A short economic history of Africa

Most of the economic literature (e.g., the famous Berg-Report of the World Bank 1981) starts its analysis in the 1960s, when most African countries gained political independence. It implicitly assumes that the record of African economies before 1960 could be safely ignored in terms of economic policy (Manning 1987: 50). This cut-off in African economic history has been widely criticized. In Wallerstein’s (1976) historiography of modern Africa, decolonization is not even regarded as a major turning point. On the contrary, he regards the time period between 1900 and 1975 as one of intensifying integration of Africa into the capitalist world economy (Wallerstein 1976: 39–48). In contrast to the emphasis on the newly independent political regimes, he stresses the continuities or even reinforcements of the imperial economic system. In the same way, Austen (1987: 197) treated decolonization rather as a chronological marker for long-term changes than as an event creating a new economic situation. Accordingly, key features of the colonial economies during the mid-20th century such as a dominant position of the state, a weak role of indigenous entrepreneurs as well as a heavy dependence upon external markets of the colonial economies remained the same (Austen 1987: 224).

Firstly, an interpretation of why modern economists see political independence as a major turning point in the economic history of Africa can be traced back to a lack of research about the economic history as such. The last author who tried to deal with the economic history of Africa as a whole was Ralph Austen in 1987. As Hopkins (2009: 155) points out: “By the close of the 1980s […] economic history was in failing health; in the 1990s its public appearances were limited; today, it seems to have died, un lamented, from that most mortifying of scholarly ailments – neglect.”

Secondly, there was a shift to methodological nationalism which attributes national economic success to internal factors rather than analyzing national trends within a global economic context (Gore 1996: 78ff.). Thirdly, today’s economic analysis rely mainly on national accounts established after 1950. Several attempts to introduce national accounts retrospectively were made in the early years of independence but were generally abandoned (Manning 1987: 51). Thus, empirical economists face the problem of di-
vergent datasets: one colonial, one national.17 Manning (1987: 52) even concludes that the division of labor between economists doing research on the period after 1960 and historians working on the period before 1960 resulted in the elimination of communication and reference between both groups of scientists.18 The data for the years just after independence used in this chapter are derived from an ECA publication, respectively from a compilation of those data by Roider (1971). For the period after 1970, data from UNCTADStat is used which draws mainly on the National Accounts Main Aggregates Database of the United Nations (UN). Due to its scope, it provides a good overview of the manufacturing record of African economies and makes it very suitable to use in this chapter. It is, however, not very reliable. A more detailed evaluation using the dataset from the Groningen Growth and Development Center (GGDC) is provided in chapter three. The following section, a retrospect of the African economies, will neither start with the period after independence nor with the colonial conquest or the European discovery of Africa. Each of those starting points would create a totally different impression of the African economic history and would intensify the Eurocentric view on Africa. Therefore, the chapter starts in the era before the arrival of the Europeans.

17 An exceptional example is South Africa, where the distinction between colonial and national has been sufficiently resolved and a continuous set of national accounts going back to the early twentieth century exists (e.g., South Africa - Bureau of Census and Statistics 1960; Houghton 1976).

18 In recent years, international economists have put renewed emphasis on the importance of economic history. The probably most influential example is the reversal of the fortune thesis (Acemoglu et al. 2001, 2002). In short, econometric methods are used to measure the impact of European settlers on the distribution of income today. It is argued that European colonizers were more likely to introduce institutions encouraging investments and economic growth in regions which had been poor before. Poor regions were sparsely populated, which enabled the settlers to easily establish their growth-enhancing institutions, while in densely populated regions, extractive forms of colonization were more profitable. In turn, colonization reversed income distribution such that parts of the world which were poor before 1500 became rich in present-day. However, an elaborated critique concerning the implications of the theory for sub-Saharan Africa is provided by Austin (2008). Besides data problems, several methodological issues, and theoretical shortcomings, he emphasizes the importance of combining econometric approaches with context-specific studies and other forms of global historical comparisons.
2.1 Africa from the 11th to the 16th century: kingdoms and Islamic influence

In the period between the 11th and the 16th century, the first independent states developed their own culture but assimilated external, especially Islamic, influences. This era preceded the European control of the seas and world trade. Africa was characterized by the development of kingdoms, empires, and cities. Especially in the northern part of the continent, the spread of the Islam brought political and religious change.19

One of the main prosperous regions was the Sudanic Zone20 in West Africa which “appears to be an ideal center for the emergence of long-distance trade and commercial production” (Austen 1987: 31). The insularity between the desert in the north and the forests in the south provided the pressure for the emergence of early agriculture and encouraged long-distance trades to other regions of Africa. In this area, several empires such as Ghana, Mali, and Songhai in West Sudan or Kanem and Borno in Central Sudan were established between the 9th and the 16th century. In contrast to the Sudanic Zone, where long-distance trade was realized via caravans through the Sahara, the East African regions were much more dependent upon external influences, such as migration of people and foreign technology, due to its connection to the Indian Ocean.21

2.1.1 Islam and Trade

As indicated above, the Muslims dominated the commercial world in this period. In contrast to Christianization, Islam’s success was based on a

19 Subsequently, economic history in this time span predominantly draws on Arabic texts. Concerning those parts of Africa which has been beyond the range of Islamic influence, especially south of the Sahara, history is more dependent on the descriptions of the first Portuguese seafarers. However, for many areas in this period, the best source is archaeology (Oliver 1977: 3). Niane (1984a: 684) for this reason also stresses the relevance of linguistics, anthropology, and especially oral traditions.

