‘There is economic growth, but the structures of Africa’s economies remain unaltered’

Robert Bates

In 1997 the Africa Economic Research Consortium—a network of professional economists, headquartered in Nairobi, but ramifying throughout Africa—launched a study of the continent’s economic performance in the post-independence period. In 2007, it published the two-volume product of this effort, The Political Economy of Economic Growth in Africa, 1960-2000. Among its many findings is one highly relevant here: An understanding of the economics of Africa requires an understanding of its politics. I participated in the project, and as it was coming to an end, I asked myself: Were we now to address Africa in the period since the year 2000, would we find it much changed? The answer was a resounding “Yes!” In his essay, Edward Miguel highlights several reasons why.

Since the mid-1990s, the economies of Africa have grown, and all who experienced the misery of the collapses of the 1970s will rejoice at this. Peace has returned to Liberia, Rwanda, and Sierra Leone; all will celebrate this change as well. Governments in Africa now periodically contest elections. As Miguel suggests, for the first time in decades, Africa appears to enjoy the prospects of prosperity, peace, and good governance.

But Miguel overlooks some reasons for Africa’s new prosperity. And I am more skeptical than he concerning the stability of Africa’s politics and the quality of its governance.

Miguel rightly notes the impact of economic growth in India and China on the economic fortunes of Africa. Both the growth of Asia and the increase in petroleum exports have sparked the renewal of economic growth in Africa. But they also limn a new geopolitical order.

As we consider the myriad effects of increasing African ties to Asia, it is vital to remember that economic improvement in Africa can be fleeting. That the major portion of Africa’s wealth is lodged within such fragile political entities as Nigeria and South Africa does not bode well for the future welfare of the continent. Half the wealth of Africa accrues to those two states. The last national elections in Nigeria were stolen and the current president continues to rule only because the courts allow him to, fearing the chaos that a new election would bring. The prospect of next year’s elections in South Africa threatens to split the governing party, sewing the politics of South Africa with discord. Côte d’Ivoire and Kenya were once regarded as examples of successful development in Africa. The one now stands divided, with different zones occupied by different political forces, and the other is teetering on civil war. All underscore the fragility of peace and prosperity in Africa.

As Miguel notes, peace has returned to some of the most violent portions of Africa. But conflict still characterizes much of East and Central Africa and it has broken out afresh in the Sahelian zones. Miguel also points out that the majority of governments in Africa are chosen in competitive elections. But, as events in Nigeria reveal, incumbents are discovering that the current electoral system can be managed; party competition does not imply political accountability. The tragic consequences of Kenya’s last election provide further evidence that, when faced with the threat of loss of office, incumbents are willing to turn from peaceful competition to political violence.

So, yes, things have changed. However, I would characterize the change as one of magnitude rather than character. There is economic growth, but much of it derives from primary products. The structures of Africa’s economies remain unaltered. Several of the most intense conflicts have ended, but others continue and new ones threaten to break out. Political competition has replaced authoritarian governments, but governments have learned to rig elections so as to retain power. While I join Miguel in celebrating the progress that is being made, my joy is more tempered.

‘The impact of mobile technology in the developing world is staggering’

Ken Banks

Edward Miguel’s examination of sub-Saharan Africa’s economic development and foreign aid interventions as the major economic forces affecting the region. Foreign aid, foreign direct investment, the colonial legacy, and so on: each plays a significant role in explaining current and future growth in Africa. Indeed, Miguel’s focus may simply be a reflection of what has emerged over the past forty or fifty years as the prevailing view of the African majority. According to this understanding, many Africans have been passive victims, or beneficiaries, of outside initiatives, lacking the money, tools, and resources to release their own economic shackles. I am not sure that this story was ever true. In any case, the current picture is very different. Moreover, while Miguel provides an analysis of for-
One of the Nigerian NGOs, many Nigerians describe losing them as literally a matter of life or death for their businesses. More widely, the spread of mobile phones has created significant or informal employment opportunities. For example, a recent report by the Uganda Communications Commission found that country’s information communications technology sector, a majority of which is the mobile industry, officially employs roughly 6,000 people. The informal sector, which engages in support activities, represents over 350,000. The numbers are monumental. If we ignore this informal sector, a considerable amount of economic activity will be overlooked.

Anybody who has traveled to an African country in the past couple of years could not have failed to notice representatives or analogues of these 350,000 Ugandans: women selling airtime on the streets; children dodging cars at main junctions, selling chargers and phone covers; street vendors selling people’s phones for a fee; and mobile phone repair shops squeezing one last drop of life from old phones. There is also a thriving second-hand market, with stalls selling all manner of new and recycled handsets. Entrepreneurs are even building their own traveling mobile services, stripping phones and spare batteries to the fronts of bikes and seeking out businesses.

