares for year 2000). Together, these conflicts where ethnicity reportedly looms large, added to apparently more frequent natural disasters and droughts plus AIDS and emerging (or re-emerging) infectious diseases, take a huge, sinister toll in deaths, refugees, mutilations, deprivations and victimization, just as when Coillard was writing.

Diamond (1997) argues though that in the distant past Africa had the advantages of an 'enormous early start'. Africa was not only the homeland of human evolution but of three of the nine first independent centers of cultivated food production in the world: the Sahel zone, tropical Western Africa and Ethiopia (there were none in Europe). Despite less productive endowments in plants and few domesticable animal species, John Illife (1996) conjectures that until 'climatic change created desert conditions in the Sahara during the third millennium BC, Africa held an equal place within the Old World'.

Some questions arise naturally or even maliciously. Is Africa reconnecting with its somber past, its former determinisms and its old demons? Is tribalism, and even

[141] Cited by John Illife (1996) from Coillard's book 'On The Threshold of Central Africa'. Antoine Coillard advised sincerely King Lewanika, with whom he was on friendly terms, to accept the British protectorate although what the Lozis got first was only a treaty with the Royal Chartered British South Africa Company of Cecil Rhodes.

[142] As mentioned in the introduction Africa refers in this paper to sub-Saharan Africa if not otherwise explicitly mentioned.

cannibalism[143], back after a short interlude of peace and prosperity under European rule? Is there an African destiny or a curse, due to an idiosyncratic geography or culture, which precludes Africa from experiencing development, peace, good governance and democracy?

These remarks and questions obviously presuppose that 'Africa' is a grouping of sufficient 'coherence' to conduct analyses and pass judgments. Actually, because of a highly sensitive history, it is the only geographic grouping where there is such a feeling of requested preliminary qualifications. For studies on Europe or Latin America e.g. nobody needs to be reminded, as a waiver of responsibility, that they are diverse, with different languages, standards of living, ethnic groupings, religions, cultures, with distinct climates, soils of various fertility and so on, and that nevertheless there may be some value in conducting investigations at such a large geographical scale.

Sub-Saharan Africa is no exception to this rule. Its 48 states are like a statistical sample of a wider reality or 'population'. There are outliers such as South Africa, its white tribe and its enormous share of Africa's GDP (40%), or Nigeria which alone comprises nearly 20% of the Africans. But there is use for parameters describing central tendencies notwithstanding the underlying diversity. Examples abound of the latter. Altogether 1500 languages are spoken in Africa (i.e. one quarter of the world's languages) and human genetic diversity is at its highest: 'No other continent approaches that' (Diamond,1996).

Before colonization Africa displayed a widely heterogeneous range of 'political systems', including decentralized acephalous ones (the Nuer, the Igbo), 'state-level' polities (Ethiopia, the caliphate of Sokoto in Northern Nigeria, the Asante kingdom in present Ghana), autonomous pioneering villages (*kafus*) with a 'big man' in the western savanna as well as chiefdoms of various scopes and degrees of central power. African art is fragmented and there is no common universalist religion. There are probably several thousands of ethnic groups at even a large level of aggregation. 'Africanization', had it not already a very special meaning, could be a kind of superlative to Balkanization.

Sub-Saharan Africa may however be considered as a whole. 'It is a reality of long time span ('*longue durée*') in the sense French historian Fernand Braudel gave to civilizations', asserts J.F. Bayart (1989). There is geographical proximity and historical, relative but growing, community of destiny. Some of the most cited dominant characteristics, as Africa stood when colonization began, are: an oral culture, the deep layer of the lineage system, a customary tenure of land, an extensive and itinerant agriculture, the importance of cattle as the chief form of (non-human) wealth and of pastoral values wherever cattle could survive (non tse-tse zones).

The long process of 'colonization' of most of present Central and Southern Africa by the Bantu-speaking peoples over centuries is also a 'thread tying' much of the African history (J Illife, 1996). And first of all 'Africa exists in the eyes of Africans' as argues J.F. Bayart (1989).

For sub-Saharan Africa (formerly 'Black Africa'), the 'grouping' problem stems from its 'image' as constructed at the time of colonization by missionaries and administrators with the crucial assistance of their locally recruited intermediaries. Much

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[143] This is not fiction. Some 'systematic' cases on civilian victims, implicating members of the MLC, a rebel militia, have been reported by human rights organizations and the UN force in Ituri province in Eastern Congo (RDC).

enriched in field descriptions but hardly changed in its wider impact on society by the first Africanists, it is charged with having conveyed the same kind of romanticized but debilitating vision of an immobile immature ‘native’ Africa as Orientalism is suspected of having given of the Arab world. Consequently it is suspected of having been instrumental in legitimizing and extending colonization. So there is still a high sensitivity to tentative generalizations if not made by an African.

Suspicions may be recycled with the episodical news coverage granted to Africa by the mainstream media. Africa is not the focus of spontaneous day to day attention; it is not too surprising since, without the Republic of South Africa, this region ‘weighs’ hardly 1.5% of the world GDP. The exceptions are genuine excesses in violence or in distress, which hardly helps to improve its reputation or the quest for sophistication and nuances.

With these qualifications on Africa’s ‘diversity’, this section will argue vigorously that the answer to the question of the African curse is ‘no’. In brief there is nothing distinctively specific to Africa predisposing it to slow growth or decline but it does present a rare combination of negative factors (pertaining to geography, policies, institutions and culture) which do or did exist elsewhere and which usually measure more than elsewhere.

Technically, in econometric terms, it means there is neither an African dummy nor a different effect in Africa of the usual variables impacting on growth. But this is no great reason for optimism, even less for wishful thinking. Expectations are not very high in the short run and there are few glimpses of hope.

4-1 Africa’s dismal performance

Though sub-Saharan Africa's average income per capita in 2000 stood at $480 at current exchange rates, which is slightly higher than South Asia ($440) the poorest of all other regions, it definitely has the doubtful privilege of filling the bottom place (Table 1).

Economic Backwardness

First it is customary to exclude South Africa which with only 6.5% of the population stands for 40% of the region's GDP. The South African specificity[144] dominates such statistics. Without South Africa, the average personal income amounts to $320, the lowest of all regions. Second, when adjusted in purchasing power parity terms, which control for the higher prices in Africa than in other ‘developing’ regions, and even allowing for South Africa to be included, per capita income averages $1,690 which is one-third less than in South Asia. But Africa’s predicament goes deeper than income. It is about poverty and deprivation of basic capabilities such as access to safe water, sanitation, primary health, and education…

Income inequality (Table 2) is as high as Latin America and with such disheartening average incomes, it is not surprising that Africa is the region with the largest share of people living below $1 a day[145].

[144] South Africa’s income per capita is at around $3,000 just at the threshold of the ‘upper middle income countries’, an average, but still a poor mix, between an African economy and an affluent one in a highly unequal society (Gini coefficient at about 60 %)

[145] Although rightly much criticized for being too crude, this ‘one dollar a day’ threshold for assessing global progress is much more sophisticated than it seems. Briefly it is the median of the lowest and most typical and reliable national poverty lines after adjusting for purchasing power parity. And one

Table 2 Selected comparative indicators for world regions[146]

Indicator	Sub-Saharan Africa	South Asia	East Asia	Latin America
Income				
People with less than PPP $1 per day (million)	300	490	46	77
Proportion of $1a day poor in population (%)	46	36	3	15
Income (GNI) per capita in current $[147]	320	440	850	3720
PPP-adjusted income (GDP) per capita ($)	1690	2404	4290	7234
Human Development				
Human Development Index (0 to 1)	0.471	0.570	0.726	0.767
Life expectancy at birth	49	63	69	70
Education enrollment ratio (%)	42	53	71	53
Adult AIDS prevalence (%) (2002)	8.8	0.6	0.1	0.6
Inequality Gini index (%) (1995)[148] (100 to 0)	51	32	38	49
Demography				
Population (million)	659	1 354	1 805	516
Population growth 2000-2015 (%)	2.4	1.5	0.8	1.3
Dependency ratio[149] (%)	89.1	66.2	50.6	58.7
Urban population (%)	33.9	29.4	37.7	75.4
Institutions				
Policy/Institutional Assessment (1998) (1 to 6)	3.0	3.6	3.2	3.7
Political Rights/Civil Liberties (1999) (7 to 1)[150]	3.6	2.8	3.3	3.4
Corruption Perception Index (1998) (1 to 10)	3.6	2.8	3.3	3.4
Infrastructure and Investment				
Phone mainlines per 1000 people (1997)	16	18	50	110
% of primary commodities in exports (goods)	57	40	13	51
Savings to GDP (%) (1997)[147]	16.6	20	37.5	24
Capital flight/Private Wealth (1990) (%)[147]	39	3	6	10
Private capital stock per worker (1990) ($)[147]	1069	2425	9711	17424
External financial flows				
Net foreign direct investment in % of GDP	2.1	0.5	2.8	3.9
Debt service to exports (goods+services) (%)	15.3	10.5	10.8	38.7
Official Development Aid as % of GDP	6.2	0.6	0.3	0.2

dollar a day means exactly $1.08 at PPP adjusted 1993 prices ('equivalent' to the first definition at $1 at PPP adjusted 1985 prices).

[146] Sources: World Development Indicators 2002 (World Bank), Human Development Report 2002 (UNDP), World Bank (2000). The year is 2000 if not otherwise mentioned.

[147] For sub-Saharan Africa, the figure does not include South Africa.

[148] Estimated comparable Gini coefficient for Africa in terms of income and not of consumption.

[149] Dependency ratio is the number of dependents relative to the working age population.

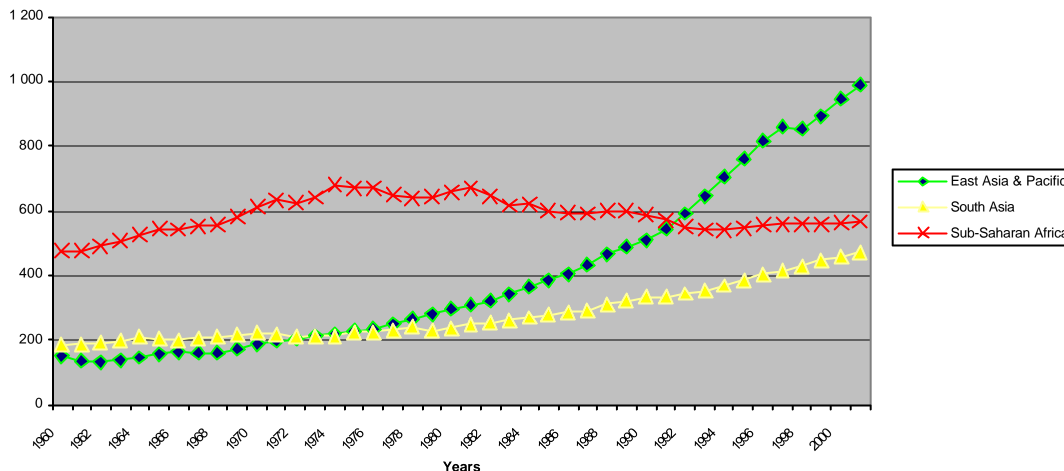
[150] For the policy/institutional and the corruption assessments, higher numbers reflect better scores whereas for the political rights and civil liberties the reverse is true. First number is worst score.

There are some exceptions to this general pattern of abysmally low income per capita but more in the number of countries than in the proportion of the population. South Africa ($3,020 of GNI per capita in 2000 dollars) has been mentioned. A few other countries among the 48 states of sub-Saharan Africa are in the 'middle-income'[151] category of economies. A first group of states is made of three islands: Seychelles ($7,310) with a high tourist income for a small population, the more well-known Mauritius ($3,800) in the Indian Ocean, and Cape Verde ($1,330) in the Atlantic.

The second group is at the southern tip of the continent, in the immediate vicinity and orbit of South Africa: Botswana ($3,300), Namibia ($2,050) and Swaziland ($1,290). The third group is limited to two oil-exporting countries, Gabon[152] ($3,180) and Equatorial Guinea ($1,170) on the west equatorial coast. Finally comes Djibouti ($840) on the Red Sea coast with the financial impact of a strong French military presence. These 10 states combine to form only 7.9% of the population but nearly half (47.9%) of the GDP of sub-Saharan Africa.

So 92.1% of the African population, i.e. 607 million people in 2000, live in economies well around the 'central tendency' of low income ($270 for them). These 38 countries have a combined GDP of about $163 bn (2000), very close to the economic size of Denmark (population of 5.3 million) or Hong-Kong (population of 6.8 million). The average GDP of this kind of country is $4 bn, something like a city of 120,000 people in an affluent country or slightly more (10%) than the budget of the French foreign ministry. The average population of such countries is only 16 million people.

Figure 4
GDP per capita in constant 1995 $
Source: World Development Indicators 2002



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[151] The World Bank divides economies according to their GDP or GNI per capita. Low income is for $755 or less; middle income is dissociated between lower middle income from $756 to $2,995 and upper middle income from $2,996 to $9,266.

[152] Being in the middle income category is no guarantee of genuine development. Botswana and Mauritius are examples of sustained high growth and rising human development. But Gabon e.g., whose

Africa has not always been the poorest region. In the 1950s and the 1960s African countries enjoyed a level of development superior to East and South Asia (Figure 4). Average income per capita was twice lower there. Africa did grow fast enough to keep its advantage till the beginning of the 1970s. Since then (up to 1997) East Asia experienced an extraordinarily rapid growth whereas Africa went into reverse. East Asia's average GDP per capita is now 75% higher, a remarkable reversal of fortune and a denial to all the economists who thought Asia was doomed to stagnation and were betting on Africa's future. South Asia itself initiated a sustained growth in the 1980s and has now overtaken Africa (South Africa[153] excluded).

Putting aside the dynamism of Asian economies, the absolute decline of Africa is baffling. Income per capita has declined almost 1% yearly since the mid 1970s; it is hardly comforting that the rate of retrogression decelerated in the 1990s to 0.3%. In 2000, about 94% of Africans lived in states (42 of 48) where income per capita was inferior to some peak in the past, usually before 1980. The picture is barely less gloomy when using PPP-adjusted income per capita. Only nine countries were at their highest in 2000 and the 'receding' states, by that criterion, included 'merely' 86% of the Africans.

Hence it is hardly surprising that Africa is not only the region with the highest proportion of extreme poverty (one-dollar-a-day) but the only one[154] where the absolute number of poor people is rising.

This trend in income and growth is also witnessed in trade. Africa's share of the world's exports is currently at 1.3%, only one-third of its level in 1970. The World Bank (2000) estimated that the erosion of this share of world trade (at current prices) represents a 'staggering annual income loss of $68 bn or 21% of regional GDP'. Worsened terms of trade were another source of loss for many of theses countries too. The cumulative losses between 1970 and 1997 represent almost 120% of their GDP for the non-oil exporting countries and South Africa being excluded (ibidem), a 'massive drain of resources'.

Human Underdevelopment

With most economies battling the retreat in terms of income per capita, the social gains of post-independence are being eroded. Life expectancy at birth which stood at 40 years in 1960 culminated at 50 in the early 1990s and was back at 46 in 2001.

This is of course compounded by the AIDS epidemic. Africa is the worst affected region with 29.4 million adults and children living with HIV/AIDS, i.e.70% of the world's cases and an adult prevalence rate of 8.8%. In four southern African countries, HIV seroprevalence is more than 30%: Botswana, Lesotho, Swaziland and Zimbabwe. Health services feel the triple pressure of contracted budgets, rapidly increasing demands and attrition of staff through illness. It is common knowledge that the minimum cost for antiretroviral drugs of $300 per year per patient, that is the typical level of income per capita in Africa, places it out of reach of both the average patient and the health system.

The worst of the epidemic will be felt in the next decade and beyond. AIDS is decimating the active workforce[155] since it is linked, as documented, to sexual activity

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oil reserves and production are now declining, has low human development indexes in health and education relatively to its level of income, very close to those of other African countries.

[153] Chart 4 series for Africa does include South Africa which explains why South Asia appears to be still behind

[154] It seems that even in Latin America and South Asia the

and monetary potency. For still quite some time, this will worsen already extremely high dependency ratios (Table 2). The social fabric of many societies will also have to handle the cohorts of AIDS orphans: 11 million currently without at least one parent (source: UNAIDS).

For some of them, what comes next is the even more formidable impact and the 'mass psychological problems'[156] of the homeless 'street kids'[157], who 'congregate at traffic lights (…) begging, selling, sniffing glue and pilfering'[156] in many African capitals. An estimate of 100,000 is for instance advanced for Zambia, a country of 10 million people where adult seroprevalence reaches 21%.

The loss of staff due to AIDS also considerably affects the education system A study by Markus Haacker (2002) for the IMF has shown that for the nine southern African countries, the proportion of the prospective teachers who need to be trained to replace AIDS victims will rise from the already high average level of 45% in 2000 to 67% in 2010, even allowing for the decline of pupils due to AIDS.

But AIDS is not the initial or single source of the decline of the health and education scores. There are several indications of that with the usual problem that when a sector or a country starts to decline or to implode, the data become less reliable, less frequent and vanish. Malaria death rates seem to have been rising since the mid 1970s although this is due in part to the growing resistance of the parasite to common drugs. Child immunization rates against leading diseases have also been falling and are now below 50%. Primary school enrollment has dropped since the 1980s in many countries although the trend was temporarily reversed in the 1990s in a few of them.

The heavy demographic pressure of the school age population growth is a major factor, but the enormous achievements of post-independence schooling policies were even more demanding. The new element is that growth has stopped and budgets have shrunk in real terms. However some members of the new generation of heads of state who came to power in the 1990s either by virtue of the first multiparty elections (Muluzi in Malawi) or by force (Museveni in Uganda) recognized the deep aspiration and the need for schooling. They promised free universal primary education and abolished fees against the advice of the multilateral institutions, and enrollment rates soared.