20 The Sudan region in West Africa is ranging south of the Sahara from today’s Senegal to Lake Chad and should not be confused with the Republic of the Sudan.

21 The economic importance of the Indian Ocean reached its peak in medieval times and can be compared to the contemporary Mediterranean (Austen 1987: 56).
slow and peaceful spread without establishing clergy or missionary bases. Islam did not destroy traditional structures in Africa but rather took a distinctly African form (Niane 1984b: 3).

Furthermore, Africa was a hub for inter-regional trade relations. Especially the northern part played an important role for trade between the Mediterranean and the Indian Ocean, which was arguably the most important center for international trade and commerce at this time (Devisse 1984). Even though, south of the Sahara, the Islamic influence was not as large; centers for future expansion had been established. In fact, Muslim merchants nearly held a monopoly in long-distance trade in Africa at this time (Oliver 1977: 2). The main exports from the Sudanic empires were gold, of which about one ton per year was transported to the Mediterranean, and African slaves, of which about six million had been token to the Islamic world between 650 and 1600 (Austen 1987: 36). Immense caravans numbering from 6 000 to 12 000 camels carried products of all kinds from north of the Sahara through the forest regions farther south. Niane (1984b: 4) further proposes that even the “fundamental cultural unity of the African continent may be explained by the exchanges that took place between regions during this period.” However, except for the evidence for Islamic long-distance trade, the domain of economic development until the arrival of the first Portuguese was largely internal (Oliver 1977: 3).

2.1.2 Modes of production

As already noted, gold, copper, and ivory had been the most important trade items between Africa and the rest of the world. Therefore, the group of merchants, which Niane (1984a: 680) regards as a “bourgeoisie in embryo”, was an important factor. These merchants fostered relations between different regions and people. Also, accumulation of capital began in this group. The merchants and nobles together formed a comparatively small aristocracy. However, agriculture remained the most important economic sector, especially south of the Sahara. According to Duignan & Gann (1975: 35), tilling as well as hunting and fishing, wherever possible, were the main modes of pre-colonial production in sub-Saharan Africa. It should be noted that, in contrast to Europe, land in Africa was considered to be an indivisible property of the community. Peasants, for instance, needed to pay fixed rents per family (Niane 1984a: 680–682).

Large West-African states like Ashanti, Dahomey, Benin, or Nupe had more complex systems of production with serfs and slaves but also special
Artisans and craftsmen producing a variety of goods. There is also evidence for slave trade, especially from Sudan to the Maghreb and Egypt. In some regions, slaves even played important roles in military and civil services. In this period, however, slavery did not take the form of mass exploitation comparable to the Atlantic slave trade, and the share of slaves in the population never exceeded that of peasants (Niane 1984a: 680–684).

Generally speaking, the kingdoms and empires of Africa reached a high level of development. In contrast to popular beliefs, Africa was far from being an unpopulated continent: It was densely populated, especially south of the Sahara. Mali alone accounted for more than 400 towns or centers of population. Niane (1984a: 683) estimates a total African population of at least 200 million in the 14th century of which ten percent lived in urban centers. Hence, Africa was a comparatively densely populated continent (the distribution was not even due to geographical barriers) and dependent on extensive agricultural production.

2.2 Africa from the 16th century: integration into the world capitalist economy

The 15th and 16th centuries, when the Europeans took control over the seas and, thus, world trade, mark a turning point in African history. They established a new Atlantic-oriented geo-economic system with a triangular trading pattern between Europe, America, and Africa. With the discoveries of the Indian Ocean by Portuguese and Spanish Christians, the Muslims lost their predominant role in international trade (Niane 1984a: 673). The opening of the Atlantic sea route in West Africa challenged the commercial role of the Sahara and Sudan. Also, the 17th and 18th centuries were a time of demographic and economic stagnation and decline for the Islamic Middle East, negatively affecting trans-Saharan trade (Austen 1987: 37). The European superiority in the transport system22 superseded nearly all other commercial links and established the Atlantic trade route as the primary and regular link to the outside world (Austen 1987: 81).

Soon after the arrival of the Portuguese, the French, British, and Dutch arrived and competed for the most important and profitable trading bases,

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22 At the end of the sailing area, one man was needed to carry about 9-14 tons which exceeded the transport capacity of the trans-Saharan caravans 15 to 30 times and the Indian Ocean dhows 2-3 times (Austen 1987: 82).
mainly on the West Coast of Africa. East Africa, on the other hand, was of relatively little interest for the Europeans (Malowist 1992: 10ff.). African States located directly at the coast were the important commercial partners of European merchants. These commercial partnerships provided the basis for the later colonization of the interior. However, the varying intensity of European presence in Africa depended on political competition among Europeans rather than upon trade volume or composition. In most cases, the greatest quantities were associated with minimal European presence (Austen 1987: 85).

These developments should be regarded in the light of the history of thought. From the 16th until the late 18th century, the economic thought of the dominant Western European nations was dominated by what Adam Smith called the commercial or mercantile system (Smith 2008 [1776]: 407–430). The mercantile era promoted the discovery of the New World as well as the East Indies at the close of the 15th century. Adam Smith’s idea of mercantilism is often criticized for confusing money with wealth.23

The main principle of mercantilism was to achieve a “favorable” balance of trade, i.e., a country had to export more than to import, leading to a net inflow of silver and gold. There was no coherent system of thought and practice across time and different countries (Magnusson 2015: 217). What held them together, though, was the question of how to acquire, especially military, power (Magnusson 2015: 220).