In a much-cited 2005 study, an economist at the London Business School concluded that an extra ten million mobile phones per hundred people in a “typical developing country” leads to a 0.59 percent increase in GDP per capita. The insatiable demand for mobile technology generates significant tax revenue for the government, but much of the growth can be found in the increasingly efficient informal sector, out of sight of governments and economists. At the bottom of the pyramid, where micro-loans of just a few dollars are a proven catalyst in helping women work out of poverty, the diffusion of mobile technology has the clear potential to do the same.

As more and more people become connected, future studies of sub-Saharan Africa and its economic potential will find it increasingly difficult to ignore the influence of mobile technology and the spirit of African entrepreneurs who capitalize on it. The root cause of conflicts in Africa is not poverty per se. It is the perception of poverty that is the root cause of conflicts in Africa.

Otto Ajakaiye

I t is important to explore—as Edward Miguel does—the factors responsible for the contemporary growth in sub-Saharan Africa because we have been here before. In the first decade after independence, the continent experienced reasonable economic growth before a massive three-decades collapse. Understanding today’s growth will help stem the risks of a new downturn in the second decade of the twenty-first century.

I also believe—along with Miguel—that Africa’s recent gains in political freedom have played a role in the latest economic successes. A growing number of countries operate under democratic governance and enjoy the associated press freedoms, scrutiny of public office holders, and rule of law. Punishment for those caught stealing at the ballot box may have played midwife to economic growth.

And China’s contributions to new growth are not in doubt, as African countries now benefit directly or indirectly from high commodity prices; affordable Chinese imports; growing investment, especially in extractive industries; and, increasingly, development-enhancing aid packages for education and health. However, China’s contributions pose certain challenges, namely, how to sustain growth when primary commodities continue to dominate Africa’s output and income; the inevitable collapse of commodity prices as China engineers itself out of raw material-intensive production systems and into more knowledge-intensive ones; and the risk of so-called easy loans kicking in debt in the future. How can African policy makers and researchers best avoid these hazards?

Miguel takes his discussion of China’s role the important issue of access to U.S., E.U. and Japanese markets. Here, it is a crucial matter that requires greater consideration. With the related Economic Partnership Arrangements (EPAs) being actively promoted by the European Union, any discussion of Africa’s economic future warrants a serious look at whether the European Union is friend or foe of today’s African renaissance. The EPAs may present challenges to sustaining the current growth, challenges similar to those posed by the dominance of primary commodities in China-Africa trade. Another issue Miguel neglects is the need for African economies to build manufacturing capacity, and hence take advantage of access to world markets.

On the role of foreign aid, Miguel seems sympathetic to the view that Africa remains poor today despite hundreds of billions of dollars of foreign aid. Skepticism regarding the benefits of aid to countries plagued by corruption is fair, but one wonders if this is the whole story. This view assumes that there are no problems from the donor side. In fact, the donor community itself does not share this rather one-sided view, as evidenced by the spirit of the 2005 Paris Declaration on Aid Effectiveness.

In terms of costs and contagion, I, for the most part, agree that the impact on growth can be devastating. However, the proposition that it the economic growth of the last seven years continues for another decade or two African economies will be richer and more diversified and thus less at risk of falling into conflict has the feel of putative mutandis. Can we take for granted that diversification is in the offing? After all, the sub-Saharan growth process is driven mainly by primary commodities. What will ensure that growth is accompanied by equity, perceived or real? The root cause of conflicts in Africa is perceived or real economic and social inequality. We cannot assume away the challenges of economic diversification and equity. To sustain growth, policy makers must face them, and analysts must propose policies that can help achieve them.

The threat of continuing damage to the contemporary growth process is real and urgent. But Miguel gives the impression that, in spite of climate change, Africa will remain a primary commodities producer. He explains his almost exclusive attention to adaptation to drought through aid and research into drought-resistant crop varieties suited for the Sahel. With this kind of adaptation strategy, one wonders how African economies can become diversified, and thus less at risk of falling into conflict. I would have expected Miguel to also discuss the kinds of support that African countries would need in order to pursue clean development. African countries must have guaranteed access to green technologies so that, as their economies grow and diversify, they will not repeat the mistakes of advanced countries. Sub-Saharan Africa needs support for creating financial and other institutional structures that will enable it to develop in a climate-friendly way.

It is, indeed, too early to tell if Africa’s time has come, but we must call for necessary action on the part of all stakeholders in African development to learn from recent success and give the continent its best chance to sustain those gains.