But the downward tendency stands for most African states, notwithstanding the substantial differentiation of school and health systems across countries in their type of organization, often inspired from the colonizer's one. This crisis in human development performance has even transpired in the Human Development Indexes though they dampen[158] the brutal inflections of the tendency. Twelve African countries, most of them in southern Africa, have regressed in their Human Development index in recent years (Zimbabwe of course, but Zambia too for instance).

'Especially when South Africa is excluded, Africa lags behind the rest of the world in almost all dimensions of infrastructure development' (World Bank, 2000). The

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[155] A visit in 1999 by the author of a just privatized sugar refinery in Southern Malawi failed to show any concern by the new managers about overstaffing. The natural rate of attrition due to AIDS deaths between the initial assessment for tendering and the real date of acquisition had nearly solved the problem.

[156] 'Forty million orphans' *The Economist*, 30 November 2002.

[157] Not all street kids are AIDS orphans and fortunately not all AIDS orphans do become homeless but there is a strong linkage in the increase of both phenomena.

[158] The education index is a mix of enrollment and literacy rates and the latter vary slowly since they reflect the education of past generations. Life expectancy at birth also averages moves.

indicator (Figure 4) of the number of telephone mainlines can be considered as standing for all types of infrastructure; it is even used as a proxy for them in some regressions. There is a critical shortage of infrastructure in quantity but also in quality and reliability. Only one in five households had access to electricity in 1998 but typically power shortages are countless and surges are frequent and detrimental as much to home appliances, if any, as to company equipment. Most firms have to rely on fuel-powered generators.

The World Bank (2000) also made a telling comparison when reminding that in 1997 all of sub-Saharan Africa, excluding South Africa, had fewer paved roads than Poland. 'Paved' does not at all mean regularly resurfaced; maintenance is often neglected. That global availability of infrastructure may be declining even in the absence of war is illustrated by the implosion of Malagasy's national road network from 55,000 kms in 1960 to 33,000 kms in 2000 (World Bank, 2002b).

This dismal portrait of the 'central tendency' of Africa would not be complete without mentioning the economic instability and conflicts that plague the continent. At times, some countries such as Kenya and Côte d'Ivoire did sustain substantial growth for long periods and were claimed to be miracles in the 1960s and the 1970s which now in retrospectively looks grotesque. As Freeman and Lindauer (1999) put it, the problem is not only that 'most countries have been unable to sustain long periods of rapid growth' but that even 'front-runners seem to stumble and fall back'. There have not been many real success stories or miracles except for Botswana and Mauritius, the latter hardly being 'African' were it not for its membership in the African Union. But there have been much more stagnation and decline after some initial slow, or rarely vigorous, growth in the 1960s. This is the 'typical pattern as reflected in the average' as Ndulu and O'Connell (1999) remark.

Disasters, usually war-induced or war-generating, have also occurred much too often or are still occurring: Angola, Biafra, Burundi, Congo-Brazzaville which has slipped from the group of the middle income countries, Ethiopia and Eritrea, Liberia, Mozambique, Rwanda, Sierra-Leone, Somalia, former Zaire at independence and now, Guinea-Bissao, southern Sudan…Some countries are recovering from past violence with a new exemplary determination by local standards, such as Mozambique, but have decades to catch up and an estimated 20 million landmines to clear. Even as old conflicts end (Angola) or reach a window of peace-making under the pressure of a united Security Council (RDC), new ones break out (Guinea, Côte d'Ivoire) or loom less unlikely (Rwanda versus Uganda).

In 2000, it was estimated that one African in five was living in a country severely disrupted by war or civil conflict and 16 sub-Saharan African countries were defined by the Ploughshares Project to host armed conflicts, meaning one-third of African states were embroiled in wars. A comparison between world regions has shown that the number of deaths due to civil conflict per year was of 30.3 out of 100,000 people in sub-Saharan Africa versus 10.1 in East Asia, 9.4 in the Middle East and North Africa, 7.4 in South Asia and 3.2 in Latin America. It is simply not true, or basic wishful thinking, to assert[159] that 'for every Somalia where a state has fallen apart, there is a Botswana…'.

[159] 'Time for a dash of Afro-optimism' by Malloch Brown, the UNDP's administrator, in *Business Day* (30 May 2000), the economic newspaper of South Africa. Botswana is taken here by M. Brown as a model for Africa. It happens anyway to have the highest AIDS rate in the world.

4-2 Legacy of History: Traumatic But Not Immiserating

The debate about Africa's underperformance has regularly referred to various historical factors such as slavery and colonization to emphasize a legacy of handicaps at independence. The 'dependency' and 'immiserating' theories according to which the slave-triangular trade and colonization have on one hand played a crucial role in the initial capital accumulation which permitted the Industrial Revolution and Western expansion, and on the other hand impoverished Africa, are not supported by recent research.

The Infamous Slave Trade

Based on quantitative economic history, analyses of levels and trends in production, trade and prices have shown that the triangular trade was certainly highly profitable but its quantitative effects were 'negligible' (Mokyr, 1993) and 'trivially small' (A. Lewis, 1978).

'In the absence of West Indian slavery, Britain would have had to drink bitter tea but it would have had an industrial revolution at a marginally slower pace' (Mokyr, 1993). Thomas and McCloskey (1981) found that the triangular trade did not cause growth and that the contribution of the West Indies, of which slavery was a precondition, was providing for Britain a non-viable return of 2%, much lower than the rate of British government bonds at that time (3.5%). It was a negative investment but it endured because 'benefits accrued to a small group … and the costs were widely diffused'.

The same scholars formulate an iconoclastic contention about the 'fabled' profits drawn from the slave trade. Their reasoning is that 'at each stage, competition by eager buyers' ensured that the buyers could only earn normal profits. So any abnormal profit could logically only benefit the 'original source'. And since 'Europeans possessed no means, either economic or military, to compel African leaders to sell slaves' (Thornton, 1998), this points to the African enslavers, 'kings, rich men or prime merchants'[160], who traded other Africans as a consequence of war or raids perpetrated for that very purpose. 'The economic profits of the trade were wasted in Africa, not funneled into industry'. Illife (1996) also rejects the 'bauble' myth: 'The Europeans sold to Africans much the same kind of goods as they sold to American colonists': cloth, alcohol, tobacco, metal goods, firearms, gunpowder.

There was no clear-cut effect of this foreign trade either on overwhelmingly agricultural economies[161] with no sign of development over three centuries, or on the political organization where some 'states' disintegrated and others arose with other factors at play too as with the expansion of Islam. The major quantitative impact of this shameful period, even if it is not easily quantifiable, was demographic. Illife (1996) cites one 'guesstimate' modeled by the historian P. Manning (1990) according to whom the population of sub-Saharan Africa would have been 100 million in 1850 instead of only 50 million, after controlling for the deported slaves, the casualties and the births that would have taken place in the counter-factual situation (if there had been no slave trade). The

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[160] John Illife (1996 citing an anonymous knowledgeable French merchant (page 133)

[161] A notable economic and positive impact came as a serendipitous byproduct of the slave-trade with the penetration of cassava and maize, two crops with substantially higher caloric yields than indigenous plants such as sorghum and millet. They spread over the continent without any 'extension services' provided by a government or a donor agency.

general assessment is that the African slave trade prevented demographic growth for two centuries and helped accentuate the continent's already evident economic backwardness. The letter the king of Dahomey wrote to the king of England in 1726 suggesting that Europeans should establish plantations in his kingdom instead of buying slaves never received a response.

Illife also suggests that even more important effects might well have been social and psychological which stemmed from the sustained experience of major suffering and reinforced defense strategies, codes, and systems (kinship, polygyny e.g.) that enabled Africans to endure terrible pain and cruelty

Colonization and Identities

The colonization and the partition of Africa (except for Ethiopia which defeated the Italians) was rendered possible by the introduction of quinine and repeating rifles which gave Europeans the opportunity to mount successful military operations in the hinterland. There is much disagreement on this period too and the broad panafrican view of colonial rule when its 'nature and impact varied dramatically from place to place' (Illife). The ruthless exploitation of Leopold's Congo and the extortionary regime of concessions in the neighboring French Congo, for instance, contrasted with the development of native peasant production of cash crops (cocoa, groundnuts) in western tropical Africa and the occupation of some of the best lands[162] in Rhodesia or Kenya by white settlers. Even within the same sphere of colonization, there were wide discrepancies as illustrated by the relatively 'high' level of secondary education in Kenya (Alliance High School) and the de facto apartheid[163] in the Rhodesias.

Colonization happened through violence but not everywhere. Many 'treaties' were signed with local kings and chiefs, with undoubtedly 'asymmetrical information' on their meaning. Resistance lasted or erupted in places till World War I (Baoulé in Côte d'Ivoire, Maji-Maji in Tanganyika, Chilembwe's uprising in Malawi); elsewhere it might put an end to secular internal strife.

Moreover colonization put an end to slavery. If the prohibition of the Atlantic slave trade had already been enforced by the British and French navies much before colonization, the latter to a large extent also terminated the domestic practice of slavery itself over the continent and annihilated the Arab slaving networks on the eastern coast, which were of much older ancestry (at least since the ninth century) than the Atlantic ones.

Apart from the settler colonies of Rhodesia, what is striking is the very small number of administrators and military who exercised colonial rule[164]. To that extent, Illife (1996) does not see a major difference between the alleged direct rule of the French and the indirect rule of the British. It changed the level of interface between indigenous society and foreign rule but in the end 'direct rule was in practice rule by the Africans' too.

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[162] In short there was eviction in Rhodesia subsequently to military defeat and in Kenya the lands appeared to be unoccupied and uncultivated but that was just a temporary cycle in the local economy.

[163] One famous struggle of pre-independence Zambia by Kenneth Kaunda was the boycott of butcheries. Black people although collectively monetarily more important as customers were not allowed to enter the main store and had to be helped through a back window-counter.

[164] In 1908 there were 7,309 French citizens altogether in 'Western French Africa', i.e. more than 10 million people (J. de la Guérivière, 2001).

And if this rule could prevail, for, historically, a somewhat brief period, it was not only through fear of military coercion or superstition of the 'Whites' magic'[165] . Life-styles and ultimately values imposed or proposed by colonization and its administrative, economic, military and missionary elements displayed a genuine 'attractiveness' (Bayart, 2000). 'Catechists, schoolteachers, nurses, clerks, soldiers…were all the worker-bees of the colonial hive as they were to be of the nationalist movement' (ibidem).

Responses to the 'big bang' of colonization were quite different across societies and even in the same society or colony. There was often a rural trend of resilience with the wish, through appeasement and deception, to minimize the encroachments and intrusion (hut tax, forced labor). The urban trend was very different. The congruence of Christianity, education, wage employment and urbanization, as limited as they were, opened ways of individual liberation and emancipation from the elders' authority and competing layers of stratification. Innumerable local associations with the most diverse purposes (e.g. welfare, dance, football[166]) accompanying or bringing about social change were created.

Colonization was a challenge to identities which could be alternatively oppositional, repressed, enhanced, invented or blended. Missionaries wanted to reduce and regroup the numerous dialects in structured and 'writable' languages in which they could record local tales or traditions and so find a better ground for evangelization. European rulers wanted to delineate their administrative units along local peoples' main characteristics which could only be 'tribal', according to the dominant ideas of the time. There was a need and a will for a Weberian-style bureaucracy to rationalize, simplify, classify the natives' reality. But the sincere desire to learn and understand was also present as a motivation. Very influential were the intermediaries (clerks, interpreters, catechists), the first intellectuals on whom the administrators had usually to rely upon for translation .

As Illife (1996) remarks, 'pre-colonial Africans had possessed several social identities' just like any person in a complex social order. They might belong to lineages, clans, villages, towns, chiefdoms, language groups, states … the relevant identity depending on the situation'. But there could be several languages spoken in a chiefdom, people speaking the same language could belong to several chiefdoms. At the village level there could be several clans in the same location but each clan had members in several villages and the elders of a clan had no 'jurisdiction' on the members of the other clans. So the typical scheme of one-territory-one-tribe-one-chief did not fit everywhere with the existing social order, to say the least. This is where the extreme thesis of the 'invention of tradition' comes from. The ethnic groups and consequently the tribalism of contemporary Africa were created by the colonizer with the instrumental but unfaithful support of the 'intermediaries'.

There is some truth to that. But the very artificial chieftaincies disappeared or were abolished after independence without a murmur. Typically exogenous creations did not endure. Many authorities that were recognized or empowered by European administration were also preexisting and might sometimes be very close to the their

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[165] *Bekee wu agbara* in Igbo: a white man is a spirit (supernatural being, not necessarily good)

[166] The 'real' one, called soccer in the US.

allegedly new function, such as the Litunga [167] of the Lozis and the Chitimukulu of the Bembas in modern Zambia.

Illife suggests a more balanced and comprehensive view : 'colonial rule often accentuated one existing identity or occasionally created one'. He insists also on the role of wage employment, of work migration in distant places (mines in South Africa e.g.) and of urbanization (Lagos for the Igbos) in the formation of 'modern tribes'.

The consciousness of belonging to larger entities was often born among migrant workers feeling the need to match with other people having affinities of language, kinship, and regional origin, with 'home-boys' for solidarity purposes and even rivalry ones in order to compete with groups enjoying a more asserted identity. Associations on such bases, created by 'advanced' people, then reached back home to nurture the newly discovered and felt identity. Apart from the institution of chieftaincy itself, which could well be eventually discarded as artificial, this arising need of identity vis-à-vis other competing groups in towns and distant worksites could even match, or merge, with the linguistic-tribal regrouping set up by the colonizer.

So most of the contemporary framework of ethnicity was formed then and built with a mix of ancient and new materials from a past partially fictionalized as well from new, intensively felt, experiences and not in the same proportions for each ethnic grouping. And the most important point is to ascertain whether people believe in these groupings, identify to some degree with them, and consequently whether it is, for better or worse, operational in understanding their behavior. And so it is.

This illustrates the complex impact of colonialism in many regards. As Illife again argues: 'New did not simply replace old, but blended with it, sometimes revitalized it and produced novel and distinctively African syntheses'.

Colonization and Economic Development

Colonization was certainly a traumatic and asymmetric, or in other terms a violent and unequal experience, but it generated significant and substantial changes, adhesions, opportunities and hopes which logically would bring about its own demise. But it was not an immiserating relationship either. Railways, lorries and road building cut transportation costs in huge proportions, reshaping trade circuits and enabling exploitation of mineral resources and colonization of new areas for export crops or food production. It was at that time that most African countries acquired most of their current economic profile, in terms of cash crops, peasant production versus large estates, and natural resources.

Continental Africa's GDP per capita income rose about 3.5-fold from 1820 to 1980 and the average yearly rate of growth increased over time: 0.12% for 1820-1870, 0.64% for 1870-1913 and 1.02% between 1913 and 1950 (Maddison, 2001). This first inroad in personal income is all the more remarkable since Africa underwent a major demographic growth from an estimated 90 million in 1870 to 228 million in 1950. European medicine's successes against epidemic diseases and even infertility, disappearance of widespread famines, and better hygiene induced a substantial decline of

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[167] The Litunga and the Chitimukulu were highly considered by the British government. The former was the only native the Governor was officially permitted to shake hands with. Mc Millan and Shapiro (1999) mention this in their book, *Zion in Africa*, devoted to the story of the Jews in Zambia because immigrant Jews from Central Europe were rendered suspect to the British by their astonishing habit of shaking hands with Africans.

mortality rates. Population was growing at a yearly rate of 1% during the 1913-1950 period.

In 2003, forty and fifty years after independence, what is the 'handicapping legacy hypothesis' worth as an explanation for Africa's slow growth performance and even collapse after the mid 1970s in strict economic and technical terms? The reasonable logical conclusion is 'not much', if there was ever any validity in it. As Harrison phrases (Harrison and Huntington, 2000): 'For many, including some Africans, the statute of limitations on colonialism as an explanation for underdevelopment lapsed long ago'.

It is not difficult to find Africans, including illustrious ones, who share that view. Kofi Annan at an OAU summit in Togo in July 2000 publicly held African leaders responsible for most of the continent's problems: 'This is not something others have done to us. It is something we have done to ourselves … We have mismanaged our affairs for decades, and we are suffering the accumulated effects'. Achille Mbembe (2002), the author of *On Post Colony* (2000, 2001) also bemoans the 'still pervasive discourse of victimization and resentment' and the tendency 'to blame everything on the past'.

Many aid practitioners, diplomats, development economists, and Western ministers in charge of development or African affairs seem to believe that this view now reflects a large consensus among Africans, because their counterparts in the government, in the civil society organizations and the opposition generally pretend to agree to it, because official declarations are all the more easy to issue if the charge is against a defunct regime.

But it is suggested in this paper that the Western conspiracy theory is still 'pervasive', as stated by Mbembe, among the African intellectuals 'over there', in Africa. Those who are not in the process of claiming a financial support from a Western embassy or an aid agency, express it at every occasion, and they are numerous. It even belongs to the core of the undisputable local 'common sense' about the reasons why 'things have fallen apart' and are like they are.

An editorial of *The Post* (20 February 2003), the only oppositional newspaper in Zambia, which contributed so much to the formation of whatever genuine democracy there is now and in preventing former President Chiluba from amending the Constitution in 2001 to get a third term, is typical of this widespread mindset.

Criticizing the new 'indirect rule' by the Bretton Woods institutions and a senior environment specialist of the World Bank, the argument heats up: 'But X and his masters even pretend to ignore that slavery, colonialism and the brutal exploitation and plunder to which our countries were subjected for centuries are the causes of underdevelopment and poverty. … They speak of our flaws as if it were not themselves who impregnated our pure and noble ancestral peoples with the vices of the colonizers or the exploiters'.