According to this general principle, several interventionist policies were employed which tried to increase the productive powers of the nation. Special importance was, therefore, given to the manufacturing sector, since manufactured goods had a much higher trade value than the raw materials with which they had been produced. A side effect was that manufacturing requires a lot more labor than agriculture (Vaggi & Groenewegen 2006: 18). The import of cheap raw materials thus increased the trade surplus while also improving the competitiveness of manufactured export goods. International trade was seen as a zero-sum game. Accordingly, the establishment of monopolies, especially in colonial markets, had

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23 This popular assertion has been strongly criticized. According to Schumpeter & Schumpeter (2009: 341), no proposition in the mercantilist writings could be found that cannot be explained without assuming the confusion of wealth with money or bullions.
the purpose of obtaining cheap raw materials and selling manufactured goods.

When the Portuguese arrived at the west coast of Africa, they first sought gold and spices rather than men. African exports included ivory, dyewoods, hardwoods as well as gum and wax. African trade had in most phases been dominated by one single good. At the beginning of the European trade, it was gold. However, the plantations of the New World created a large market for slave labor which was supplied by African potentates in exchange for European manufactures (Duignan & Gann 1975: 40–44). The Portuguese soon discovered the slaves as a second “product”24. Initially, slaves were mainly exported to Arab countries from the Sudan. Ini-kori (1992: 82) estimated that during the Atlantic slave trade about 15.4 million people were exported as slaves. Adding the slave trade across the Sahara, the Red Sea, and the Indian Ocean, about 22 million Africans in total were exported from Africa between 1500 and 1890.

Undoubtedly, the transatlantic triangular trade between America, Africa, and Europe played an important role and was a critical factor for growth for the labor abundant economic system in the American colonies. In fact, it was the first historical example of international factor mobility, albeit enforced (Hopkins 1980: 117). It was a highly profitable business and thus has been regarded as a major contribution to the industrial take-off (Hopkins 1980: 117). This view has been challenged by authors arguing that slave trades were a highly risky business and played only a minor role in the early industrialization of Great Britain (Inikori 1992: 82; O'Brien 1982: 9–15)25. Austen (1987: 111) concedes that slave trade and British capitalism may have grown together. However, he dismisses the importance of slavery for economic development in Britain based on the fact that the abolition of slavery in the early 19th century did not threaten its growth.

The economic effects of slave trade on Africa cannot be neglected. According to Ajayi (1989a: 5) it not only significantly reduced the population, especially in west and central-west Africa, but also traumatized those

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24 Europeans wiped away their moral concerns of the slave trade arguing that it enabled them salvation while, as non-Christians, they would have been damn to perdition. Furthermore, it was argued that blacks descended from Ham (a son of Noah) and are thus in any case condemned to slavery (Malowist 1992: 7).

25 See also the answer of Wallerstein (1983).
left behind. He sees slave trade as the main reason for the economic and political fragility of 19th century Africa.26

Diagne (1992) emphasizes the introduction of feudal structures in either pure or distorted forms into African societies, referring to the introduction of land-ownership and new social orders, in particular. These developments can often be attributed to external influences but in some cases need to be explained by internal developments (Diagne 1992: 27ff.). He identifies three major economic structures of the time. The craft economy and caste system of production in Western Sudan, the Niger-Chad region, and the Sahara developed various crafting, manufacturing, and industrial processes and products. A predatory economy emerged in the areas bordering on the Mediterranean, the Indian Ocean, and the Nile when Spanish and Portuguese expansionism expelled large colonies of Jews and Muslims. The demise of the trans-Saharan long-distance trade, which had enriched the medieval centers of trade and commerce, led to the disruption of ports and market towns which had been established before the 15th century (Diagne 1992: 34ff.). North African states mostly continued to preserve their political independence but depended heavily on tribute, duties, and piracy rather than on trade or industry (Diagne 1992: 36). Most West African states, in contrast, depended largely on the entrepôt or trading post economy, supplying the Europeans with gold, ivory, and slaves in exchange for cheap manufacturing products, such as yarn or iron and copper bars, which often had been incorporated into local artisanal activities.

Due to the high cost of interior transportation, European goods such as clothes, metal vessels, blades, guns, jewelry, and alcohol only reached consumers in coastal regions (Austen 1987: 99). Local craftsmen about 150 kilometers away from the Atlantic coast still enjoyed a cost advantage in addition to their ability to easily adapt to specific and varying local demand. Austen (1987: 100) thus assumes that artisanal activity increased in

26 It is often argued that slavery was nothing new when Europeans arrived in Africa. That is especially true for the appearance of Muslim traders, who used slaves mostly for domestic services, even for civil services and military purposes. Even before the arrival of Muslim traders, especially in West Sudan and the Niger-Chad region, there had been a form of slavery also called the jonya system. However, Jons (a Mande word meaning “captives”) were mostly captured during battles, were not transferable, owned a part of what they produced and belonged to a socio-political category with a minimum of political influence. Hence, the jonya system can hardly be compared with western forms of slavery (Diagne 1992: 24).
this time. However, the African economy could not profit from European advanced technology. On the contrary, Africa suffered from European competition in textile or iron manufacturing, which hampered African technological development (Austen 1987: 100; Diagne 1992: 42). However, as Malowist (1992: 22) concludes, Africa has probably been underestimated as a market for manufacturing and industrial products in the 16th and 17th century.

