Prospects for Growth in Africa: Learning from Patterns of Long-Term Economic Change

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Less than two years ago in the *African Economic Outlook 2008* the OECD reported that "for four consecutive years Africa has experienced record growth". The report further projected economic growth to rise up to 6 percent in 2009. The IMF recently reported that growth had turned to stagnation expected average per capita income across sub-Saharan Africa to fall in 2010. Whether the current slowdown will prove to be a short term fluctuation, or the beginning of another period of prolonged economic stagnation, it is still too early to tell.

The recent turn of fortunes was unexpected and did not originate in the African domestic political economy, but was rather a result of world economic conditions. Last time, in the 1980s, when growth failed across most African economies, a vivid debate ensued. At stake was whether the growth failure was due to internal or external causes. In practical terms this debate ended with the implementation of structural adjustment programmes across the African continent from the 1980s onwards. Growth recovery was slow, and both in academic and popular perception the growth outlook for African economies turned increasingly pessimistic.

Thus the African post-colonial experience has been the chronic failure of economic growth. The problem for analysis is to determine its causes. The initial research on African economic growth performance focused on averaged gross domestic product (GDP) per capita growth in the post-colonial period. By making almost exclusive use of statistics that show average growth over time, the literature did not seek to explain periods of growth and stagnation, but focused on explaining slow growth overall. By extension, since most poor economies have displayed slow growth on average, explaining slow growth was conflated with explaining low income. This stylised fact of permanent stagnation, which rings well with the popular view of the current income distribution of income and growth in the world, embodied in the phrase 'the bottom billion', has provided the impetus for an economic growth literature that investigates the historical causes of persistence of low income in African economies. Thus it has been argued that the fundamental cause of Africa's current relative poverty is the lack of pro-growth institutions, which originated either under the colonial system or during the period of slavery, or even as a result of African special geographical features or population characteristics.

It is argued here that in the long run the growth experience of African economies is better approached as 'growth recurring'. There have been sustained periods of per capita income increases in Africa in the pre-colonial, colonial and post-colonial periods. Although most of these periods were not 'growth triumphant' as in the case of European industrialisation or in late developers in other regions such as East-Asia, they were still important in that they were associated with qualitative changes of how society was organised and led to significant increases in some kind of economic welfare.

A few examples of growth experiences will briefly be reviewed here, before we return to reconsider the prospects for African growth.

FROM SLAVE TRADE TO LEGITIMATE COMMERCE

African economies are often viewed as marginalised in the world economy, yet most of them, have been, if not fully integrated in the strict economic sense, then extensively and intensively involved in the world economy for centuries. Polities based on and specialised in long distance trade have been particularly prominent in West Africa and the transatlantic trade. World trade is also a key theme in the history of East Africa and Central Africa where both the Indian Ocean and trans-Saharan trade were central to the African economies.

The Atlantic slave trade is a particularly well documented episode in African pre-colonial economic history. In *Slavery, Colonialism and Economic Growth*, Patrick Manning attempted to use external trade data to express the trade effects in GDP per capita terms for Dahomey, finding that during the height of the slave trade the per capita export revenue in Dahomey was comparable to that of Great Britain. The profitable slave business facilitated the growth of stronger states. Imports of money and other commodities further spurred exchange and growth in the domestic economy. When the slave trade ended in the 19th century, this undermined the fiscal basis of Dahomey as well as other West African states.

The closing of the Atlantic slave trade market meant stagnation and loss of power for centralised states as fiscal capacity disappeared. Though it did not always mean the end of slavery as a mode of production, the end of the slave trade opened up new economic opportunities. It paved the way for what has been called the period of 'legitimate' commerce and the 'cash-crop revolution' in Sub-Saharan Africa.

The cocoa boom is particularly prominent, originating in the colony of the Gold Coast, and spreading to other areas such as the Ivory Coast and Nigeria. Here peasants responded favourably to the earning potential from an external market demand for this new cash crop. In his recent study L*abour, Land and Capital*, Gareth Austin writes that in Ghana 'much of the rise in rural output should be attributed to higher productivity' and considers that 'there is no doubt that the expansion of production also involved a vast increase in the quantities of resources employed within the rural economy'. In particular cocoa production needs investment 'in the stock of capital in the form of cocoa trees'. Szereszewski's income estimates for the period between 1891 and 1911 indicate a period of rapid growth. If 'traditional consumption' is not taken into account, GDP per capita more than tripled over two decades, implying a 6.5 percent per capita growth over the period.

RECURRING GROWTH AND PARADIGMS

The modest task of social scientists is to come up with good research questions. This short piece argues that there is a crucial difference between approaching the conundrum of African growth by asking why there has been a chronic growth failure and that of asking why African economies grew and why they retrogressed. There have been periods of rapid economic change and accumulation, which in turn caused important qualitative changes in how societies and economies were organised. It seems to me that the study of growth as a recurring process is central to understanding the prospects for sustained growth in Sub-Saharan Africa. While we do know how these periods of growth are related to world economic patterns, research on how these patterns change economic power and structure in African economies are key, yet relatively understudied questions that demand answers. The growth episodes here were rooted in trade and the world economy, but the growth was only possible due to a reorganisation of factors of production, a combination of investment and technological growth that had political economy consequences.

Boom and bust cycles in African economic history have left lasting effects. Growth in the pre-colonial period, when based in slave trade, was absolutely unsustainable in the long term. Yet the rent from this growth was captured by elites, and in some cases facilitated the temporary underpinning of states and their fiscal capacity. The end of the slave trade was forced externally, although some areas and states did attempt to disengage earlier than the 19th Century. The growth of export crop production in the 19th Century did entail large improvements in GDP per capita, which were enjoyed by the peasant population, sometimes directly.

Through marketing boards, instituted during colonial rule, the receipts from these exports were increasingly captured by the state. In the post-colonial period these earnings was channelled into very high rates of capital formation and state investment-led growth. The global economic downturn in the 1970s hit Africa particularly hard. Between 1975 and 1995, a combination of depressed demand in external markets and elites turning to predatory rent-seeking ensured that growth did fail in the majority of African economies. It is also widely recognised that this economic downturn also led to a political disorder, state failure and the increased incidence of civil war. After a prolonged period of structural adjustment, growth did return, particularly due to renewed demand and increased prices for primary product exports.

Vantage point is everything. The growth failure in the 1970s caused a paradigmatic shift in development circles as development optimism turned to development pessimism. Now the current slowdown puts even very recent publications such as Edward Miguel's *Africa's Turn?* and the 2008 World Bank volume *Africa at a Turning Point?* in a less favourable light. There are even signs Keynesianism is coming back in fashion: in strict contrast to the austerity prescribed in the 1980, in the recent Regional Economic Outlook the IMF suggested the use of counter-cyclical fiscal policy to weather the storm. However, because of structural adjustment the ability of African states to intervene in their own markets is now very limited, and therefore the capacity to soften the downturn with counter-cyclical fiscal policy will depend on their ability to raise funds in world markets. The eventual return of growth in Africa will ultimately depend on the world economy. ■