Allowing for a not globally 'immiserating' legacy of colonialism to no degree implies that colonization was anything close to what it pretended to be, the selfless enterprise of enlightening the dark continent with the torch of progress. As was the case of the West Indies for Britain, African colonies were probably never a good investment at an aggregate level for any European nation[168]. Initially, many of the occupations and treaties were even imposed ex-post on reluctant central governments by local agents, adventurers, businessmen and commanding officers, especially the French in western and central Africa and the British in southern Africa. The scramble for Africa then became a

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[168] For France this thesis is argued by J. Marseille (1984)

strategic game, literally and also quite like in the games theory: each player's decisions and moves being motivated more by the need to prevent the others from taking too many possessions than by the conviction of their intrinsic usefulness.

But the colonial enterprise did provide a few people and companies with adventure, glory and profit, offering positions of power and influence they could hardly have dreamt of at home. Except after post-World War II, that is in the last years of colonization, much of public investment and infrastructure was created for strategic or commercial purposes that reflected the interests of the metropolitan country and/or of its nationals.

The fact that populations benefited, sometimes substantially, from colonization through higher personal income and better health was more a fortunate if intrinsic byproduct of colonization than the result of a deliberate policy because many of them had to be involved in the new form of production,. And there were many regional variations such as the remote 'labor reservoirs' for the mines in southern Africa where agricultural production declined and decayed. Unsurprinsingly colonization could have done much better if it had lived up to its alleged motives.

Another subsidiary but important question can be raised about the conditions of decolonization and the preparedness of African elites to take over. There is ground here for a real handicap. There were variations, as already mentioned, in the degree of secondary and even more tertiary education, between French and British colonies, between Western Africa and the Rhodesias ('no elites, no problems'). But in almost all countries the number of university graduates at independence could be counted on less than four hands and often just two. In Belgian and Portuguese colonies, education opportunities were even more restricted. This was a major handicap indeed.

Decolonization also happened, with exceptions, in a globally more rapid way than initially anticipated by either the colonized and the colonizer. There were frequently, during what revealed to be the late years of colonization, some multi-party elections for local autonomous authorities under the monitoring of colonial governorates. In French colonies some Africans had for a few years even been members of the National Assembly and ministers of the metropolitan government where they acquired a wide experience of the French political class, if not of democracy (e.g. Houphouet Boigny).

To a large extent, it may be argued that the realization, due to the intellectual progressist climate of post-World War Europe, that French and British governments were likely to face the obligation of taking more and more seriously their promises and responsibility for promoting equality and development, including financially, that prompted an accelerated transfer of responsibilities. At the same time, to a rapidly growing and 'catching-up' Europe, colonies appeared as an archaic burden on modern industry and business. This fitted well with the desires of the nationalist movements eager to take control of their destiny, although there were moving exceptions as in Gabon, where Prime Minister Leon M'ba (reportedly but plausibly) vainly attempted to convince Général de Gaulle to let his country become a French overseas *département*.

But even that already hastened bad scenario was not always respected. Portugal was not part of it and fought independentist guerillas in Guinea-Bissao, Angola and Mozambique till 1974, which turned into civil wars after independence for the last two. Other developments saw the war in Belgian Congo (and the UN intervention) and the self-declared Southern Rhodesia White Independent Government.

4-3 No African Dummy but Handicaps

In the past numerous studies in the cross-country regression literature on growth have failed to account for Africa's chronic underperformance. A qualitative African dummy[169] variable was then found to be statistically significant and adding substantially to the explanatory power of the regressions. Africa was seemingly responding differently (meaning worse) than other regions, an econometric version of the African curse.

Some research was devoted to account for this African dummy and/or invalidate it by using new variables. Easterly and Levine (1997) introduced ethno-linguistic diversity, at its highest in Africa, to which they found a substantial influence. However the African dummy was still significant.

In 1998, they eliminated it after allowing for a 'neighboring spillover effect', although Hoeffler (2002) describes this 'neighborhood variable' as very similar to a regional dummy except for the name. Sachs and Warner (1997) as well as Bloom and Sachs (1998) added a geographical (tropical) dummy which removes the need for an African one (or a Latin American one).

But Anke Hoeffler (2002) seems to have dealt a major blow on impeccable technical grounds to these writings explaining or circumventing the African dummy. To begin with, she claims there never was any African dummy at all. She finds irretrievable estimation problems with the previously used methods. Biases due to possible and plausible unobserved country-specific effects and to a small number of time periods suggest using a recently developed and so-called 'system generalized method of moments' (SYS-GMM) estimator as the best adapted. Running a regression over 85 countries over 30 years she does find the African dummy highly significant when using the incorrect usual estimation techniques, but it is insignificant with the SYS-GMM method.

'There is no systematic unobserved difference between African and non-African countries', she concludes. Econometrics dismisses any distinct African responsiveness to economic variables. The problem is to identify which variables among those recognized as important for economic performance, have worse scores in Africa than elsewhere, and why.

Total Factor Productivity and Demography

Growth accounting may provide some first clues. Regional comparisons of average growth since 1960 do highlight a negative total factor productivity (TFP) growth for Africa as the major difference with the two most poor regions at that time in the determinants of growth. Though true, this misses the collapse of Africa's performance which took place in the mid 1970s (Table 3). Africa did not grow faster than any other region but its record during 1960-1973 is 'indistinguishable from the geographically very different circumstances of South Asia' (Collier and Gunning, 1999b), the next most capital-scarce region, be it the overall rate of productivity growth (1.8% for South Asia and 1.9% for Africa) or the decomposition between factors and TFP.

[169] A 'dummy variable' is assigned either the value of one (e.g. a country being African) or zero (converse case). It is often abbreviated into just 'dummy' for self-evident reasons.

Table 3: Sources of growth: Africa and Asia compared
(average yearly rates of variation in %)

Growth of Output 1960-1994 (Crafts, 2002)				
1960-1994	Capital	Labor	TFP	GDP
East Asia	3.5	1.6	1.7	6.8
South-Asia	1.8	1.2	1.2	4.2
Africa	1.7	1.7	-0.5	2.9
Growth of Productivity per Worker (Collier and Gunning, 1999a)				
	Capital per worker	Education per worker	TFP per worker	Output per worker
1960-1973				
South Asia	1.4	0.3	0.1	1.8
Africa	1.3	0.2	0.3	1.9
1973 –1994				
South Asia	0.9	0.3	1.3	2.6
Africa	0.4	0.2	-1.3	-0.6

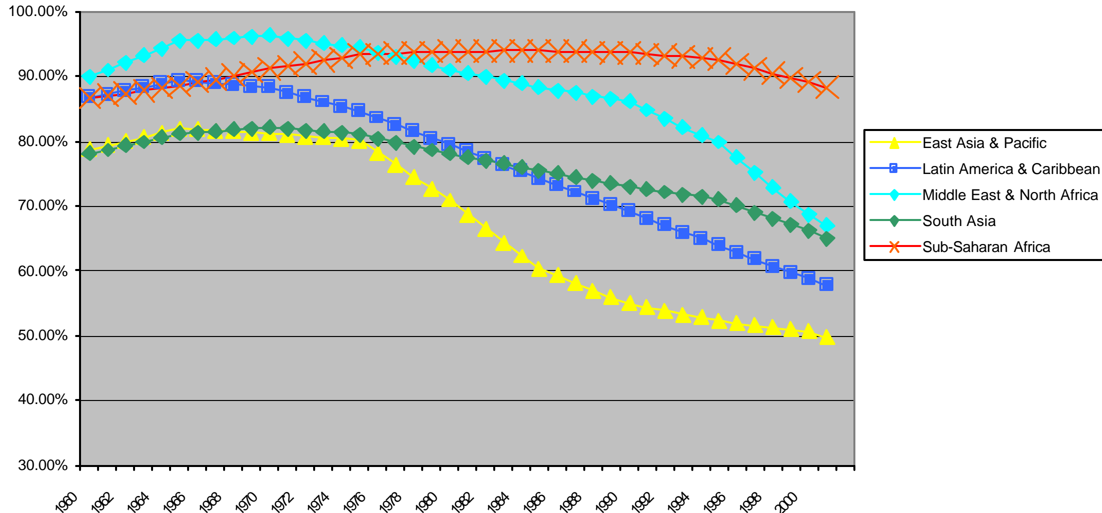
The contrast is staggering after 1973 with a 3.2% gap of productivity growth between South Asia (+2.6%) and Africa (-0.6%). The latter's productivity per worker reversed its previous trend around 1973; the main factor is the collapse of TFP, the slower accumulation of physical capital being a distant second. TFP points towards technological and organizational progress, towards 'social capability'. Moreover technology is held as always progressing; therefore a negative TFP variation can only refer to the worsening of 'soft factors' such as policies and institutions, the 'social capability'. In any case, as Dollar and Easterly (1999) summarize, 'whatever TFP growth contains, the main story behind Africa's failure (…) is not factor accumulation'.

Regarding the role of the labor force, Ndulu and O'Connell (1999) notice that 'real incomes per person have been diverging even more rapidly at 3% per year' than productivity per worker because Africa, alone among the regions of the world, has experienced over the last few decades a high and rising dependency ratio; that is, the number of dependents (aged less than 15 or more than 64 years old) relatively to the labor force (Figure 5). The reason is that between 1960 and 1994, Africa's population grew at an average annual rate of 2.76% from 223.6 million to 563.9 million, 'an historically unprecedented increase among major regions of the world over comparable periods of time' (Bloom and Sachs, 1998).

The combination of falling mortality and hardly slowed fertility rates has delayed till now any 'demographic transition' and deprived Africa of the correlated window of opportunity in terms of savings and investment for instance, which benefited so much East Asia.

Africa stands with a huge dependency ratio at 88%, as compared to 67% in the Middle East and 49% in East Asia. This is a huge impediment to growth with massive pressures on the educational system, large flows of young people willing to enter the labor market with a shrinking formal sector, and restricted capacity for the savings of adults. Moreover the impact of AIDS, besides its hideous consequences, has the capacity to postpone again the decline of dependency ratios by taking a disproportionate toll within the labor force.

Figure 5
Regional Dependency ratios (%)
Source: WDI 2002 (World Bank)



Sustained high dependency rations could certainly be expected to account for lower growth performance than elsewhere but since they have been high since the 1950s and have even peaked by now, they are not obvious candidates for explaining the collapse of growth in the mid 1970s.

As for savings and investment, ‘there is a consensus among regional specialists that capital accumulation is not a primary constraint on African growth’ remark Hatton and Williamson (2000) in a study emphasizing the predictable enormous surge of demand for emigration from Africa.

At least this has been so till now[170]. It can sound provocative since the shares of savings (table 2) and investments in GDP have been systematically lower than in other regions and declined after the 1970s. For investments, the gap is large since statistics have to be adjusted to take into account the higher unit cost of investments when made in Africa. At comparable international prices, Africa invested 9.75% of GDP from 1960 to 1994, the ratio for other developing countries being 13.78% (Hoeffler, 2002). This is often interpreted as an illustration of underinvestment and of the necessity of more savings and more aid to bridge the gap.

But recent research by Collier and Gunning (1999a), Dollar and Easterly (1999), and Devarajan, Easterly and Pack (2001) tells a different and more complicated story. Public investment ratios happen to be grossly comparable across regions and the lower total investment in Africa is due only to a much smaller private component of investment. Globally, through macro-studies, it appears that the rate of return on capital in Africa is one-third lower than in other regions, which reflects the fact that most public investment

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[170] As expected the World Bank maintains that in the future there would be need for a much higher investment rate including in the public sector, to support a poverty-reducing growth. This is easily explained when considering only the deficit in infrastructure and utilities. The argument is that in the past much of investment did not produce any social return. Proof is given by Easterly for Zambia. If all aid to investment had been genuine investment and if such investment had yielded a reasonable average multiplying effect of 3.5, then Zambia income per capita would have reached by now more $20,000.

(or what is classified as such, including projects financed by aid) has been unproductive and therefore, in that sense, too high.

Regarding private investment, including foreign direct investment (FDI), it was inhibited by policy-induced increased risks and lowered returns. The same dysfunctional policies and institutions caused both public investment to be unproductive and private investment to be withheld. That explains why FDI surveys show rates of return seemingly higher in Africa than in other regions: they incorporate much higher risk premiums and distorted transactions costs. Private investment being low, the private stock of capital per worker has declined and is much lower than even in South Asia (2.3 times less in 1990 as in Table 2).

The astonishingly high level of capital flight of African wealth owners, 39% as compared to 10% in Latin America or 6% in East Asia (Table 2), 'may have been a rational response to the lack of investment opportunities at home' (Devarajan, Easterly and Pack, 2001).

Since negative TFP refers to 'soft factors' and demography being as much a constraint to growth as a result of a lack of growth in the past, another frequent approach for identifying exogenous, hard, handicaps accounting for Africa's decline is to emphasize disadvantageous geographic characteristics and their specific impacts on agriculture, health, economic isolation and unwise specialization in primary commodities. And in a distant perspective, it may be added that biogeography has been held as the ultimate cause of the inferiority status of African polities when they were 'engulfed' by more efficient ones (Diamond, 1997). Low-yield native crops prevented population growth and emergence of literacy, causing political segmentation and economic backwardness. To some extent slavery and colonization could even be deemed as part of a 'geographical' legacy.

Small Arbitrary States

The debate about the small size of African economies and the choice of the frontiers by the departing colonizers is just at the crossroads of history and geography. Sub-Saharan Africa has a population about half of India's but it is divided into 48 independent states covering an area 7.4-fold larger. Only seven countries have more than 20 million inhabitants. Since almost all states have very low incomes per capita, a typical African economy is 'radically smaller' than in other regions (Collier and Gunning, 1999b). This small financial size often combined with a large area can have several drawbacks.

There are fixed costs that may be hard to sustain or cover from supporting a national state institutions, especially democratic ones, due to the high outlays of organizing elections, or for instance to setting up national stock markets with too few listed companies and transactions. The size of the internal market may not be sufficient for making investment profitable, and establishing and maintaining an appropriate infrastructure may not be affordable. These are serious impediments to growth which can keep a country in a low-level equilibrium, but integrating markets with those of neighbors within regional organizations and foreign aid can mitigate these obstacles.

Another more general criticism has been made against the arbitrariness of the borders as inherited at independence, derived first from those agreed to the famous Berlin conference in 1884-1885 and second from the delimitation of administrative units by the colonizers within their own zone of influence. The scope for border adjustments was

officially banned at the OAU conference in 1964. Only Eritrea has gotten independence since then, and only with the uncoerced consent of Ethiopia. Unfortunate Biafra could not.

The arbitrariness and exogeneity of the present borders cannot be contested but their impact is exaggerated. In which part of the world are the borders not arbitrary and scientifically or ethnologically carved? Had the borders been closer to the ethnic markers of identity, that could have meant several hundreds, or thousands, of states and it was too late for many with the urbanization and the subsequent cohabitation of ethnic groups. This cohabitation even initially helped in bringing about the emergence of ethnic identities.

It has often been noticed that Africans are 'locally minded' people, due to these local identities and concerns, which drives Ndulu and O'Connell (1999) to conclude that 'it was the existence of national borders, rather than their placement' which gave rise to problems. If the first four decades of post-independence have accomplished something and if many 'fathers of independence' (Kenneth Kaunda, Kamuzu Banda, Kenyatta, Nyerere for instance) can claim to have some positive legacy, it is in the formation of national consciousnesses. They have not superseded, much less replaced, the other identities. They are not prospering but have taken some real flesh. Even Mobutu with its economically disastrous 'Zairianization' policy may have enhanced national unity in what is now the *République Démocratique du Congo* (RDC). Five years of civil war, interrupted trading circuits and foreign predatory invasion by Rwanda and Uganda have not destroyed the feeling of national unity, even among the rebel militias allied to Rwanda and Uganda.

Another proof that national identity is generally alive with active roots is its manipulation by politicians. There are many cases with the aim of restricting rights of franchise or candidacy with ludicrous claims of nationality for several generations up to the times African states did not exist; the explicit legalistic trickery is not at all the full story. This often degenerates in inflammatory calls to 'authenticity' based on a sort of national ethnicity. Côte d'Ivoire is an example where the this trend is currently fully displayed.

Climate and Poor Soils

Geography per se is often advanced as a key reason for the low productivity of African agriculture. Africa may be rich in minerals but it is poor in soils. 'Phosphorus deficiency, low organic content, low water infiltration and retention capacity on much of African soil' (World Bank, 2003) are a very constraining factor. Yields are substantially inferior to those achieved elsewhere. 'Cocoa and palm oil yields are typically only half those recorded in Asia'(Collier and Gunning, 1999a). Another deep concern stems from the climate. The rainfall in the tropical savannas seems to have been declining since the 60s with wide erratic moves and recurrent droughts around this downward trend. And this deficit happens in regions which are no longer underpopulated as in previous centuries. Overgrazing, deforestation, insufficient fallow periods ensure that soils are further degraded and eroded.

Although there is no proof this rainfall trend is a climate change, since there have been many reversals in the past, Africa would be highly vulnerable to the change generated by global warming. It would reduce soil moisture and runoff, and much of the continent is already 'dry subhumid' to 'arid' (World Bank, 2003).

Besides the availability of areas still not used by agriculture in some countries, the consensus is that 'Africa has scope for its own agricultural revolution' (Collier and Gunning, 1999b) and must become more intensive in high density zones. The technical challenge of finding drought-resistant varieties and developing a soil fertility replenishment approach in the global cycle of inputs, range of cultivated products and land rotation is proved to be within reach, even without resorting to genetically modified organisms, as attested by high returns on new varieties in research stations. Past attempts in maize confirmed, if necessary at all, that new varieties must suit the constraints and customs of smallholders (not add to peak manual labor demand for cropping, practice of intercropping…) and meet the customers' tastes. Better channels of 'social learning' about innovations by households through kin groups and churches, which evidently perform better than the official extension services, can be explored.

The major challenge however is in the underprovision of this research. The twin thrust of private firms now dominating agricultural bioscience research and extending their exclusive property rights on agricultural knowledge (including processes) does not leave many options if some research must be conducted for varieties suitable to poor African soils and channeled to poor people. The private sector has no interest in developing research for a non-solvent market and, even if for other reasons such varieties were to become available, African smallholders would still be unable to afford the (typical) yearly purchase of new seeds.