2.3 Africa at the eve of the European conquest

During the late 18th century, when Africa supplied early industrial Europe with slaves for sugar plantations in the British Caribbean colonies, the first phase of industrialization started in Great Britain, which remained the technological leader for a long time (Naudé & Szirmai 2012: 5). Between 1820 and 1913, the British GDP per capita grew faster than any time before (Maddison 2001: 21). Britain became the frontrunner in industrialization and set an example for many other countries (Rostow [1960] 1997). Subsequently, “manufacturing became the main engine of accelerating economic growth in the nineteenth century. A global race for industrialization had begun” (Naudé & Szirmai 2012: 5). The first industrial successors were France, Belgium, and Switzerland. Between 1850 and 1900, the spread of industrial development to Germany and the United States altered the economic balance between the West and the rest of the world (Stearns 1993: 52).

The first phase of industrialization in Africa was characterized by the “informal empire” of Great Britain.27 Mostly coastal regions were integrated into the capitalist world system, but local political sovereignty remained. The internal political and economic developments on the eve of European conquest were characterized by major transformations.

27 The term “informal empire” was coined by Charles R. Fay in an article for the Cambridge History of the British Empire (1940: 399). In the 18th century slave exports had dominated Africa’s export structure, but during the 19th century it shifted towards non-human exports, such as palm-oil, palm-kernels, coffee, and ground-nuts (Duignan & Gann 1975: 62). The volume of African-European trade as well as the terms of trade for African exports (e.g., palm oil, see Hopkins (1980: 133)) increased heavily until 1860 (Austen 1987: 112). The African societies were able to adapt to the changes of trade structure from slaves to non-human exports.
The tropical commerce of Europeans in Africa was characterized by several forms of monopolistic restrictions and, generally, by a mercantilist view of international trade. When Britain had become the industrial leader of Europe, it sought to utilize its initial advantage and lobbied for a free trade system (Austen 1987: 110). Economic Theory played a crucial role in the campaigns for free trade since classical economics, favoring a market system and free trade, had replaced the mercantilist view on trade. The “Wealth of Nations”, in which Adam Smith criticizes the mercantile system, is usually considered the beginning of ‘liberal economics’.

The new economic approach had its roots in the libertarian movement, beginning with the abolition of absolutism and the philosophical movement of the Enlightenment. The failure of mercantilist colonial policies and the independence of the colonies New England paved the way for the new paradigm (Ott & Winkel 1985: 50–52).

In the “Wonderful World of Adam Smith” (Schefold & Carstensen 2014: 69), markets were assumed to regulate themselves, and the division of labor became the superior explanation for economic growth. Furthermore, the theory of absolute cost advantage (Adam Smith) as well as the theory of comparative advantage (David Ricardo) predicts gains from trade for all trade partners. In contrast to the mercantile system, the proposed economic policy therefore sought to create a free market system and to stop protectionism and monopolies.

Britain’s fight for a free trade system coincided with the abolition of slave trade which had been the driving factor of the economic transfor-
mation of Africa in the second half of the 18th century. With the effective end of the Atlantic slave trade and a changing export structure, the demand for captives to produce and transport these goods increased. However, African trade decreased in relative terms because the world economy was growing much faster than African commerce. According to Austen (1987: 117), this was the time in which Africa fully entered into European periphery. Industrialization in the Western economies led to several technological advancements in transport, medicine, and firearms, which made the further exploration of Africa possible. Steamships augmented the already established coastal hegemony, and the development of firearms and medicine enabled Europeans to further exploit the land (Austen 1987: 113–114).

African societies faced the expansion of chartered companies with the aim of colonial conquest, fueled by laissez-faire capitalism and intensified competition among the European powers (Duignan & Gann 1975: 63). Economic imperialism in Africa led to an increasing commercialization of nearly all aspects of economic life. The number of merchants and their importance increased. In some areas, a merchant middle class, widely influenced by Christianity, established itself and began to pursue power and influence (Ajayi 1989b: 784).32

2.4 Colonialism in Africa

The growing competition among Germany, France, and the United States during the second phase of industrialization led to an increasing imbalance between European powers and African states. Italy and Germany in particular expected to be more involved in the competition for African resources. Those claims finally led to the 1884 Berlin Conference which regulated European colonization and trade in Africa and can be regarded as the starting point of the “scramble for Africa” (Wallerstein 1976: 38).

Even though Africa had been integrated into the capitalist world economy to some degree before, colonization can be regarded as the most fun-

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32 Another major turning point of the European expansion was the introduction of private property which included the increasing commercialization of land (Ajayi 1989a: 11).
damental change in African history (Boahen 1985a: 1). In the late 1880s, only very few regions had been under direct European rule. Between 1890 and 1910, the imperial powers conquered nearly all of Africa (Boahen 1985a: 1). Figure 2 shows the new geopolitical map of Africa in 1914.

Yet, what actually happened during the colonial period of less than a hundred years, ranging roughly from 1880 to 1960?

Figure 2: Africa in 1914

From a conservative point of view, colonialism went hand in hand with a transition from a “primitive”, subsistence-based system to modern market-oriented economies in Africa. Even though research has shown that this view cannot be sustained, since the previous African economic system cannot be described as primitive and subsistence-based, the colonial period did bring economic modernization. Gann & Duignan (1969: 22) exhibit a very liberal view and do not equate colonialism or profits with exploitation. European imperialism in Africa is seen as political domination but
also as an engine of modernization, especially in terms of education, technological, and economic development (Gann & Duignan 1969: 23)

Especially theorists of development and underdevelopment are in strong opposition to this view and claim that colonialism was not beneficial at all. Guyanese historian Walter Rodney, for instance, rejects the proposition that there were good hands of colonialism: “Colonialism had only one hand – it was a one-armed bandit” (Rodney 1980: 123).

Even accepting that colonial governments in neither case did not serve the interests of Africans and positive effects were not deliberately calculated, Rodney’s perspective is probably too extreme. It is unlikely that no positive effects at all emerged, but rather accidentally or as a by-product of the capitalist system. It is important to notice that the author neither shares the view that colonialism had a positive nor a balanced record; it is portrayed as a disaster on various levels.

However, colonialism did have some positive effects, such as the provision of infrastructure (even though they were only connecting the interior with the coastal market places), commercialization, or the introduction of a monetary economy (Boahen 1985b: 790). Probably the most important economic impact of colonialism was the deliberate neglect of industrialization and the discouragement or even destruction of already existing manufacturing industries with products like soap, beads, iron tools, pottery, and cloth (Boahen 1985b: 792). Instead, cash crops and other export commodities were prioritized by the Europeans, which had a disastrous effect on the internal agricultural sector producing for subsistence. Food thus often needed to be imported, mostly at high prices (Boahen 1985b: 793).

As the following examination will demonstrate, progress in industrialization in Africa depended heavily on the balance between national and international actors. Describing the economic developments during colonial rule, Austen (1987: 122–196) distinguishes between the Étatist-Peasant Regimes dominating West Africa from Senegal to Nigeria and the Regimes of Competitive Exploitation including the regions of Southern, Central, and East Africa.

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33 According to Fieldhouse (1981: 68) no colonial government had established a department of industry until 1945.
2.4.1 Étatist-Peasant Regimes

At the beginning of the colonial movement, when commercial organization indicated a movement towards an open market, a growing number of African and European private firms were established along the coasts of East and West Africa. Meanwhile, European inland trade often followed the colonial conquerors and the railways.

Once established, these firms quickly displaced the African middlemen, and by the late 19th century, nearly all European and African merchants had vanished. The market was dominated by three commercial conglomerates: the French Compagnie Francaise de l’Afrique Occidentale, the Société Commerciale de l’Ouest Africain, and the British United Africa Company (Austen 1987: 130). Despite the success of these large European trading enterprises and the increasing demand for manufacturing goods, investments into large-scale manufacturing remained scarce.

The focus on import-export investments rather than on local manufacturing can be explained by market instability and risk. After price fluctuations in African commodities, merchant firms became even more cautious than before. Investment shifted from fixed assets in manufacturing to capital that could be liquidated easily. Additionally, colonial governments still saw themselves as representatives of their European economies and therefore inhibited manufacturing, under the condition that they were in competition rather than in complementation with the European industrial base (Brett 1973: 266–282).

Agricultural modes of production in colonial territories under African control exhibited small and self-owned (no rent payments and no threat of displacement) units of production which were only partly integrated into the rest of the national economies (Austen 1987: 138). The commercial output, mainly designated for remote markets, mostly consisted of palm oil and kernels, peanuts, coffee, cocoa, and cotton. To the surprise and consternation of European regimes, Africans dominated these markets and adapted very well to new market situations. The output of such agricultural production expanded very quickly in the early periods, which can be at least partly traced back to the European recovery from the Great Depression between the 1870s and 1890s; afterward it grew rather slowly (Austen 1987: 138–140).

A great controversy amongst liberal market and structuralist scholars has been about the inadequate development in the agricultural sector. In short, structuralists often interpret the interventionist policies of colonial governments as measures to preserve traditional modes of production in
agriculture and, thus, European dominance over Africans (Brett 1973: 165 ff.). Liberals, in contrast, point out the advantages of small scale and labor-intensive production (Hopkins 1980: 210). European technologies sometimes simply did not offer effective gains for African farming. As a result, only some cheap new forms of technology especially designed for African conditions, such as light ploughs or hand-operated oil presses, were available to African farmers at the end of 1920s (Austen 1987: 145).

Industrialization hardly occurred in Étatist-Peasant Regimes. At the turn of the century, there was almost no manufacturing in the African colonies. When manufacturing finally started growing at the beginning of the 20th century, it was driven by the processing of primary products and later shifted to products for the domestic market, such as processed food, light consumer goods, and construction materials (Kilby 1975: 518). Only in some countries, especially the Belgian Congo, Kenya, Southern Rhodesia, and South Africa, more sophisticated manufacturing was established (Kilby 1975: 479–482). The drop of imports during World War II acted as a stimulant for those local industries.

### 2.4.2 Regimes of competitive exploitation

In contrast to the Étatist-Peasant Regimes, which allowed Africans to easily adapt to the new structures, Europeans forced the indigenous workers either to submit to the terms of employment or to compete with the new system of production.

The most compelling example of this kind of regime is South Africa. Between 1865 and 1900, South Africa became the world’s leading supplier of diamonds and gold. Soon after, similar developments took place in Rhodesia and the Belgian Congo. The mineral revolution was accompanied by the expansion of European political control and large scale mining investments by monopolistic capitalist firms, such as De Beers Consolidated Mines in South Africa or Rhode’s British South Africa Company in Rhodesia (Austen 1987: 162–163). These private mining enterprises also characterize the forms of labor. The employment was divided into well-paid skilled Europeans, temporally employed, unskilled, and low-paid Africans as well as skilled Africans which were paid at intermediate wages (Austen 1987: 165).