This can only be addressed by an international effort combining reinforcement of the budgets of existing tropical agricultural centers, and the enhancement of their institutional mechanisms, such as for example the Consultative Group on International Agriculture Research or the International Center for Research in Agroforestry, in view of granting free access to their resources (genetics, knowledge, processes).

Regarding agriculture, which is crucial to a continent where two-thirds of the population are still rural, there is however another consensus; namely that the undercapitalization and lack of competitiveness of African agriculture, and first of all the decline of its productivity over four decades, are to a large extent due to poor policies and institutional failures.

There were some variations across countries between more or less market-friendly governments and between those where rulers had private interests in farming, but the striking common features of African agricultural policies and their devastating impact have been much documented (Berg Report of the World Bank) and analyzed (Bates, 1981, 1983). Heavy discrimination and taxation was exercised by biased state intervention against farmers and the whole farming sector, and could affect in extreme cases every possible market: export crops, domestic food markets, inputs such as fertilizers, seeds and equipments.

Most frequently used were the marketing boards (parastatals) with monopsony power which were created or used (since many existed during colonial times) to introduce a growing and sometimes huge wedge between the export price and the price paid to the farmer. The latter could be only 10 or 20% of the export price in periods of high commodity prices. The profit drawn by the parastatal from such large margins was used afterwards, in the best cases, to complement the revenue basis of the State. Widespread overvaluation of national currencies added extra losses.

African farmers proved to be 'responsive to mispricing' (Collier and Gunning, 1999a) with reductions in export volumes, smuggling and expansion of subsistence

farming as much as they were in the other way, in the early 1990s, when some governments removed taxation on exports, introduced market-exchange rates and liberalized imports of fertilizers. In Uganda coffee production surged and farm incomes improved rapidly.

Tropical Health Handicaps

There are similarities between health and agriculture, relative to the impact of geographical disadvantageous conditions. The handicap seems real, with the hostile conditions created by the presence of so many infectious or parasitical deadly or severely invalidating diseases for human beings (and livestock too): malaria, trypanosomiasis (sleeping sickness), onchocerciasis (river blindness), the Ebola fever (95% fatal) to quote just a few niceties.

Bloom and Sachs (1998) pinpoint the crucial factor of temperature as the condition for the incubation of falciparum, the parasite responsible for malaria and transmitted by mosquitoes (female anopheles at night). They highlight the impact on productivity and the obstacle to tourism and foreign investment (expatriate presence).

As for agriculture, the abysmally low incomes of the prospective customers do not make research on malaria or any other tropical-specific disease a priority for pharmaceutical firms. If AIDS had been for some reason restricted geographically in Africa, no anti-retroviral treatments would ever have been developed. WHO estimates that only 10% of the health research worldwide goes for diseases that afflict 90% of the world's people (World Bank, 2001).

This geographically induced handicap could also be mitigated by an international effort in publicly financed research or by guaranteeing future markets by pledges of the international community to implement vaccination or treatment programs. Jeffrey Sachs has been in many occasions a vibrant advocate of this kind of international action, very much supported too by the World Development Reports expressing the views of the World Bank's staff

Landlockedness

Landlockedness has also been often advanced as a geography-induced growth-retarding factor. This is more disputed. One of the most comprehensive arguments comes from Bloom and Sachs (1998). They cite the distance from the major world markets in the Northern hemisphere, the Sahara desert, very few natural ports, absence of navigable rivers leading into the interior, highest proportion of landlocked states and so forth.

The number of landlocked states is obviously not a geographical constraint but a political one. The very existence of frontiers is certainly a cause of delays and costs due to different official languages and standards such as rail line gauges, but there are remedies to that through cooperation, integration, unification. Being landlocked, as Paul Collier remarks (1999b), referring to Switzerland, 'is not necessarily a handicap'. It depends on the neighbors. The number of ports has not yet been a primary constraint on development, but their handling capacity and quality of service certainly is. Many studies confirm that transportation costs to and within the region are expensive and higher than necessary or elsewhere. But they often point to restrictive agreements on airfreight or maritime transport, on bureaucratic procedures and bribes, and neglect of existing infrastructure as the major source of the excess cost.

But even if a wide reduction of transportation costs can be gained from better institutional environment and more appropriate policies[171], there is in all probability a geographic component to the higher costs in Africa.

Natural Resources and the African Exception: Botswana

Last under the umbrella of geography comes the thesis of the 'natural resource curse'. The outline is that Africa cannot develop because it has specialized in a comparative advantage which happens to be a growth disadvantage. It is recognized that having sudden inflows due to natural resources may have negative effects and that it may weaken institutions. But as it happens the key is in the institutional arrangements and the policies. (cf. 3-3). So it is not ultimately a valid argument for any 'curse' although most of African countries do fit the profile of exporters of primary commodities and are underperforming: 57% of Africa's exports are indeed still primary commodities (Table 2), more than Latin America, South or East Asia.

Botswana proves there is no curse per se. Botswana is very much dependent on the mining of diamonds (88% of exports and 36% of GDP). It is landlocked and its society is highly unequal with that. It is less homogeneous than generally assumed[172] there was hardly any investment or educational effort from the British colonizers. But it has been the only case of high sustained growth of income per capita on mainland Africa[173] since the 1960s. 'There is much more to this success story than the diamonds' as Rodrik argues (1999).

One common theme of the literature explaining this 'African success', including the recent paper by Acemoglu, Johnson and Robinson (2002) is to insist on the superior quality of governance and the sound macroeconomic policies which made possible a good use of the high rents provided by diamonds.

Not everyone agrees on why this was possible in Botswana and not elsewhere in Africa. Rodrik mentions the rural origin of the leadership and the 'agency of restraint' role played by membership in the Southern African Customs Union (meaning the absence of an independent trade policy) and alludes to the de-facto 'pegging' of the currency to the rand (formally till 1976) and the underlying global 'anchor factor' of being in close orbit around South Africa. Acemoglu, Johnson and Robinson identified several possible domestic factors: the inclusive precolonial institutions placing constraints on elites, the rule of law and institutions of private property, and the critical role played by the first presidents, Khama and Masire, in making decisions that shaped the future and in maintaining the standards of integrity [174] of a public administration (a path-dependent story). Of course, without the diamonds this would not have happened. It may be added that De Beers, the company extracting the diamonds in Botswana and the leading firm in

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[171] In the case of landlocked Malawi, it is estimated that a renovated efficient rail line to the Mozambican port of Nacala could save 3% of GDP. The line, closed and degraded during the Mozambique wars, has now been privatized.

[172] Officially there are 90 % Tswanas but this misses the fact that 22 % of them do not feel so. Actually more than 30 % of the population is neither ethnically nor linguistically Tswana and there are more than 20 ethnic groups.

[173] Mauritius is an island and not very 'African'.

[174] Botswana's index of corruption scores better than for any other African country and even more than for several European ones. Out of 102 countries in 2002, it was ranked 24th by Transparency International.

the sector, has always tried to stabilize the market prices with its huge stocks, and this may have reduced the volatility usually associated with primary commodities.

So the logical conclusion is that whatever caused the success of Botswana proves that there is no natural resource determinism. It has already been mentioned that Paul Collier (2002) is very doubtful that the current specialization of Africa in a narrow range of primary products is due to 'the destiny of resource endowments'. According to his insight it reflects more the selective resilience of sectoral activities to the dysfunctional institutional environment (more precisely: the intensiveness in transactions of the sectoral costs structure determines their capacity to absorb bribes, insecurity and volatility).

Terms of Trade Losses

What is not disputed in principle, even if assessments differ, is that African terms of trade have deteriorated significantly from the early 1980s till now and that, even if not 'geographic', this is an exogenous factor not dependent on African policies, politics or institutions. The impact has varied across countries depending on their export mix. Global estimates vary from 6% to 36% according to studies (Collier and Gunning, 1999a) with a possible drop of 0.7% of the yearly African growth rate relative to other developing countries (ibidem). As cited before, the World Bank has estimated that the cumulative losses between 1970 and 1997 represent almost 120% of GDP for the non-oil exporting countries, South Africa being excluded.

Whether this is a secular long-run term is disputed and unclear. For Deaton (1999), if he does see the decline since the 1980s, his global appreciation is skeptical of any trend. At most he can assert that 'real commodity prices show a distinct lack of a positive upward trend'. In a IMF staff paper Cashin and McDermott (2002) find a downward trend of about 1% per year in real commodity prices over the last 140 years, though they recognize that there is 'low signal-to-noise ratio' in the data. The absence of overwhelming evidence of any trend leads some authors, when building economic scenarios for Africa, to advance that this 'streak of bad luck [since the 1980s] in world markets is unlikely to persist over the next decades' to introduce a supplementary growth of 0.7% in the future (Hatton and Williamson, 2001). There is no solid ground for that but neither for excluding it.

4-4 Dysfunctional Economic and Political Governance

Some growth-retarding factors have been identified and confirmed as very real, though with various degrees of intensity: lack of preparation for independence and hasty decolonization, high-dependency ratios, small size of the economies, poor soils, breeding ground for diseases, geographic isolation. But since these are structural and permanent factors they can hardly explain the collapse of growth performance after the mid 1970s. Some authors do not hesitate to assert that these handicaps should now be much more than compensated by the 'backwardness advantage' drawn from the low level of income in Africa, the lowest of all regions, according to the 'conditional convergence' hypothesis.

The new trend of a declining rainfall since the 60s is certainly a more likely candidate for those countries affected as early as that period, in the Sahel zone for instance, but less globally for sub-Saharan Africa. The decline in terms of trade coming after a rising trend since the mid 1950s is obviously inescapable and must be taken into account. But its magnitude cannot account for the plummeting rate of growth of total

factor productivity, which fell from a positive weak yearly rate of 0.3% (Table 3) to a negative rate at (minus) 1.3%.

This means that the efficiency, organizational and/or technological, with which productive factors are combined in Africa declined each year at an average rate of 1.3% from 1973 afterwards, at a time when current world technological progress was probably accelerating.

So it is not surprising that much of the literature on African economies puts the blame on a failure in policies and institutions, the only remaining possible explanatory determinants of growth; that is to say, on 'African governance'. It is not enough to ascertain that scorings of policies and institutions are worse for Africa than for other regions (Table 2). Even for that there are some evident limitations in aggregating indexes of institutional quality of neighboring countries and in the meaning of the result. More accurately, and beyond that objection, the question is not to find a low level of quality for policies and institutions in Africa but to prove its downward evolution over time.

A Tiny Elite for an Hegemonic State

There must have been as a 'central tendency' in our sample, a degradation of the quality of African governance, some time after independence and before the mid 1970s, to explain the slowing down and decline of the continent. Only a prior negative variation of governance can account for as subsequent reduction in growth rates. And that is exactly what happened.

The overall period since the 1960s is conventionally divided into three phases though the labeling may vary. The following is adapted Ndulu and O'Connell (1999):

- 1960s till the mid 1970s: increasing authoritarian rule (civilian or military) usually with statist economic policies;
- mid 1970s till the early 1990s: crisis management under authoritarian rule;
- from the 1990s onwards: political and economic liberalization.

Not all countries fit that general scheme. Two states, Botswana and Mauritius, have succeeded in achieving sustained growth, implementing growth-friendly macro-policies and building relatively effective governance institutions based on democracy and the rule of law. South Africa, even if its growth was impaired by the domestic apartheid policies and the foreign hostility to them, is also a special case with the advent of an ethnically inclusive government of national unity in 1994 and since then an hopefully inspiring example for the whole continent.

At the other end of the spectrum of extreme cases are the countries who suffered protracted or recurrent civil wars such as Angola, Burundi, Chad, Congo Brazzaville, Democratic Republic of Congo, Ethiopia and Eritrea, Guinea-Bissao, Liberia, Mozambique, Rwanda, Sierra-Leone, and Sudan, or where the state has completely failed and disappeared as Somalia.

The central tendency reflected in the three phases highlights the importance of the rapid thrust after independence towards authoritarian rule, with obliteration of both political and economic freedoms, in the deterioration of the growth environment. The typical median pattern has been much described. The 'tiny educated elite' (Collier and Gunning, 1999a) heading the nationalist parties takes over at independence.

Three main traits destined to endure and to magnify are already there:

- The separation, perceived and real, from the mass of the illiterate or poorly educated population, especially the rural one, and the consequent basis so for a divergence of interests;
- The very small number of people to be reckoned with. Everybody is on a personal relationship level with everybody within this circle of a few hundred and later only thousands of persons;
- The urban roots of their access to power. 'Almost all nationalist parties found their first and greatest support[175] in towns, swollen during the 1950s by young immigrants from rural primary schools' (Illife, 1996).

The democratic, politically pluralist and economically liberal constitutions inherited or precipitously put in place at independence came to be perceived as obstacles to the policy changes they desired to push forwards. The comment of Ndulu and O'Connell (1999) on economic matters, that if 'African first-generation leaders often appeared to differ dramatically in their public pronouncements', 'these differences hid powerful commonalities in the policy environment they desired', is quite valid in the political and constitutional fields as well.

The choices they made were much inspired and shaped by the development ethos of the time and their own prejudices. It is difficult now to assess how different the intellectual climate was at that period. Many economists and others were impressed by the growth statistics of the Soviet Union and the successes of imports-substitution industrialization in Latin America. The technical superiority of forced accumulation by a developmental state with bureaucratic-type controls was often acknowledged; the trade-off between freedom and oppression was the only restraining argument. There was no 'single model of success' and the possible victorious system, if any, looked then still undecided. These attitudes were quite pronounced in the anti-colonialist and nationalist leaderships.

Another factor was that the elites considered 'tribalism' a plausible potential danger to the national interests and to the necessary strengthening of national identity if allowed to interact with competitive politics. As Samora Machel put it: 'For the sake of the nation, the tribe must die'. This perception, frequent among leaders, was supported by the reliance of colonial rulers on ethnic divisions to strengthen their power, the local concerns of Africans, prompt to perceive so-called national issues in terms of local interests, and by the ethnic traits of the first conflicts (Congo, Biafra, Chad, Sudan e.g.).

As former colonized people who had witnessed the mysterious capacity of a few people to rule vast areas, the new elite probably came to overestimate the effective power of law and government on things and beings and perhaps even to overrelish its pomp. They had also seen some colonial governments using exports taxes, collected through marketing boards, to finance infrastructure projects in the 1950s thanks to high commodity prices at that time. More broadly, as Sachs (H&H, 2000) expresses it, 'Colonial rule was not a very good school for modern capitalism'.

Finally most of these new leaders were suspicious of the private sector as being controlled by ethnic minorities or former colonizer's nationals, and in any case as a possible source of support for an alternative power base.

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[175] Illife (1996) adds: 'Nationalism only partially aroused many of Africa's deepest political forces. Responses to it depended on local circumstances'.

All these reasons conspired towards a strategy of building a hegemonic and constructivist state in charge of controlling society and developing the country. In their perspective, the elites were 'neither irrational nor merely greedy' (Illife, 1996). The basic framework of African governance from the late 1960s to the early 1990s derives from there:

- Obliteration of democracy with the erasure or muting of checks and balances between branches of power; the abolition of competitive multiparty politics; the same trend within the ruling single party itself; the burgeoning of the state's security apparatus for managing internal dissent;
- A vastly expanded administration and public sector offering massive employment with the view to assume new job-intensive missions (e.g. education) but also to ensure loyalty and service from the recruited;
- High taxation of commodity exports and international trade to finance the developmental state, through wide margins for agricultural marketing boards, exchange rate overvaluation and protection of public industry;
- Economic and financial repression with multiplication of controls, regulations, prohibitions and nationalizations [176] with or without compensation. Most banks were nationalized or set up by the state and used as off-budget channels for government expenditure or investment.

Retrospectively, the efficiency of such a framework can be only assessed as a recipe for disaster even with the best of men in charge to run it at the top. It is doomed to fail according to the broad precepts acquired on development (3-4) . While 'bureaucratic accumulation' (Ndulu and O' Connell, 1999) is a direct result, productive capital accumulation and high growth are not. Neither the successful developmental states of East Asia nor conversely Vietnam and China bear any resemblance at all with this framework. They are a mix of intervention and freedom with a clear trend, an 'arrow of time' towards more freedoms.

But to some extent this very framework has provided in Africa the basis of a political equilibrium with a multi-layer patron-client relationship between the ruling elite on one hand and those who derive their incomes from the civil service and the public sector on the other (Bates, 1981, 1983). More generally, as often documented (ibidem and World Bank, 1981), the urban bias, induced by the heavy taxation of agriculture and the overvaluation of the currency favoring imports and limiting food prices, reflected the concern arising from the proximity of volatile townsmen as compared to distant and less threatening farmers. By 1988 there were only five countries in sub-Saharan Africa that had multi-party systems (Ndulu and O'Connell, 1999): Botswana, Gambia, Mauritius, Senegal and Zimbabwe.

The Neopatrimonial State: Corruption, Predation and Underprovision

However, unworkable and inept as it now appears economically, even with Plato-educated philosophers ruling with the assistance of a Weberian-type bureaucracy, this was only the 'framework', very close to the way it could have been and was indeed rationalized at that time. The time it took to set it up, the high prices of commodities, the element of selfless idealism it contained, and perhaps some lagging hysteresis of the

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[176] even in a few cases up to the level of small shops; saving one's life could be the best hope as in 1975 in Uganda for the Indian minority.

behavioral models of colonial times in the civil service too, did not prove it incompatible with growth until, on average, the mid 1970s.

But besides the external thrust of the new declining trend of commodity prices (though with erratic moves, and except for oil) the very fabric of African society and governance was being undermined from within by a stronger, more substantial force — the rise of oppression, predation and corruption — with a much more detrimental impact on growth. The hindsight of experience with the support of either Montesquieu's or Lord Acton's wisdom[177] or of political economy models of growth traps, predatory states and corruption, is that it was inevitable, the question of the concerned agents being Africans or not having no sway on the result. As an anonymous citation has it: 'Absolute power is absolutely delightful'.

Ndulu and O'Connell (1999) emphasize this very small elite, with highly personal reciprocal relationships, was to some extent more captive of its ideas for its initial decisions than of its interest base, which later grew in size and strength as a result of these choices. It hardly matters. The ruling elites gradually 'unconstrained' themselves from any genuine popular political mandate, from legal, moral and financial principles, as well as from domestic or foreign[178] checks and balances, except for the personalistic discipline episodically enforced by the top leader, the internal rivalries, and factional shifts of influence. And of course the logical move was to dispense not only with political representativeness or accountability but also with the inconvenience of the reports and investigations of a free press and the vagaries of an independent judiciary.

Arbitrariness of the laws, if any, and of ad-hoc decisions at the top, discretionary power of officials in implementing them, employment and salary 'as a way to buy obedience and gratitude' (Mbembe, 2001) produced what was called the neopatrimonial state with personalized patterns of authority and obligation as the underlying coherence of the seemingly modern administrative structures.

African 'local mindedness' and strong kinship links provided much fuel to this extension of personalistic features. Illife (1996) gives one of the numerous descriptions of these 'governments of men and not of laws': 'Each elite member headed a personal clientage, usually on tribal or regional lines, which imposed burdensome obligations but linked him to a locality and supported his claim to be its spokesman and protector'.

Corruption, whose large classic definition in development economics is 'exercise of public power for private gains' (World Bank, 2002), is another consequence of this relaxation of impersonal rules and constraints and the erosion of effective social or financial sanctions for deviation. Even the practice of allocating jobs as a political exchange is in itself a form of corruption.

Just to give an extremely small glimpse of the variety of levels and channels involved, hereafter are a few examples from the most trivial and petty corruption to better

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[177] "Power tends to corrupt and absolute power corrupts absolutely" is from Lord Acton (1834-1902) and Montesquieu (1689-1755) remarked too: "Constant experiences show us that every person invested with power is apt to abuse it, and to carry its authority as far as it will go. Is it not strange, though true, to say that virtue itself has need of limits" (…) "To prevent this abuse, it is necessary from the very nature of things that power be a check to power".

[178] Former British colonies got rid of the institution of governor general which could have been helpful were it not for its colonial stain. Some former French colonies did however choose to maintain a collective monetary arrangement with France which acted as an agency of restraint on inflation and note-printing temptations as an easy way for financing deficits.

heeled channels of predation: customs administration's 'benevolence incentives', police-staffed road barriers[179], 'sexually transmitted marks' at school and university, overinvoicing of procurement from small orders to investment contracts, new regulation by the transports minister imposing a very specific recoloring and resignalization of all taxis and buses with a paint whose exclusivity is held by a company owned by the minister's spouse, external public debt servicing to actually private accounts, irrecoverable loans to the bank's own directors, wide margins of fictitious trading companies for selling mineral resources of state companies, private shareholding of banks set up with the foreign mining or oil company for the main purpose of lodging during 8 to 10 months each year the substantial taxes and distributing the interests as dividends.

The worst case for the undermining of institutions is perhaps when embezzlement is perpetrated for genuine public interest purposes (as it occurs very frequently) because the president, the minister, the politician… needs cash he can directly apportion himself even if it is well meant, e.g. for rehabilitating some fire department's premises in a distant town or paying hospital fees for needy people…. He does not trust the ministry or service in charge for doing it, and in any case nobody would then feel indebted to him personally. Of course, they themselves sometimes get swindled with this eyes-to-eyes methodology of public expenditure commitment, even by unexpected crooks, as when a Catholic bishop disappears after receiving from the head of state the full amount he had just requested for reconstructing his provincial diocesan church.

This neopatrimonial state, focusing on political control and personal patronage, generating petty corruption and grand predation all through various instruments of political, economic and financial repression, produced another highly negative consequence: the underprovision of the public goods the state and public sector had an official mandate to deliver; that is 'sins of omission' in addition to the previous 'sins of commission' (Collier and Gunning, 1999a). The formal mandate of the institution is neglected since at best it is not a priority for anyone whose opinion carries weight and at worst because it restricts the opportunities for patronage and corruption.

Subsequent mismanagement of social services, investment projects, nationalized banks and public utilities handicapped households and firms. As Collier and Gunning (1999a) say, Africa 'experienced the paradox of poor public services despite relatively high public expenditure', with inefficient health and educational services, unpredictable courts 'independent from the laws', personal insecurity because of a poorly qualified and equipped police, inadequate infrastructure, unreliable electricity supply, unobtainable telephone mainlines, and massive distortion of capital allocation with underinvestment in utilities and new mineral reserves but massive portfolios of nonperforming loans.

This is the general picture, the stylized expression of African post-independence governance, a framework of bureaucratic accumulation, overtaxation and repression of political and economic freedoms[180] plus the imploding pressure of neopatrimonial corruption and predation: a rare combination of massive agency, appropriation and coordination problems likely creating low level equilibria traps. Corruption and predation, as suggested by theory, are not only another transactions cost or a cause for a

[179] Surveys of transportation costs from Côte d'Ivoire to Bénin have shown that bribes to customs, police and other officials represent 75 % of the total. In Bénin, a trip over 753 kms encountered 25 roadblocks, and bribes added up to 87 % of the cost of the trip. (World Bank, 2001)

[180] Between 1969 and 1976, Nyerere compulsorily 'villagised' nearly half of the rural population sometimes at bayonet-point. (Illife, 1996).

higher risk premium. Above a certain threshold of frequency and impunity, they introduce a fundamental externality in society where opportunistic individual choices become rational, though collectively self-defeating: a kind of prisoner's dilemma or in this case an ethical trap, where everybody has an objective interest in acting as if the others were not going to honor their obligations and in joining them in that behavior.

Unsurprisingly, such a society does not motivate the rare people who manage to 'collect' capital, by whatever means, to invest it in their own country or even their continent. The huge, heterogeneous and often vibrant informal sector (street vendors, women traders, home-based outworkers or own-account workers) is another testimony to the inadequateness of the African institutional environment, where even De Soto (1989) would have been surprised by the cumbersome regulations. But the informal sector also proves the adaptiveness of African society. It provides around 78% of non-agricultural employment in Africa (Charmes, 1998) and, like a sponge, absorbs as many of the new entrants to the labor force each year. Without the informal sector it would not be possible for so many people to manage[181] to make a living when the states are collapsing and the economies decline.

Variations in Space and Time around the Central Tendency

But across countries there were variations and derailments around the typical scheme (the one-party neopatrimonial state hijacked by a tiny elite). The degree of interventionism in the markets and property rights (nationalization) depended upon the ideological stance of the leaders, on their international positioning, or on the elite having initial personal interests in a sector or another (agriculture) and episodically on the paranoia of 'conspiracies'. Gabon and Kenya, for instance, were always much more market friendly than Zambia or Tanzania with their ideological banners flirting with socialism with an African touch, the Ujamaa of Julius Nyerere or the Socialist Humanism of Kenneth Kaunda.

A number of military coups from the mid 1960s onwards caused derailments to the civilian one-party stylized model, but often turned into aggravated cases of statist governance. Some of these regimes proved long-lasting, as in Togo, while others initiated subsequent coups, countercoups with interspersed 'civilian' rule (Nigeria). By 1988, 'half of Africa's states had military or quasi-military governments' (World Bank, 2000). Ndulu and O' Connell (1999) established a link between initial conditions and the variations in political systems. They found the five multi-party system states existing in 1988 'started richer at independence and expanded their advantage over time'. In the middle stand the one-party systems and the countries bearing military regimes in 1988 started as the poorest ones with the worst performances. They view this as a confirmation of the Lipset hypothesis for the first generation of post-independence African political regimes, which posits a minimum level of development as a prerequisite for democracy.

It took time for corruption and predation to undermine the state and spread their infection over society and the underprovision of public services was for some time mitigated by higher state income. However, corruption did not start from zero at

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[181] The informality restricts choices to activities needing a low absolute capital. Informality saves not only on the regulatory burden (labor laws, taxes) but on the supplementary harassment and predation that formality may entail. Foreign-owned companies are for instance 'controlled' very often by tax inspectors who do little effort to enlarge the tax basis by searching for non declaring firms or non registered activities (too much effort for 'too many small fish' and potential danger in case of 'too big a fish').

independence. There were undoubtedly advantages associated with key positions in the colonial administration 'below and in the shadow of the Whites' rule' (Bayart, Ellis and Hibou, 1997) which were not left unattended. As proved by some scandals, a few administrators also happened to collude with talented intermediaries for their best self-interest. At least, impunity was not the rule.

Till the early 1970s many one-party countries probably still had only sparse petty corruption except in the inescapable places (customs and police) and a limited grand corruption centralized or centrally monitored. Civil servants' pay was quite high by local standards. Not all countries saw as early as Côte d'Ivoire the ostentatious display, at least in the home country, of the 'platinum life'. Monogrammed shoes were not to be seen much inside Zambia until Kaunda was forced to relinquish power in a multiparty election.

But what Illife (1996) calls the 'contraction of the state' under the assault of economic decline and the subsequent structural adjustment programs accelerated these two trends. The neopatrimonial state did not prove to have good 'institutions of conflict management' in the sense Rodrik (1998) gave to the capacity to handle external shocks. Inside the public sector, wages tended to decline substantially in real terms as well as non-wage expenditure; that is the operational budgets so critical to education and health (stationery, medicines etc). The middle classes' standard of living was hurt deeply and this prompted a much more common resort to corruption, a spreading of 'decentralized corruption', which is much more detrimental to growth as demonstrated by Murphy, Shleifer and Vishny (1993, cf.3-2).

The second impact was a collapse of institutional administrative capacity in many countries, especially in the social services with declining rates of enrollments and persistent shortages of drugs, but frequently enough across all sectors, even the 'sovereignty' ones such as the security forces. Low operational capacity and widespread corruption have led some authors to radical, but not easily rejected diagnoses. Jean-François Bayart and Béatrice Hibou (Bayart, Ellis, and Hibou, 1997) respectively assert that 'capacity to implement any form of policy has evaporated in many countries and administrations' and that 'more than the inadequacy of the law, the problem is first and foremost that people systematically flout any law'.

The Third Wave and the Neap Tide of Liberalizations

One may wonder why these judgments persist or even get worse whereas most of Africa embarked in the early 1990s on the liberalization of its political and economic institutions. The Third Wave of democratization (Huntington, 1991) did sweep over sub-Saharan Africa due to both internal rising pressures and to the fall of the Berlin Wall or even, maybe more strikingly for Africans and their masters, the end of the Ceaucescus, the Romanian communist tyrants. Benin, Mali, Zambia were among the first to revert to democracy, and Nelson Mandela was also released in 1990. Many Francophone countries held 'sovereign national conferences' to design new democratic institutions. A few years later nearly all countries had held 'multiparty elections'.

But this presentation is a little incomplete if not misleading. Many incumbents succeeded in getting reelected with at best some tweaking of the elections but also with heavy-handed methods such as in Togo. Democracy is not yet firmly embedded in Africa. It may recede as in Zimbabwe and implode into civil war as in Côte d'Ivoire. And it may come belatedly as the recent transition in Kenya. In Zambia the first post-democratization

transition occurred with the failure of President Chiluba to amend the Constitution to run for a third mandate. The widely based popular move against his efforts was a hopeful signal of attachment to democracy. The subsequent presidential election, held in high suspicion by EU observers, is less eloquent. It emphasizes the inadequacy of a first-past-the-post single ballot for presidential elections with a disputed winner getting only 28.7% of the votes.

The signs are ambiguous. The 'African Renaissance' rapidly fizzled out. The UNDP's Human Development Report for 2002 indicates a 'slight drop in measured democracy in sub-Saharan Africa(...) reflecting the fact that the third wave of democratization seems to have stalled'; and 77% of the population of Africa is considered to live in multiparty elections. But as Zambia makes clear, it's not only the holding of elections that is important, the electoral system matters. It needs not be the same for the presidential and the parliamentary polls: a mix of proportional representation for inclusiveness and reinforced majority system for decisiveness or bicameral legislatures, in which one is for regional or ethnic groups, are frequently proposed by political scientists or development economists and worthy of consideration.

But elections, even free and fair, which they are rarely, do not create per se a well-functioning democracy. Democracies demand transparency and accountability procedures, effective checks and balances such as an independent non-corrupt judiciary, a free press of quality and a vibrant civil society. They require democratic principles and values that are internalized, not just memorized. It is a culture and a practice, not just a script to conform to dominant ideas and please donors. Many of the now leading politicians were established members of the former elite which led the countries to their present state of crisis and institutional decay. It is difficult to trust them. J.F. Bayart (Bayart, Ellis, and Hibou, 1997) blames the failure of the democratic transition on the capture of the process by groups already in control.

Achille Mbembe (2000, 2002) also recognizes the pressure for liberal politics and sound economics has made it more difficult for the 'post colonial potentate' to maintain his traditional client state and has forced him to adapt, with an unfortunate effect: 'instead of curbing the corruption of local elites, the brutality of the international system has increased their greed and carelessness'[182] .

Ndulu and O'Connell (1999) are more optimistic. They think that the current wave of democratization is different from the aborted episode at the time of independence and that it 'holds out the prospect of a more fundamental creation of a participatory state'. The question is still very much open.

But if the trend is up to Africans to clarify, the fact is there are many elections but still little democracy. We can hope that, over time, democratic values and behaviors will take hold, but autocratic and arbitrary practices and reflexes are still alive under the soft language. There is always some unreality in drafting otherwise useful sophisticated legal stipulations ensuring the independence of some institution, a central bank or an anti-corruption commission in a country where it is for instance still 'conceivable', with fresh

[182]There are signs of such 'reengineered' predation. One is for instance the highly centralized negotiations for the major privatizations with a focus on the maximization of the private 'by-payments' in view of the imminent termination of existing embezzlement facilities. Another example of creative adaptiveness is the 'fixing' by a finance minister of the tendering process of a contract with competing foreign private firms (like the Swiss firm SGS) for pre-shipment inspections and independent valuation of imports, whose very purpose is to counteract corruption in the customs administration.

expertise readily available in a very special security service, that a 'deviant person' should be the victim of 'a car crash with an unidentified truck' on a deserted road or be 'killed during an armed robbery at home' where no effort was made to search for or steal any valuables.

This may help explain why, despite significant moves in increasing its openness to international trade and investment and considerable improvement in macroeconomic policies, the economic facet of the liberalization wave of the 1990s, institutional quality indexes have not on average widely progressed. On the basis of the Sachs-Warner index of openness, the number of African countries with open trade regimes has risen from 7 in the 1980s to 18 in 2000 out of the 25 countries with data (IMF, 2000) and for the first time most of countries had inflation rates in the single digits in 2002 (IMF, 2003). But the perception is still of a generally inhospitable climate for private investment. Outside the mining sector and a few countries with already high institutional quality scores such as Mauritius, or having significantly increased them, as Mozambique and Uganda, foreign direct investment remains low and risk assessments high (IMF, 2003). Poor infrastructure, low enforceability of contracts, red tape and corruption, personal insecurity, and volatile commitment to reforms still loom large in the African landscape.

One proof of the present stalemate is the frequent failure of what the IMF and the World Bank call the 'second-generation reforms' to reach their objectives. They are meant to achieve 'institution building' — to entrench gains and policy changes drawn from sound macroeconomics and democratic politics — and are therefore more 'intrusive'. A typical reform may be to deliver 'a lighter but better paid and better qualified civil service', a not too disputed rhetoric. But what hurts is the locking of the payroll chain process with human resources management: the view that all wages should go only to people who are alive, under retirement age and have been duly nominated to a defined position in a recognized unit of the public administration and provide effective work, or at least presence, is not a feasible objective in most sub-Saharan African countries. And ten years of multiparty elections did not have any impact. Too much resistance by vested interests will ensure, under the most diverse pretenses, the derailment of this crucial component or just the 'unlocking' of the software's security checks.

A similar example is the vision of treasuries keeping track of all budgetary commitments, of the domestic debt, of payment arrears related to expenditure or servicing of domestic debt, the dream of every IMF mission and novice finance minister. The highest degree of fiscal restraint ever obtained, though rarely till now, seems to have been the 'cash-basis budget', the limitation of the payments during a fiscal year. This discipline is of no avail if there are ways and means of committing and contracting, by line ministers or the office of the president, sometimes on plain letterhead paper, with payments presumed to happen 'later'. Eventually audits have to be organized under external pressure to take stock of accumulated arrears and unreported debt. The latest generation of these public finance projects is often named the 'integrated financial management systems'. They are always adopted with enthusiasm, but the haziness of public finance is obviously not a problem of software, equipment or training.

Certainly Africa is diverse, but apart from the top exceptions, such as South Africa, Mauritius and Botswana, the 'typical' description of state crisis and institutional decay, with most of the reforms having difficulty in taking roots is just the median case. At the bottom end of the sample are the countries plagued by ineptitude (Zimbabwe),

civil wars (many) or their legacy (Somalia). Sub-Saharan Africa can certainly be characterized as suffering from pervasive development disorder.

There has been no need until now to make use of any African distinctiveness or specificity in accounting for the decline of African governance. Ethnicity and kinship helped probably. They gave flesh to the fabric of personal and patronage relationships of the neopatrimonial state and provide inexhaustible fuel to the conflicts when started, a fuel largely used by political or war entrepreneurs to supply their power machines. But the view taken here is that, as a rule, they initiated neither the neopatrimonial state nor even principally the conflicts, as argued by Bates (1999) and Collier (2000).

As exposed before, ethnic fractionalization must interact with some perceived or real risk of exclusion. And conflicts in Africa are very much explained by the low levels of incomes and the exploitation of lootable natural resources, not by its highest rate of ethnolinguistic diversity. Ethnic hatred or mistrust is typically mobilized by politicians to advance their leadership. As Brenda Shaffer, KSG program director of the Caspian studies at Harvard's Kennedy School of Government put it in the *Harvard Gazette* (30 January 2003) for another region: 'Culture comes into play after the fight. We don't fight because we hate. We hate because we fight'.