The transformation of society depended on whether mines were economically isolated without significant linkages to other parts of the economy or whether advanced technology in the mining industries induced in-

The capitalist agricultural sector was characterized by competition for land between Africans and Europeans, which had the effect of marginalizing many African farmers to proletariat. However, it contributed to the emergence of entrepreneurs among African landowners. The existence of such a capitalistic agricultural sector depended on three factors: The strategic imperative of servicing trade routes, climate and soil conditions allowing for European-type agriculture, and the non-existence of local African agriculture capable of serving the demands of international markets (Austen 1987: 168).

How did this regime provide the necessary conditions for successful industrialization? Firstly, some profitable mines and plantations introduced modern technologies and systems of production, but more importantly, they provided capital to finance needed infrastructure, for instance. The economy thus grew more independent of the state sector which typically served the interest of the European commercial centers. Austen (1987: 181 ff.) stresses the distinction between domestic and international orientations among economic actors.

International actors fearing potential colonial competition in fact focused on their mission to supply their respective European centers with cheap raw materials and, on the other hand, to open markets for their manufactured products (Austen 1987: 181; Brett 1973: 273). This clashed with the interest of domestic economic actors, such as small-scale merchants favoring local manufacturing with less exposure to international price fluctuations or European wage laborers generally favoring the expansion of employment and increasing wages. Examples of colonial industrialization show that the political influence of mostly white settler-farmers had a positive impact on industrialization.34

Hence, Africa’s first experiences with industrialization started in the 1920s under colonial rule in the Regimes of Competitive Exploitation, especially in South Africa but also in the Belgian Congo, Southern Rhodesia, and Kenya. The colonial performance of the manufacturing sector in

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34 Belgian Congo is a counter-example which experienced an exceptional degree of industrialization driven by the international sector. Austen (1987: 183) suggests that the Belgian economy was too small and advanced to benefit from the African primary good export and consumer import dependence economy.
these economies (see figure 2) provided the starting point for further industrialization of the newly independent nation states after decolonization.

However, these achievements obviously came at the price of political and social repression of the non-white majority (Austen 1987: 186). The crisis of the European powers during and after World War II contributed to and finally initiated decolonization. The new superpowers, the United States and the Soviet Union, pressured the European colonizers to grant sub-Saharan states independence (Young 1970: 453). Economically, though, the rising demand for African commodities led to deepening economic ties to Africa. The United States at first could be easily convinced that strengthening the Western European powers should be prioritized over political concerns in Africa (Austen 1987: 204–205). The Soviet Union and the People’s Republic of China remained the only powers who maintained, at least vocally, opposition to colonialism in Africa. Furthermore, World War II brought colonialism in Asia to an end, which in turn inspired the emergence of nationalism in African states (Young 1970: 453–455).

Even though the emerging opposition towards colonialism did not directly lead to decolonization, it at least induced large increases in public expenditure. The new policy began with the British Colonial Development and Welfare Act (CDW) in 1940 and the Fonds d'Investissements pour le Développement Économique et Social (FIDES) in 1947. Governmental efforts and public investments in infrastructure, health and education were supposed to fuel social and economic development in the colonies. These investments were also partly directed to private enterprises, but mainly to those which supplied cheap agricultural products and raw materials to France and Britain. Industrial policy and manufacturing remained the exception in British and French colonies (Kipré 1993: 358–360).

By the mid-1950s, it turned out that large agricultural projects failed in most of the African colonies due to miscalculations and overestimations of large-scale technological innovations under African environmental conditions. Commodity prices were falling and European economies had been recovering from supply shortages and trade deficits (Austen 1987: 208). Economists have recognized that there were no substantial economic reasons for efforts against the political momentum of decolonization (Austen 1987: 210). The formation of nationalist movements in Africa finally

35 See for example Bauer (1954: 34, 205–210 and 242).
provided a major impetus for decolonization (Wallerstein 1976: 48). 1960 became the *Year of Africa* in which 18 former African colonies reached political independence.

In 1958, the average African income was about $111, twenty-one times lower than the income of an average American. However, it exceeded the average income in South and Southeast Asia, which was approximately $101 (ECA 1968: 20). Figure 3 compares the distribution of economic activities of large world regions. Africa already had its first industrial bases, especially in South Africa and Rhodesia. Its agricultural share of value added was comparatively high, whereas the manufacturing share was relatively small in international comparison, but about the same as in East and Southeast Asia.

*Figure 3: Sector shares in world regions 1960*

![Figure 3](https://doi.org/10.5771/9783845293769-42)

Due to the different historical paths, the manufacturing share of value added was distributed unevenly among the African economies (see figure 3). South Africa was the only economy with a manufacturing share of value added above twenty percent. It was followed by Zimbabwe (19.4 percent), Congo-Kinshasa (15.7 percent), and Tunisia (15.6 percent). According to the ECA (1968: 95), the contribution of heavy industries was

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36 Young (1970: 462) points out that in retrospect, African nationalism in the 1950s and 1960s was not strong enough to withstand ruthless colonizers. However, it was a major trigger for decolonization in 1960.
only 32 percent, much lower than in the industrialized economies (55 percent). Manufacturing value added accounted for only two percent of employment in manufacturing, which can be attributed to the fact that wage earners only accounted for 16 percent of the total labor force in Africa (ECA 1968: 96).

Figure 4: Share of manufacturing of total value added in African countries in 1960

2.5 Import substitution industrialization

After decolonization and political independence, the newly established governments started to think about economic independence from their former colonial masters. Especially the quest for industrial self-sufficiency
became apparent since the former colonies had been serving as markets for industrial goods and exported mainly raw materials and food. Greater economic strength accompanied by military strength was to be achieved through rapid industrialization, which, in turn, facilitated the preference for economic planning and public control as well as hostility towards foreign direct investment.

2.5.1 International world order: capitalist vs. socialist

When Patrice Lumumba, the first elected prime minister of the Democratic Republic of the Congo, contacted Moscow for help with the Belgian occupation forces after independence on July 14th, 1960, the cold war became a new scramble for Africa (van Reybrouck 2013: 354).

African Socialism became a vision and ideology for restoring the traditional African way of life. At least the African culture was seen to lay a good foundation for the implementation of socialist political programs (Rosberg & Callaghy 1979: 3). The first wave of African Socialism, which Young (1982) called the populist socialist pathway, was especially represented by the Nkrumah in Ghana (from 1960 to 1966) but also by President Nyerere in Tanzania (since 1967). African societies were seen as relatively free of class divisions with a traditional ethos of communitarianism, in contrast to the capitalistic penchant for individualism (Young 1982: 98). Young’s (1982) populist socialist group includes Algeria, Egypt, Ghana, Guinea, Mali, and Tanzania (Hughes (1992: 9) adds Zambia). Since most of the populist socialist experiments had experienced deep trouble, scientific socialism with a focus on Marxism and Leninism became the second wave of socialist experiments represented by Angola, Benin (1974), Congo-Brazzaville, Ethiopia (1976), Madagascar (1975), Mozambique, Sao Tome, and Somalia. The second wave was characterized by coercion and Marxist-Leninist vanguard parties instead of building on local conditions or some forms of African Socialism. Table 2 provides a list of countries which have been characterized as socialist.

Some other states officially declared following a capitalistic pattern of development. Capitalistic regimes can also be regarded as a residual for those countries which did not commit to any alternative. Popular examples are Cameroon, Ivory Coast, Kenya, Nigeria, Malawi, Senegal, and Zaire (Young 1982; Austen 1987: 234).

Despite the immense influence of the Cold War and the question of economic systems, the issue of African socialism seems not to be regarded
as relevant for African history. The Cambridge History of Africa does not even have a catchword entry for either socialism or communism. Socialism, in fact, had been stuck in ideological phrases rather than converted into real economic systems. The ideological alignment to either socialism or capitalism did not necessarily influence economic policy at all (Austen 1987: 234). The comparisons of economic performances in socialist and capitalist regimes thus remained inconclusive (Young 1982: 324–326). According to Austen’s (1987: 238) comparison between the socialist examples Ghana and Tanzania and the capitalist countries Ivory Coast and Kenya, the capitalist regimes performed much better in terms of production. However, if regimes were defined by the size of the state sector, nearly all African countries in the 1970s would need to be classified as socialist (Austen 1987: 236). The next section will therefore exclude the distinction between socialist and capitalist ideologies. Instead, a more influential aspect of political economy in Africa becomes apparent. The emergence of development economics and the ensuing political recommendations characterize the first period of economic policy in Africa.

**Table 2: Socialist Countries in Africa after independence**

<table>
<thead>
<tr>
<th>African Socialism</th>
<th>Source</th>
<th>Marxist-Leninist Socialism</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea-Bissau</td>
<td>Hughes (1992, 12)</td>
<td>Zimbabwe</td>
<td>Hughes (1992, 12)</td>
</tr>
<tr>
<td>Sao Tome</td>
<td>Hughes (1992, 12)</td>
<td>Guinea-Bissau</td>
<td>Rosberg (1979, 9)</td>
</tr>
</tbody>
</table>

Source: Own compilation

2.5.2 Early development economics

The challenges of decolonization and the accompanying problems of late industrialization gave birth to development economics. Without doubt, problems of development had been part of economic theory before (Szentes 2005: 156; Jomo & Reinert 2005). According to Srinivasan (2000: 171), economics had been development economics until the advent
of neoclassical economics. Since the second half of the twentieth century, only few studies on growth and development have been published. The emergence of development economics as a sub-discipline was driven by the assumption that much of economic theory is bounded by special conditions and preconceptions of the advanced industrialized countries which cannot be applied to developing economies. The best example is Albert Hirschman (1981), who distanced himself from what he calls “mono-economics”, i.e., applying the same type of economics to developed and less developed countries.

Economic theory after World War II was dominated by the rejection of the laissez faire doctrine which had failed spectacularly during the interwar period. Thus, development economists were widely influenced by Keynesianism, which, in contrast to the neoclassical view, suggests that governments should intervene to allow for economic development (Chang 2002: 539). There were two main strands of development theories at the time: modernization and dependency theories. Despite the obvious differences between these theories, they exhibit a close historical and theoretical relationship.

Several authors such as Srinivasan (2000: 191) or Gore (2000) argue that there was a paradigm of development economics in the Kuhnian sense in the 1950s and 1960s, corresponding to the Keynesian Revolution which replaced the former neoclassical view of economics. The paradigmatic dominance of early development economics was not only exhibited in scientific writings but also manifested itself in the relevant institutions. Development programs and national planning boards, complemented by the already established Bretton Woods institutions, including the IMF and the World Bank, as well as aid agencies in the already industrialized countries provided the framework for underdeveloped countries at this time. According to Krugman (1993: 15), these early and glory days of development economics were marked by “great intellectual prestige and substantial real-world influence”.