In almost all conflicts, ethnic division plays a prominent role, but as documented by Bates (1999) this is the tree hiding the forest of high ethnic division without any conflict at all. Except for some nationalist leaders at independence, many African intellectuals did not and do not see why ethnicity should not be compatible with the needs of a state. It all depends on the pluralism of the institutions. After all, Africans were used to having several nonconflicting identities in the past.

Unconstrained elites endowed with such freedom-repressing views of the state's role in society would have failed and sinned everywhere. Nevertheless, there is still the possibility that something more than their erroneous views on development pushed, either consciously or not, these elites to unconstrain themselves and to so easily find a socio-political equilibrium with such deleterious impact on institutional quality. Is there something in the African culture, whatever that means, which is incompatible with the associated principles of growth-enhancing institutions?

4-5 No Socio-Psychological Dummy

There is no such thing as an organized debate about African culture, the contents that expression could refer to or its possible interactions with the opportunities or prerequisites for growth and development. The World Bank used to organize conferences and invest on the subject in the early 1990s, but African culture as such is no longer on the agenda, maybe due to political incorrectness in view of the multiculturalism that is now dominant in the international institutions. And it is not likely to arise from the present research on social capital which rarely has a 'macro-cognitive' perspective.

Although such views are rare, it is possible to distinguish, 'ideal-typically', at least three poles, or summits of a triangle, around which opinions and arguments position themselves.

One pole, an extreme or pure form of Afrocentrism, would emphasize the need to achieve effective decolonization, referring both to the liberation from the 'indirect rule' of the Bretton Woods institutions and their market fundamentalism and to the rehabilitation of the resources of traditional cultural values, that have been too much neglected or underestimated; in other words the 'decolonization of the mind'. From this

new basis, without Western tutelage or pressure, it could be possible to reconstruct an 'African modernity' in the political and economic fields.

Logically there could be many outcomes to such an approach, from dangerous plans of social reengineering based on deceptive if well-intentioned visions of Africanness, a kind of relabeled and resurrected clones of Nyerere's Ujamaa, to the self-discovery of customized forms of democratic governance through still to be discovered new forms of living and producing in a decent society. But up until now, the zero-party democracy of Museveni, the experiment of ethnical federalism in Ethiopia under the single EPRDF's rule[183], or the parody of local elections in Rwanda in March 2001, do not seem very inspiring or conclusive.

A second pole would be the one-way approach to modernity and the inherent conflicts with the 'traditional society' and beliefs which must 'pass away' according to the classic argument of David Lerner (1958). In that line of thought, modernity in Africa meets the same kind of problems as, for instance, those met by industrialists trying to impose the invariable, precise, and nonnegotiable time and body-language disciplines of work organization in plants to European peasantry in the nineteenth century. There are problems that may slow or stall the process, but there is nothing specific. Cultural adjustment is the only way.

A third extreme position could be defined as cultural determinism. The outline is that African culture is dominated by norms of behavior and valuation beliefs which are in fundamental conflict to the institutional determinants of growth and development. There are variants depending on whether this is due to some intrinsic contents such as 'animism', or an allegedly static, eternally impervious African culture, or to a specific path-dependent self-reinforcing history where some traits have been accentuated beyond any hope of backtrack.

The Rent-Seekers of Extraversion

There is much irony in the fact the latter line of thought can be associated by African intellectuals to Bayart's approach. The early works of Jean-François Bayart, possibly the most famous French (academic) expert on Africa, such as *L'Etat en Afrique* (*The State in Africa*) (1989), took great pains to prove that African societies were societies like others with an historicity, continuities and ruptures, commonalities and singularities and a political life.

He certainly gave a locally embedded flavor when he characterized the status of politics in post-independence Africa before the democratization wave of the 1990s, as the 'politics of the belly' from a Cameroonian expression, '*la politique du ventre*'.

Belly conveys three crucial meanings which are intertwined in the African neopatrimonial predatory state: procreation for lineage, family and sex; corpulence for the absorption of the kind of food[184] which can make a 'big man' with wealth and power; and the 'incorporation' of supportive forces from the invisible world through the symbolic 'manducation'[185] of witchcraft (and formerly the not too symbolic cannibalism:

[183] The Ethiopian Peoples' Revolutionary Democratic Front.

[184] In Francophone Central Africa (Gabon, Cameroon), there is a modern proverb according to which '*La chèvre broute là où elle est attachée*': The goat grazes wherever it is tied. It means wherever you are, whatever you can seize is yours.

[185] Manducation is a sophisticated word for the act of chewing or eating, appropriate to the hidden meanings of magic or witchcraft.

'the eating of the other'). Bayart at that time (1989) was arguing Africa was at a crossroads between further social decay and a new trajectory with intensification of economic activity and more Weberian institutions.

Eight years later, he diagnoses the 'criminalization of the state' in most African countries just as a logical inevitable 'maturation stage of a social capital built up for several decades' (Bayart, Ellis and Hibou,1997). The too frequent hijacking of democracy by the elites in the 1990s confirmed for him their previous hijacking of the independence in the 1960s. As Mbembe, he sees globalization, structural adjustment, and the discourse of democracy as having forced the leap from the previous stage, the politics of the belly towards genuine criminal activities. He documents the implication of African politicians and even states in illegal international networks from narcotics to money laundering through embargoed armaments sales, trading of diamonds exploited by rebellions and counterfeit money. This is, he argues, a 'major political shift (…) taking place at a massive scale'. The type of conflicts in Sierra-Leone, Liberia, Sudan and DRC and their underlying motivations foreshadow for Bayart the next stage, the return of sub-Saharan Africa to the 'Heart of Darkness', a 'very strong possibility' for a region that has passed the crossroads.

There are indeed harsh and not easily forgotten or forgiven assertions from Bayart, Ellis, and Hibou (1997), such as those ascribing a 'marked affinity with the spirit of criminality' to some behavioral and mental models to be found in the social capital of Africa. Severe as they may be, correct or not, these statements do not ascertain any African specificity or determinism as charged. 'Africa has no monopoly on this sort of social capital' is also a recurrent theme in BEH (1997). The pain is there but not the point.

The most thoughtful contribution of Bayart's writings is probably in his view of what he calls Africa's 'history of extraversion', where African rulers constantly figure out a strategy to create and capture rents from the relationship with the external environment by exploiting resources of their own or their neighbors' societies.

Briefly, the historical outline is as follows. At a time when the relationship was not yet unequal with the Europeans, the Atlantic slave trade was in the hands of local rulers raiding their own hinterland and their African brothers. Colonization, very unequal, did involve many intermediaries and chiefs, traditional or not, who participated and benefited as the exclusive interface between the thin colonial presence and the population. This monopoly position on information and communication channels offered much leeway for deception of both ultimate parties on each other's attitudes and requests (collecting taxes, mobilizing manpower) and for seizure of rents. At independence, small groups took over the role of the colonial lord, unbridled from the restraints of metropolitan law, with a focus on the flows of extraversion, the international trade in mineral resources or cash crops.

Then the pressure for structural adjustment and democratization forces some reengineering in view of the new opportunities offered by the foreign partners' obsessions ('handling' the privatizations' proceeds) or the globalization process (the various international networks of criminalization).

In that sense, Africa may be 'marginalized' as is clear in its declining world's share in the official statistics, but extraversion, the relationship with the external world has always been (since the sixteenth century) essential, not marginal, to the evolution of African societies. It does take part in globalization, though in a very negative way. This is

corroborated by the high proportion of external flows (trade, aid and debt) to the African economies' sizes and the high capital flight (39%). The politics of the belly and the criminalization of the state are just, in that theory, stages and variants of the same strategy of managing extraversion and dependency over four centuries.

This is not determinism per se but more like some threshold, cumulative or overdose effect after too many missed opportunities and bad choices over a long historical period. And Bayart's analysis only recognizes some traits in African culture through which these strategies of seeking the extraversion's rents could operate, whether they supported them or were used by them, as they could have been identified in other cultures.

What are these traits that according to Bayart or others, African or not, which clash with development as we know it? There is no agreed list, even no agreement on the existence of such a conflict or on what is African culture if there is such a thing. So only a few but recurrent themes in the literature, which does posit a problem there, will be approached.

Individualism, Communalism or Both ?

The first striking example of intellectual confusion is provided by the question of individualism and communalism. Daniel Etounga Manguelle (1990), the advocate of 'cultural adjustment', sees the domination of society and 'the negation of the individual' by the community in Africa as a handicap for the individual differentiation requested by Western-type development, i.e. capitalism. 'African thought rejects any view of an individual as an autonomous and responsible being', he states, emphasizing that an African is only permitted to 'bloom' if 'rooted' in his family, lineage, clan, tribe.

Oddly enough, Bayart argues in all his works that it is an 'almost frenetic, or utmost individualism of their members that characterizes African societies'; the tight collective traditional constraints on it are just a testimony to its strength. Many founding myths of African ethnic groups are full, he asserts rightly, of ' heroes who emerge from the wild bush, take control of a kingdom, by virtue of their personal powers, of their own performance in war, hunting, magic or love'. He points out that these myths and folk tales, shaping the mindset of African children even today, carry not only with them the use of force and violence in daring and risk-taking behaviors, but also the use of hunting techniques where dissimulation, deception, surprise and trickery are essential and the resort to magic powers to appease and gain the alliance of secret and invisible forces pervasive. This unbridled individualism endowed with cynical deceitfulness and occult powers is described as the basis of all the extraversion strategies, from the enslavement of neighboring societies to the neopatrimonial predatory state and possibly eventually to the criminalization of the home states.

It is difficult to choose between two such sweeping and radical views. And it is perhaps not necessary. Being a 'big man', *un grand quelqu'un*, means being both ferociously individualistic in order to acquire preeminence and eliminate rivals, and munificently generous to one's kinship, ethnic grouping and indebted clients. Each assertion conveys something that does have some explanatory power.

Management case studies of African firms, especially of subsidiaries of Western companies, or just experience of a prolonged stay in Africa, show how much Africans can be 'exploited', in a Western view, by their extended family, relatives of relations and relations of relatives, with often, but not always, an ethnic commonality across them.

They owe them time first, including at the office. Waiting lounges of African officials, ministers and presidents swarm with relatives and regional/ethnical relations with no doubt about their right of precedence upon any timetable, in what they are sometimes fortunately deceived. They have obligations [186] of assistance, of redistribution according to their lineage, monetary, social or imaginary status towards the lessers. *Noblesse oblige* (nobility binds) as the French nobility used to say but did not always practice. The pressure on those who have an income is all the more intense when in the formal sector.

The difference between comparable African executives in one private sector Western-owned bank and in a State-owned bank is not that the former are better educated, more cleverly selected or perform better than the latter, but that the executives in the Western bank will be subject to rules, procedures, controls imposed by powerful external headquarters and that they may even cite these as a way to resist the pressure put on them by family. If they allow themselves to be 'exploited' by their kin or pals they have little chance of recouping themselves. Such strong and extensive obligations on an individual can only kill a nascent African company or drive a civil servant to 'transcend' the rules.

This is often considered as a consequence of the spatial leap of scale from local-minded ethnically homogeneous communities to ethnically diverse wider 'modern' states. At this level, growth requires effective formal institutions, such as firms and a civil service. Loyalty to family, lineage and tribe, if not reinterpreted in this larger context, or just effectively restrained, can only destroy institutions and mute development.

But African societies are not havens of solidarity for all that. These obligations can be used in a reverse way, as for instance in order to obtain cheap domestic obedient labor (or, worse, sexual 'material') under the guise of helping young boys or girls from rural relatives to find a job in town or be 'educated'. Furthermore, not everybody now accepts this kind of obligation especially when they are multigeneration urban people in large towns. As another form of perverse solidarity, the traditional practices of inheritance have become a source of extreme hardship for widows. They are dispossessed of everything they or their husbands owned, including lodging, by the latter's relatives: this is known as 'property grabbing'. The widows no longer even have, unless they are young and attractive, the dubious privilege of getting a roof, a function, and a living in the deceased brother's hut as his additional wife. The tradition, shedding whatever deep sense it had in ancestral rural life, has evolved to mere rapacity. Fortunately African NGOs have taken up the fight and are trying to make women aware of their rights, to sway the traditional chiefs and the government in their favor and convince men of writing wills and of letting their wishes be known.

So much for the domination of the community on the individual. On the other hand, the repertoires of individualism, deceitfulness, and witchcraft are indeed quite common, especially in the African way of politics as claimed by Bayart and many others. Several founding fathers of independence were common men of low 'extraction' and obscure origins (but not Houphouet Boigny in Côte d'Ivoire, a high traditional chief at a tender age, or Khama in Botswana, a descendant from the last King). And all were

[186] A survey of 58 firms in Ghana showed sales on credit were not made to kin because the potential creditors worried they would not be able to compel relatives to pay. (World Bank, 2002)

ferociously individualistic with all that conveys of obligations and display of wealth (Western made), just as their successors and challengers are now.

African politicians do not yet, as a rule, feel the need to prove or produce the image they share the concerns of ordinary people or are just part of them. On the contrary, it seems it is necessary to establish as publicly as possible they have escaped from the condition of the commoners whose support and votes they are seeking. That may change, but there is no trend. Even the display of individualism is a prerequisite.

For many centuries, due to the very sparse population and the availability of free unoccupied land, there has always been an 'exit option' (Hirschmann, 1978) for people not at ease with their community. That's often the origin of these handsome hunter heroes founding new 'tribes' elsewhere or creating kingdoms by unifying the tribes of the area where they settle. Education during colonization, urbanization then and now, formal sector occupations are the new exit options for 'individual differentiation'. There are still many constraints but 'domination of society over the individual' is not widely respected or appreciated.

The Escapism Syndrome

Escapism, avoidance of open conflict, creative dissimulation, obstinate mutism or plain lies (when found at fault), deliberate misleading words to defuse tensions, have invariably been part of the descriptions left by enslavers, colonizers and aid agencies. Bayart (1989) mentions specifically the syndrome of the *Ndiyo Bwana*[187] response as typical of the strategy to manage dependency, the denial of any divergence and therefore debate, the temporary deflection of tensions but without any authentic commitment towards the *Muzungu*, be they the colonial masters or the Bretton Woods institutions.

'Foreign occupations always inspire practices of deception and trickery' adds Bayart. Attempts to mislead the foreign master, his representatives and indeed his successors, became a normal form of conduct. Rulers themselves take a leading role in deliberately misleading the foreign partners with whom they negotiate'.

The Economist (19 August 1995)[188] described very much the same thing in other words: 'Over the past few years Kenya has performed a curious mating ritual with its aid donors. The steps are: one, Kenya receives its early pledges of foreign aid. Two, the government begins to misbehave, backtracking on economic reform… Three, a new meeting of aid donor countries looms with exasperated foreign governments preparing for their sharp rebukes. Four, Kenya pulls a placatory rabbit out of the hat. Five, donors are mollified and the aid is pledged. The whole dance starts again'. All this is quite true as this paper's author has witnessed many times.

Though Illife (1996) never alludes to this repertoire of trickery but to endurance, fortitude and courage, to 'codes of honor', he does assert that suffering, a 'central part of African experience', must have led the Africans to create their own 'ideological defenses', which is certainly a profound insight. This could account for the frequency of the codes of deceitfulness too.

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[187] Swahili words meaning 'Yes, Sir', or '*Oui, patron*' in French, expressions of day to day life for a *Muzungu* (White in most Southern Africa) or a *Mutangani* (Blanc in Coastal Gabon).

[188] Cited also by Easterly (2002b).

Magical Africa

'The magical dimension is a central dimension of the nature of public authority and leadership in Africa' states Florence Bernault (2001) as do many other Africanists. In African societies, as is or was the case in many others, misfortunes of all sorts are not easily ascribed to nature or hazard, but to the work of evil forces or spirits, possibly temporarily serving the wills of other human beings. This phenomenon seems to have proliferated in politics after the democratization wave. To protect themselves, neutralize enemies and influence events, presidents, powerful and/or ambitious people have always tended to surround themselves with manipulators of spiritual forces and other marabouts, not necessarily local or even if local, not necessarily traditional ones but 'syncretist' ones emanating from recent cults. But the intensification of 'competition' for power and the multiplication of potential hostile forces, due to liberalization, has reinforced the trend. The fashion for 'Western-type' secret societies, such as Freemasonry and Rosicrucianism, seems conversely to have notably receded from its high tide.

The fact is that invisible forces do exist to some degree in the beliefs of most actors at all levels of society, from the criminals to the politicians, from street vendors to senior executives. Typically people do think they can help or hurt, heal or kill. They fear these forces and resort willingly to witchcraft when they can afford to. Credulity is high and can come close to the grotesque when huge amounts of money are ceded by otherwise clever African people to persons who pretend to chemically convert local banknotes to greenbacks or even 'multiply' them. But superstition can take very hideous proportions too when, for instance, frightened villagers in Southern Malawi (February 2003) beat to death a man suspected of being a vampire or when mobs in Senegal (Summer 1997) burned foreigners suspected of having the power to make penises disappear with a handshake.

Most Western-educated Africans do share a belief in magical forces and at best hint at a very possible explanation for some successes: A common standardized view might well be: 'I do not believe in witchcraft operating by the virtue of the mind but I do believe in poisons and drugs that our *ngangas*[189] have and who only they have the secrets of'. And some take great care to eat food of their own cooking when they have acquired some eminent position and are making a stay in villages where envy might be brewing.

Politicians may find it very useful to be perceived as holders of invisible forces as an incentive for deference and as a marker of their eminent right to leadership. And they dread each other's schemes. This translates into the observance of very practical rules; for instance the ritual 'removing of hypothetical spells' on objects or furniture left in a minister's office by the predecessor (when a new government is formed or reshuffled), especially if he left anything of value which is highly suspicious since unlikely; plus the actual repainting, recarpeting, and refurnishing.

But in some countries resort to magic can go as far as rituals involving the use of body remains, such as eyes and heart, the most expensive being the genitals of either sex. Prices inflate during electoral campaigns, it is cynically reported. The condition of

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[189] 'Witchcraft' and 'sorcery' are testimony to the universality of the thing but do not absolutely fit with the practices in Africa. A *nganga*, (the word is common to many Bantu languages) is a sort of religious healer. He is expected to use the dangerous invisible powers only for the well-being of the community…

horribly mutilated bodies on beaches or in forest clearings is attributed by the police and the forensic doctors to the need to supply[190] this hateful market.

The resilience and ascendancy of witchcraft in politics as in many other dimensions of life, at least in Western and Equatorial Africa, has received different interpretations: the 'retraditionalization of Africa' (Chabal and Daloz, 1999), the 'reenchantment of modernity' and a way to approach it (Geschiere, 1997), one of the cultural 'repertoires' impulsing the likely return to the Heart of Darkness (Bayart, 1997), or a new phase of 'mystical configuration' after many others in the past (F. Bernault, 2001). Whatever the reason or the effect, the resort to witchcraft to control hostile forces, or at least to impress opponents by very individualistic policy entrepreneurs, is very common. Nevertheless, it does not illustrate the dominance of society over the individual, but the determination of some to use all available means to advance their ends.

Temporality and Chiefs

Other supposedly African cultural traits have been considered as conflicting with the requirements of growth and development: the conception of time and the myth of the African chief.

According to Etounga Manguelle (H&H, 2000), 'Africans have always had their own time' and colonialists did agree that 'it was easier to deprive someone of life than to put them to work' (Bayart, 1999). The stereotype is they do not plan for the future because they do not think they can influence it, except with 'irrational' means. Maintenance over time of equipment, infrastructure and cars, even of their own private cars, is quite an extraterrestrial concept on the continent. They do not accumulate capital or savings, they prefer ostentatious consumption and joyful binges…

The problem with stereotypes is that they do carry some evidence and truth but usually not in an exploitable form. And this one could actually stand for most undeveloping non-African countries as well, except perhaps for the irrationalist dimension. Africans can often happen to look like the stereotype, but it essentially depends in which environment and what this environment means for them.

Jean-Emile Mbot (1997), a Gabonese scholar, makes a few classic arguments with local materials about the meaning of time in traditional African culture. He reminds us that planning for the future was part and parcel of rural life. He mentions for instance the rule that groundnuts should be divided in three baskets, one for the seeds of the next planting, one for bad unexpected times, and one for current consumption. Whatever was kept aside for the future, groundnuts, smoked mushrooms… was to be looked after regularly in case some rodent or rottenness contaminated the rest.

The works for the year were precisely ascribed to certain months and to the two sexes; the same for the social events such as puberty rituals and the end of mourning. Time was therefore 'socially instituted' and planned for whatever was part of traditional life.

But working in an office, a house, a plant, in a distant town is not part of this cultural heritage, and many 'tribes' in their own language do call such works or places

[190] The question of whether the murders are perpetrated just to provide the human 'parts' or are full-fledged ritual murders 'celebrated' on location seems besides the point. Young children, orphans or of derelict families, and vagrant people are the usual victims, as expected.

'the work of the Whites' or 'the place of the Whites'. In Gabon, this work was often also called 'the work that never stops', in contrast to all the men's works which had a special season in the year with a finite amount of tasks to be achieved in that season. There was no 'socially instituted' time or cultural foundation for such a new type of work with a precision in time (minutes), which was useless and never thought of before colonization.

But the intellectual resources are there in the traditional values regarding saving, accumulation and the sense of hard work. Maybe they have been neglected; they have not been adapted. But certainly there is no intrinsic conflict with modernity's conceptions of time.

The myth of the autocratic absolute African chief has also been very operative in postponing democracy and freedoms. It was not at all typical of the precolonial polities which had a very complex social order, but not unknown either. In non-acephalous societies, decision-making happened usually after deliberation among eminent people of the polity (elders[191], noblemen, court dignitaries, heads of clans, from case to case) and this was not democracy either. The myth stems from the large use of chiefs in the administrative colonial system with a mandate, a delegated authority, which was usually much more comprehensive than they could have possessed in the preexisting society and even more obviously so when they were pure colonial creations. This building block of rural colonial administration came to be popularly seen as the 'traditional organization' of Africa, although it was at best just a strong accentuation of what preexisted.

Curiously, during the 1970s and 1980s, African leaders were not the last ones to recycle these beliefs and visions in the hope of erasing or postponing the demands for democracy they realized could be growing inside and overseas. They echo part of the 'Asian values' argument as initiated by Asian politicians with some aversion to civil liberties and democracy (e.g., Lee Kuan Yew in Singapore).

No African Determinism

There is no African cultural destiny precluding Africa from accessing development and any of the freedoms development is about.

The first reason is that African traditional culture (or more accurately the various cultures of precolonial Africa, essentially rural) obviously included the seeds of all the values which are considered to fit with productivity and democracy. As other cultures, including the Western one, it comprised components of other values too, leading to quite different outcomes. Abuse of authority by bumptious arrogant chiefs, stealing of crops, labor tools and hunting weapons from neighbors, absenteeism from the work to be done, laziness, and improvidence occurred as always and everywhere, but were never African values. Using stratagems in front of a superior force is a pure manifestation of wisdom and intelligence, and all peoples who had or have a limited technical efficiency in controlling their environment do turn to other forces for help[192].

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[191] Illife (1996) makes clear that the elders were not likely to be very 'old' due to life expectancy and health conditions in precolonial Africa. Elderness meant probably vigorous adulthood and social status from wealth, marriage and procreation and not toothless graybeards. There are indications of disrespect towards old age. The junior male class could be as old as needs must in order to afford a wife.

[192] That's perhaps why the 'reenchantment of modernity' strikes in the West too with the proliferation of sects, witchcraft and astrology, at a time where the potential of science and technology to control everything has been seriously revised downwards by a majority of people as compared with the early twentieth century.

Certainly colonization and the penetration of literacy, education, technology and industry were a cultural shock as much as the new level of authority, a state-level after independence, was a spatial leap of scale for African concerns. But qualitatively similar challenges, although not with same intensity, did or do face many other former colonies in Asia, which seem determined to take them up and do blame neither their traditional culture nor their former masters when they do not succeed.

Another reason is that Africa as it is now, with so little impact of its best traditional rural values remaining in its day to day life, and such a visible highly negative contemporary social capital, cannot be reduced to this complex of mistrust, corruption, trickery, witchcraft and violence.

All do exist and are pervasive in systemic proportions. Even though the mechanisms are the same in many other societies, they are not anecdotal or micro-level issues but macro-level problems and handicaps for most African societies.

But on the other hand, this view is somewhat reductionist and incomplete. Most Africans are neither corrupt nor violent — some if only because they don't have the capacity or the capability to be so —but they are collectively and sometimes individually the victims. Predators need prey. But even those who are in a position to resort to corruption may not enjoy doing so. They cross what they still see as an ethical border only when they are in a financial dead end, for buying a car after the final turns of wheel of the old one, for paying hospital fees... Civil servants who remember with nostalgia the times when they or their fathers could feed their families and give their children a good education solely on their pay are not uncommon. Corruption is not an inextricable part of a definitively estranged African mind or soul. It even seems odd to have to argue for that.

Not all institutions and organizations are just trappings of a democratic modern state displayed for the donors and the naïve over the real secret structure of power and extraction, the board of predators. There are also trade unions, student movements, business associations, demonstrations, strikes, shifts of opinion and public moods in Africa. Not all the members of the elite, even those recycled from the single-party era, are exclusively concerned with their next opportunity of feeding their own political machine.

However the main reason why there is no determinism is that culture, values, and beliefs continue evolve just as they have always done in Africa, as elsewhere. Anthropologists and Africanists took a snapshot of Africa during the first decades of colonization; this has been much refined and nuanced since then but an historical perspective of Africa over the centuries has now been generated. The African polities and customs vary across the continent and have much evolved over time too. Unsurprisingly there were political histories. At times chiefs claiming seniority did succeed in enforcing their authority upon their peers though there had never been a central authority before; then their successors lost supremacy again. States appeared and disappeared.

Societies, identities, beliefs and rites evolved too, without any Western pressure, challenge, or advice. The formation of the Zulu kingdom and nation[193], the *Mfecane* (the 'great crushing' in Ngoni), ultimately unified under Shaka's leadership in the late eighteenth and early nineteenth centuries, is clear evidence of that. Rivalry between chiefs and kingdoms over valley lands during a prolonged drought escalated until there was only one victor.

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[193] Except for those who fled or withdrew Northwards generating conflicts such as the Kololos who subjected temporarily Buloziland and the Ndebeles who settled in present Zimbabwe.

One innovation was the replacement of local initiation of young men by chiefdom-wide age regiments. 'Militarism' overcame segmentation (Illife, 1996) and the kingdom, notwithstanding the brutality of Shaka and the creation of an aristocracy from the original 'Zulus', 'survived both as a political entity and in its citizens' minds' (ibidem).

Another trait of African evolution is the pragmatism constantly displayed in religious practices. The ultimate test was 'whether they worked, whether they relieved human misfortune, secured fertility…health' (ibidem). Validation by success, if by chance, allowed, for instance, some British missionaries in Malawi in 1889 to get permission to set up a mission from Mbelwa, a Ngoni ruler, because rain fell the day after their prayer, though Ngoni rainmakers had failed to make it happen for several weeks. Eclecticism made ideas and practices of any source acceptable if they seemed to work. And syncretist cults mixing Christian and animist traditions flourished in the early twentieth century in addition to the progress of Christianity itself.

And evolution is ongoing right now, though the outcomes are not always obvious. Urbanization is rapidly taking place and according to most projections by 2025, a majority of Africans will probably for the first time live in an urbanized environment. There are countries and zones where it is already the case and others where the 50% urbanization rate will not yet be reached in 2015, but the trend is strong. The shift from rural to urban society with high intermingling of diverse people will again transform social attitudes and behaviors. Some norms will be less strictly enforced, some may emerge, pressures will rise in populations which will be massively young.

Witchcraft may be expanding but religion could be an even more significant growth sector. From 1950 to 1990, the number of African Christians[194] is estimated to have increased from 34 million to 200 million, much more than the demographic impact. The traditional churches (Catholic, Protestant) do not typically benefit from this or do so far less than the countless independent churches that have been created and are still being set up. They spring up easily, in the most simple or unusual premises with hotheaded charismatic preachers and noisy music. Revivalist and born-again churches are typical. Financial demands, up to 10% of incomes [195], are accepted and respected with a spontaneity that defies comprehension if compared to what takes place outside. Recruitment cuts across ethnicity and social status: ministers, students, teachers, shopkeepers, street vendors…

Here the arrow of values is crystal clear: thrift, honesty, hostility to domestic violence and drunkenness, punctuality…It begins to resonate in the political arena with the emergence of new types of politicians. However, President Chiluba was a 'born again Christian' and that does not fit well with the charges he is facing after the Zambian Parliament stripped him of his immunity in July 2002. Still, this religious fervor 'could be the sign of the deeper formation of an idea of freedom and justice' (Bayart, 1999).

Democracy may not yet be firmly embedded in Africa but Africans are less and less amused by that. In every country, there is a growing 'tribe of democracy', as the umbrella organization committed to the enforcement of the annulled 1993 Nigerian polls

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[194] Islam (and Islamism) is also making inroads in some parts of Africa. With distinct causes and effects , this would require a separate long development.

[195] Not all preachers are sincere of course. Some make a profession of it for pure material concerns. They move in search of another flock when the first one has been shorn of its wool or has lost confidence in the shepherd.

(Chief Abiola was set to win) was named. African NGOs are setting up and increasing the pressure for transparency and change in political, social and cultural matters (female genital mutilation for instance).

Since donor money supports these moves, part is certainly due to an 'extraversion strategy of seeking rents'. There are many instances of seemingly well-intentioned associations that turn out to have been established with the sole objective of getting a subsidy or providing a permanent job for the instigator: '*Associations lucratives sans but*' in Francophone Africa or '*Profit non-societies*' so to speak, rather than non-profit societies. Even Transparency International had corruption problems with some of its own local chapters. But it is hoped this move is well embedded in society and will impact on the macro-level some day.

Trust is abysmally low in African societies. In many countries the idea of independent electoral commissions is pushed forwards in order to monitor free and fair elections, from the registration process to the proclamation of the results. Nominations of the members of the commission cannot obviously be left to one side only. Even the Chief Justice is rarely trusted. When it is suggested that the main political parties should collectively agree on the names of eminent citizens, academics, retired justices or else, beyond any suspicion of partisanship, it is quite despairing to see, in countries of several million people, that typically they cannot agree on a single name. In another case, where there was a unified opposition, the latter insisted on an equal share, not only of the membership of the commission, but also of the main positions in the staff assisting it, including a computer scientist from the opposition in order to 'mark' the one supposed to be affiliated to the majority. Positioning a foreign white executive or technical assistant[196] sometimes appears as a solution to the lack of trust. It may be even requested by the African part for remedying the impossibility of finding a neutral local.

The overall balance is not positive. Africa has mostly been a disaster economically and politically since independence and continues to be so, if we accept that democracy has not taken root deeply enough. However the future's script is not written; there is no cultural destiny, though some frictions between customary obligations and growth-enhancing norms do exist. But 'the same cultural representations can serve various schemes of social action'(Bayart, Ellis, and Hibou, 1997), alternatively or successively, in Africa as elsewhere, in Asia e.g., where the 'feudal' Confucianist values were close to be reconsidered only a few decades later as the local reincarnation of Weberian Protestantism, the Spirit of Capitalism.

Wounds to Heal

Wole Soyinka, the Nobel Prize Literature Laureate from Nigeria, was already complaining on his 50th birthday in 1984 that his generation of African elite had been wasted. A second might well happen to have been wasted too. But there is timid hope that Africa is someday going to get off to a good start and maybe the liberalization of the 1990s was the beginning.

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[196] In many Francophone countries, from independence until the late 1980s, the various national offices in charge of organizing the 'baccalauréat', the certificate for the completion of secondary education, were often run by French technical assistants or nationals. Their replacement by local officials having a potential access in advance to the subjects, to the circulation of the papers and the reattribution of notes from anonymous numbers to names, was a highly sensitive issue. Sometimes it was resisted by the local government who requested France to name a successor (vainly). Most apprehensions were proved right.

Perhaps one major problem comes from this hypersensitivity of the relationship with the West. Many authors have come close to the difficulty of being an African. Bayart (1989) cites a Cameroonian philosopher F. Boulala arguing that 'What comes first for the *muntu* (the African human being) is neither amazement nor astonishment, but only stupor caused by the feeling of total defeat'.

It is not only suffering that was a central part of African experience as Illife stated, but 'domination of the mind and the body' (Mudimbe, 1988). It is difficult to see how and when the slave trade and colonization could have nurtured self-appreciation and self-confidence. Almost any access to knowledge has to occur in a language different from the one spoken inside the family. It cannot but be infuriating that the best books to understand what you are, where you come from, the history of your continent, are written in the languages of the colonizers by people from there. Fortunately this is changing, but it is still essentially true. And it must be vastly disturbing. White Africanists have been explaining for such a long time to Africans who they were and even who they are now, in the post-independence era! And worse, these Africanists are not so bad.

More deeply this relation of suffering and violence with the West has also opened new intellectual and cultural horizons which possess an authentic attractiveness and this happened to be, and still is, a most destabilizing element for building an African identity. Christianism has gained many hearts, education and science have generated new ways of thought. The genius cannot be stuffed back into the bottle. And the relation with the West has not been immiserating. There is still fascination for Western goods. Things may look better or are valued more if foreign just for that. In some African capitals it is not uncommon to see young girls and women spend silly amounts of money on (sometimes dangerous and spurious) ointments and treatments to whiten their skins and look superior. Rural and traditional values and beliefs are usually viewed negatively, conveying a sense of backwardness.

But ideological defenses have also been developed and have displayed a veil of intellectual mistrust towards what seems to emanate from a perceived unending Western tutelage. Africa has to come to terms with this cultural schizophrenia which unfortunately has nothing to do, apart from a happy few exceptions, with the 'heteroculture' of people moving at ease in several cultures, religions and languages. There is resentment and attraction and both are ambiguous: xenophilia for the goods, ambivalence and syncretism for the values and ideas, repressed xenophobia for the people delivering messages and requests, always seen as paternalist.

Valentin Mudimbe (1982) conveyed something of this dilemma and complexity: 'For Africa to really escape the West, it requires to appreciate exactly what it costs to be detached from it; that requires to know how close the West, insidiously perhaps, has come to us; that requires to know what is still Western in what empowers us to think against the West; and that requires finally to measure the extent to which our recourse against it is still perhaps a ruse from it, at the end of which, the West awaits us, motionless and elsewhere'.

There is a huge lack of trust in African societies but the main absence is probably self-trust, self confidence. That's the mission Chinua Achebe (1990) assigned to himself: 'Here then is an adequate revolution for me to espouse: to help my society regain belief in itself and put away the complexes of the years of denigration and self-abasement'. But it is suggested here that the historically useful and healthy ideological defense, or even defiance, against the West is now obstructing this very task of rebuilding self confidence.

The reassessment, reinterpretation by Africa of its ‘traditional values’ and of its hate-love relationship with the West, the world of the Whites, must not be captive to old reflexes which are useless and even self-defeating now.

Africa should take, as in the past, whatever works and change accordingly whether or not this was invented, experimented, envisioned elsewhere and even if white-colored people do happen to advise or urge Africa to do so. Romanticized Afro-centrism or self-denegation cannot achieve that. Only de-complexed self-confidence will.

5 - Concluding Remarks

One theme of this paper has been to invite to skepticism towards some alleged axioms in the three questions which have been touched on. Much attention and credit has been given to the academics who check the theoretical and empirical foundations of any assertion that could be used as a policy advice, or worse, as a conditionality.

This accounts maybe for the apparent paucity of results in terms of universal operability and normativity. Socrates has already remarked: ‘The conscience of our ignorance is the beginning of doubt, which leads to wisdom’.

The critical issue is that human beings trapped in poverty have a quite different sense of urgency. But applying false or dangerous remedies will not help either. After all, why shouldn’t an active principled skepticism be worth trying? Could it ever achieve worse than the fiery constructivist ideology of the founding fathers of Africa or the one-size-fits-all market fundamentalism of the last and lost decade?

Where did the main questions emphasized by this paper lead in very broad terms?

- Maybe development is becoming a reality for a majority of the human population, if China and India are really on a catching-up growth path. If true, development is not for all that a global process. Many regions, the Middle East, the former Soviet Asia, Latin America, Africa, which together comprise one-third of the world’s population at least, lag behind.

Is there a gravitational economic force that would make them join later? There is no evidence. As Chinese Foreign Minister Chou En-Lai reportedly answered in 1965 to visiting French Culture Minister (and writer) André Malraux, who was asking about his appraisal of the French Revolution, almost two centuries earlier: ‘It is too early to say’. It is not too early to act however.

Globalization is a force but not an unmitigated good even when considered in the economic and legal sphere, which is only one of its many aspects. At the country level it looks more as a measure of success than a policy tool for success. Importing ideas and capital goods is much more important than liberalizing imports. Other dimensions are highly disturbing. The globalization of terrorism and criminal networks, for instance, are unmitigated evils.

At the world level the main problem is to manage globalization and to ‘make it work for development’. Economically that means a genuine development round including a review of some existing agreements. Institutional capacities of global governance should generally grow to keep pace with the increasing global challenges and risks. This probably implies creating new international regimes and to revisit the current architecture of all organizations as well as the contents and global coherence of the various binding conventions and protocols. It can result in a variety of outcomes, liberalizing, regulating, prohibiting or enforcing, depending on which dimension and subprocess of globalization is at stake.

It may entail strict common rules, or just core common rules, or a framework of procedural and interfacing rules on institutional diversity. There is no compelling reason for convergence of rules when deep and legitimate valuational gaps exist. One mandate of the global governance institutions should be to mediate and control this diversity.

Growth, and *a fortiori* development, is a societal and organizational process which we do not know how to replicate, even if the main determinants have been broadly and qualitatively identified. There is unfortunately no single cause or easy-to-turn key to growth. It is even amazing to see how much growth had sometimes been promised or envisaged by aid experts from the apportionment of altogether modest resources (by Western standards) in Third World economies. If actually at hand, such knowledge would also be most useful to politicians in developed countries. There is on one hand need for a more pragmatic view of the respective roles of government, as the main agent of change for policies and institutions, and of markets, as processors of decentralized information and preferences, on the other.

Both have limitations and failures. They can alternatively undermine or reinforce each other, because they are mutually dependent for their efficiency. Peter Evans put it provocatively but correctly in 'The State as Problem and Solution' (1992): 'Capitalism and bureaucracy have found each other and belong intimately together'. One should see markets and governments 'as working together, in partnership, the precise nature of the partnership differing among countries, depending on their stages of political and economic development' (Stiglitz, 2002). Both Stiglitz (ibidem) and Rodrik (1997) look forward to the same breakthrough and subsequent broad intellectual change that Keynes offered in his time, in rethinking now the roles of national and international institutions.

Institutions, their structures and their principles, the adequacy between the social capital of the agents and these principles, loom even larger than governments as the deep determinants of growth. Social capital has obvious cultural dimensions and ultimately social values and ethics seem essential for the efficiency of capitalist institutions.

Africa presents a rare combination of handicaps: poor soils, infectious diseases, small economies, landlockedness, declining rainfall since the 1960s, hasty and badly prepared independence, high dependency demographic ratios, terms of trade losses since the mid 1970s. None of these handicaps is specific to Africa. All are or have been experienced somewhere else and should not be insuperable.

Cultural and sociological factors cannot be discounted. The stylized view is the spatial leap of scale from local-minded ethnically homogeneous communities to ethnically diverse wider modern state-type polities. Loyalty to family, lineage and ethnic group, if not culturally reinterpreted and adjusted to this larger context, or just effectively restrained, can only undermine the formal institutions whose efficiency is required for development at this level of transactions. Manipulation of these loyalties by politicians makes things even worse and harder to deconstruct. But this is not unknown elsewhere.

Moreover, some new handicaps have emerged for most African states in the post-independence period due to an exceptionally harmful historical trajectory. The neopatrimonial state has generated widespread corruption within the civil service and the public sector, causing a massive negative externality with a pervasive lack of trust in behavioral patterns. Inept and predatory policies have certainly produced poverty traps, forcing a low-level equilibrium. But there could well be an 'ethical trap' too, and simply reversing economic policies will not suffice to escape from it. Still, there are a few indications and flames of hope that more and more Africans want this deeper change and that they will prevail if an embedded democracy gives them a chance. After all, isn't freedom the 'ultimate ethical frontier', as Achille Mbembe (2002) asserted?

Finally it appears that one major impediment to Africans facing their innumerable hard challenges might be their lack of trust in themselves and their so understandably delicate yet disorderly and heated relationship with Western ideas.

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Development is not taking place, at least for a majority of the world's poor, and globalization, which has been so rapid in the last decades, has not generally enhanced it. The questions raised in this paper are just a few of many. Several more perspectives deserve consideration and also lead to challenges and risks. One can think for instance of the waste of talents (and lack of feedback on health and demography) induced by gender inequality, of the knowledge gap between the technology innovators and the technology excluded (Sachs, 2000a), and of the famous digital divide .

Distributional issues are also crucial and disturbing. Lundberg and Squire (1999) have shown that the costs of adjustment to greater openness are usually concentrated among the poorest 40% while the benefits go to the richest 60%. It's always theoretically assumed that any measure or trend generating a net gain to the society is 'positive' since there is a possible compensation of the losers by the winners. But this does not settle the case. That theory is now disputed because distribution and efficiency can no longer be dissociated in principle if information is imperfect. More importantly, not many politicians and economists happen to be interested in knowing whether and how the compensation takes place in practice, which should be a major issue before enforcing or allowing any 'change'.

Environmental risks are huge and increasing. Several global-life support systems seem already endangered, and it may be cynically advanced that it is fortunate so many countries have not yet partaken of the Industrial Revolution. The universalization of the affluent way of life, and especially the American one, on the basis of our still too primitive, 'smoke and fire', low-thermodynamic-yield, present technology is probably not sustainable. There is a huge scientific and political challenge to shift the development paths towards lighter and softer technologies.

A complete list of issues would be daunting indeed. In any case, the purpose of this paper is not to suggest any wide encompassing agenda for action. Many excellent and thoughtful documents have been proposed by bilateral aid agencies, international NGOs and the Bretton Woods institutions. Obviously they do not always cohere, and they rarely prioritize, since every theme is either crucial, essential, vital or fundamental. But they provide a very comprehensive presentation of the host of things that need to be done, fixed or reformed, even if the details may vary or the contents may conflict from one document to another.

The rhetoric of the two global institutions in charge of development (or interfering with it) has substantially and surprisingly changed in the past few years for the better. Trade is still overemphasized but there is a new sense of questioning prompted by too many obvious failures in Latin America and Africa. With a little bit more of welcome intellectual humility, a new culture is gaining ground. The need for transparency, inclusiveness, independent evaluations, explicit balancing of options, divergent opinions and risks in country strategies is being recognized and gradually addressed in practice. Rhetoric is not yet matched on the ground by actions very different from the previous programs and projects. The respective staffs of the IMF and the World Bank are still very much in charge, if only for practical and logistical reasons which they do not complain

about, of designing the 'owned' policies and conducting the 'participatory' processes. But things are moving.

There has been also another change of rhetoric for the better at the world's highest political level with the adoption in September 2000 of the Millennium Development Goals (MDGs) which propose among seven other objectives to halve the proportion of people in extreme poverty by 2015 and the holding of the Monterrey Conference on the financing of development in March 2002.

The Monterrey consensus has identified two pillars to the global partnership for development:

- Self-responsibility of the developing countries for pursuing sound policies and achieving good governance;
- Solidarity of the international community which is committed to provide stronger and more comprehensive support.

This new 'consensus' bears testimony to the realization that fighting poverty is not only a moral obligation but essential to the security and welfare of the rich countries.

The president of the World Bank would like the latter to expand their aid budgets by $10 bn per year so that after five years total aid could double from the present $50 bn to $100bn. This is more or less what the World Bank estimates it would take to achieve the MDGs. A few major nations have recommitted themselves, domestically, to the increase of their assistance such as France and the UK. The United States, though starting from a very low level of effort in proportion of GDP (0.12% versus an average of 0.22% for OECD members), has made substantial announcements too, on fighting AIDS especially, somewhat unexpectedly due to the general stance taken with respect to so many other global issues. Nonetheless, it is clear that Official Development Assistance will not double in five years.

There has not been too much progress on the first pillar either, and it is quite certain now that a majority of African countries will not be able to meet the MDGs. (UNDP, 2002). In their case, the first pillar was to be supplemented by the New Partnership for Africa's Development (NEPAD) adopted at its inaugural summit in Durban by the African Union in July 2002. It was meant to be a kind of collective African self-responsibility for promoting peace, economic growth and good governance. It is paired with a specific G8 action plan. But its key peer-review process under African ownership has yet to deliver anything, despite the obvious urgency of Zimbabwe's case. This can only undermine the credibility of NEPAD in the view of its foreign partners.

There is however a wide scope of action for the latter, the affluent countries. In the light of the themes of this paper, a few points call for special attention, due to their possible critical impact on development and Africa, at the international level and at the country level.

The 'international trading system remains distorted and, especially, biased against developing countries' as even Horst Köhler (2003), the managing director of the IMF, remarked recently. Prohibiting any subsidy to exports of agricultural surpluses, outside the strictest rules of humanitarian aid, and removing existing trade barriers in agriculture, and those still in force in textiles and clothing (though phased out in principle), would be a major avenue for promoting production and exports in developing countries.

International public goods tend to be even more underprovisioned than national ones, since the most important international public good, the global governance capacity, the very existence of a potential 'producer' of international public goods and the

equivalent of a domestic government, is itself very much underprovisioned too. Some international public goods would, however, clearly benefit from a strategic mobilization for development: the research for controlling infectious diseases and for boosting agricultural yields in tropical countries, and the infrastructure in transports and communications for Africa.

At the country level, one recurrent but fundamental question for making development happen or at least give it chances to happen, is how best to induce change in a given country for a foreign partner? And are there any limits to the right of foreigners to 'care' for the locals and interfere in their domestic affairs.

Is it right, for instance, for an embassy or an aid agency to finance the logistics of a key meeting destined to initiate the formation of a non-partisan coalition to oppose the efforts of an autocratic president to amend the constitution in order to run for a third term? Each diplomatic service or agency has its own rules, but the question is not whether these rules permit it or not, which has an easy answer case by case, but whether they should or should not, and whether it should also be legal from the perspective of the local authorities.

This debate is much more embryonic than the legitimacy of foreign, hopefully UN-sanctioned, military intervention in egregious cases such as ethnic cleansing and genocide. But what about massive corruption, gross ineptitude, policy-induced famines and prolonged economic decline? Isn't there good ground for foreign intervention?

It is true that some very isolated voices have even come to suggest for the poorest region, Africa, the unthinkable solution of 'recolonization'. They refer however to some UN tutelage, either direct administration (Kosovo or Timor's transition to independence) or the monitored trusteeship by another nation. Such views have been expressed by William Pfaff (1995) in *Foreign Affairs*, by Sam Mbakwe, a former Imo State Governor in Nigeria, who asked Britain in 1983 to rule again the country, and regularly by Dr Ali Mazrui, director of the Institute of Global Cultural Studies at Binghamton State University of New York. For the latter, though, it should be more an African self-recolonization, some dysfunctional states being administered by other African states.

Instead of iconoclastically calling it recolonization, *development orthopedics* would perhaps be less infuriating. In theory, if the tutor nation or tutor organization taking responsibility for the other is truly benevolent and possesses high institutional quality, it sounds like an evident solution for the failed states and a form of grant of social capital to the states where an 'ethical trap' is operative,. By ending impunity and temporarily introducing another hierarchy, it would 'force' another equilibrium in the civil service, the police, the army and the judiciary, where most people would again find it rational to just do what they are supposed to do.

In practice there is neither demand nor supply for such an option. Local politicians and parties, whether old or young, would find it, rightly, offensive to their capacity to rule and would have no difficulty in fomenting hostility and violence to the foreigners, whatever their color or their distance. And it is hard to see which affluent country, especially the former colonizers who decolonized for very good reasons, would be ready to take such risks and incur such costs. Times may change and precedents might happen in extreme cases. Somalia could have been the first one if foreign intervention had not already been tried and dismantled after significant casualties.

At a regional level there is, however, an opportunity for using organizations and procedures as agencies of restraint. The two Francophone African monetary CFA zones

have technically proved to be effective in limiting inflation and achieving a healthier banking sector. In a wider view, the global benefit of course depends on a realistically valued rate of exchange, but these monetary zones provide an example of how regional integration by the rules can place some restraints on the practices of the governments and also offer an adequate and not too intrusive level for providing foreign expertise. Another example, more recent, is the OHADA, or in English, OHBLA, the Organization for the Harmonization of Business Law in Africa. Its purpose is to provide a common institutional and legal framework for business in Africa. It is not only enacting new, uniform and updated laws but also providing a Common Court of Justice and Arbitration with the power to review the decisions of the national courts.

So it appears that regional integration, besides expanding the scope of each small economy into a large unified market, could also be used as an agency of restraint in a variety of matters: political and civil rights, conflicts, regulation of media… Donors should be more supportive, and African countries could see it as an African way of doing the 'right' things without the perception of surrendering to the 'indirect rule' of the Bretton Woods institutions. But NEPAD, which is much less ambitious in its peer-review mechanism, is hardly an encouragement.

At the country level and short of such extreme measures as recolonization, or even of supporting directly some challengers on the political scene, the single best approach is to improve the conditions for change: opening and improving information, ensuring a voice to all stakeholders, favoring institutions that allow changes based on inclusive debates and informed choices.

Information is an intervention in itself (Stiglitz in Meier and Stiglitz, 2001). Its availability can change the behavior of actors, those who receive the information and those whose behavior is reported. New information can create demand for new behaviors and institutions. That obviously refers to the importance of access to information, of press freedom and of a vibrant civil society. More specifically the legitimacy of aid agencies to directly conduct actions in the media sector for ensuring their existence, independence, quality, and coverage, and for their representatives to take part in the public debate when requested to, within the respect of chartered principles, should be unconditional.

As David Dollar and Lant Pritchett (1998) repeatedly emphasize in their masterly synthesis on *Assessing Aid. What Works, What Doesn't and Why*', if aid effectiveness has proved highly variable over time and across countries, depending mainly on the local policy environment and the genuine ownership of the reforms, dissemination of ideas and knowledge, whether general or specific, are 'typically more useful than large-scale finance'. This implies very intensive staff inputs, and deep personal involvement in all sectors of society with inevitable frictions and errors. This constructive engagement must continue, and is even more valuable when large projects have to be stopped or suspended due to the absence of any genuine momentum for reform.

The accent on information — more and better information accessible to more people plus giving a voice to all stakeholders, their voice being information for the others too — leads to the institution which seems the most appropriate to decide on a change, which changes, and to commit to them. Unsurprisingly, democracy, an inclusive and pluralist democracy, respecting and enforcing the rule of law and the effectiveness of civil and political rights, is the logical and empirical candidate.

Sen (1999) denies that authoritarianism works well as a rule, notwithstanding the high economic growth of China and South Korea. He finds there is nothing in the various

policies they resorted to that is inconsistent with a democracy or is necessarily sustained by an authoritarian regime. And democracy has, in his view of development as freedom, 'importance of its own'. Rodrik (2000) even sees democracy as the 'meta-institution' most likely in the long run to deliver the policies and to mould the institutions that are required for high growth and development. He finds evidence in a survey of 90 countries that democracy is conducive to higher growth over long time spans and that growth rates are also less volatile in democracies because adjustment to shocks will be less conflictual. Although partisan of institutional diversity, he suggests 'conditionality would be better targeted at basic political freedoms' than at specific technical reforms. The World Bank (2003) agrees that despite their frequent leadership changes, democracies can better commit to the long run.

Dominguez (1998) had already described the 'mutually reinforcing nature of market development and democratic development'. Liberalizing the economy should help to limit opportunities for corruption and restrain the abuse of power. A commitment to economic reform by a democracy is a boost to the credibility in the irreversibility of the reforms. It can substantially improve its chances of success by stimulating the expectations of domestic and foreign investors.

Is it not strange that investigation of some facets of economic issues — how to make globalization work for development, the determinants of growth or the handicaps of Africa — so often led to an emphasis on the role of ideas, values, culture, ethics, democracy and freedom? There is no compelling conclusion with so volatile, elusive and sensitive subjects. But the ideas of right and the right ideas seem inescapable.

After all, corruption and embezzlement are not technical issues where some expertise will design the appropriate institution and rules that will eradicate the phenomenon. This is about values and politics, and democracy is the right procedure for discussing and addressing the issues.

As Landes (H&H, 2000) put it, 'things cannot be sweet'. Hard choices have to be made. Making the world better implies, perhaps very logically, more ethics, more efforts, more democracy, and this is not the line of least resistance. Development means growth which implies efforts too, of productivity, technological and social. Ideas that implicitly or explicitly condition technological and social productivity and the reasons to produce will always be a dominant factor.

A famous quotation of Keynes states this intuition much better, at least for the modern times, because prophets and conquerors too often made their point in the past:

'The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else'.

For Africa, that means Africans will themselves make their own history, for better or worse, and foreigners should just try to ensure that all Africans are allowed to make an informed choice and have a voice.

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