According to Srinivasan (2000: 171), there are only two important exceptions: Allyn Young (1876–1929) and Joseph Alois Schumpeter (1883-1950).
2.5.2.1 Modernization theories

In the beginning, the development discourse was dominated by modernization theories. Economic growth became the main policy objective, which was held to be achievable via massive investments in modern activities like manufacturing. Many theorists saw industrialization as the main engine of economic growth. The industrial, not the agricultural sector was assigned to the dynamic role with high productivity growth pulling the economy forward. Probably the most famous modernization theory is the theory of the “Stages of Economic Growth” by Walt Whitman Rostow ([1960] 1997). He assumed that countries go through five stages of economic growth: the traditional society, preconditions for take-off, the take-off, the drive to maturity, and, lastly, the age of high mass consumption. The most important stage is the “take off” in which dynamic growth through rationalizing and economies of scale in the manufacturing sector accelerates the shift from the agrarian to the secondary sector. Another proponent of the linear stage theory was formulated by Alexander Gerschenkron (1966). His theory implies that latecomer economies can benefit in their industrial development from using advanced technologies from already developed economies, enabling them—due to their “advantage of backwardness”—to grow faster and catch up with already developed countries. Concerning the question why some countries manage to industrialize and others do not, Paul Rosenstein-Rodan (1943) developed the theory of the “big push”, which was absorbed by the similar “critical minimal effort” thesis of Leibenstein (1957). Rosenstein-Rodan and Nurkse (1953) further postulated the concept of balanced growth which is in contradiction with the theory of unbalanced growth by Hirschman (1958). Another major characteristic feature of modernization theories was the analytical framework of dualism, provided by Arthur Lewis (1954). He de-

38 Modernization theories assume that the least developed societies can—via economic growth and modernization per se—be transformed in the same manner as already developed countries. While dualism and inequalities can be eliminated, trade-offs are neglected and thus different kinds of development goals like wealth, equity, stability, democracy, and autonomy can be achieved simultaneously. They are complementary to economic growth (Weiner & Huntington 1994: 6–11).

39 Gerschenkron is not a typical modernization theorist. He rather emphasizes the differences in the development processes, especially between forerunner and latecomer economies. He thereby includes external factors to economic development, whereas modernization theorists mostly focus on internal policy.
developed a two-sector model differentiating between the low-productivity subsistence sector with diminishing returns to scale due to limited amount of land and the capital-accumulating capitalist (industrial) sector.40

2.5.2.2 Structuralism and dependency theories

Modernization theories assume that economic development is a systemic process including similar stages of development through which all nations go when implementing the right economic policy. Structuralism and dependency theories arose from criticism of modernization theories. While the primary object of investigation of modernization theories is the nation state and its economic policy, these theories reject the idea of the sovereign state as an entity of analysis (especially in the case of Africa) and explain changes as a consequence of evolution and interaction within the world system (Wallerstein 1974: 7). Originating mainly from two papers by Hans Singer (1950) and Raúl Prebisch (1950), a component of these theories is that development is dependent on the structure of the international economic system, which can be divided into the poor “periphery” and the rich “core”. The theory is based on observations that imply a negative trend of the terms of trade41 for primary commodity exporters.

The differentiation between structuralism and dependency theories is not always obvious, since both strands of theory have a close theoretical and historical relationship. However, there is a fundamental difference: While structuralist theories assume that economic development is possible in the periphery by import substitution industrialization, dependency theories are more pessimistic, arguing that capitalism systematically puts the periphery at a disadvantage and that only a change in the world system (to global socialism, for instance) can help development economies escape from underdevelopment (Saad-Filho 2005: 128).

Arthur Lewis draws on Boeke (1942) who originally created the concept of the dual economy. However, the Lewis-Model is probably the most famous one, providing the underlying framework and giving rise to a whole series of dual sector models. Examples can be found in: Fei & Rani (1963), Jorgenson (1961), Zarembka (1970), Harris & Todaro (1970), and Dixit (1973).

Terms of Trade describes the quantity of imports that can be purchased through a fixed amount of exports. It can be calculated in dividing the price of exported goods by the price of imported goods. The development of terms of trade is sometimes interpreted as an indicator for economic wealth.
In addition to the analytical differentiation between sovereign nation states and the world system, dependency theorists do not start their analysis with the establishment of sovereign nation states after decolonization in 1960 (as modernization theory often does). Instead, they emphasize colonial continuities and, hence, start their analysis either with the arrival of Europeans in Africa (Rodney 1980) or with the mercantilist slave trade (Amin 1972), thus the integration of Africa into the world economy. The most famous African authors in this line of theory are Kwame Nkrumah, the first president of Ghana (1960-1966), and the Egyptian economist and advocate of Pan-Africanism, Samir Amin.

2.5.3 Import substitution industrialization

As shown in the previous section, all theories either implicitly or explicitly stress the importance of the manufacturing sector, in which imperfect competition, economies of scale, or external effects prevail. Accordingly, early development economists did not endorse free trade and specialization but were export-pessimistic and recommended policies of import substitution industrialization (ISI). ISI—heavily drawing on the infant-industry argument\footnote{The infant industry argument was first articulated by Alexander Hamilton (1790) and later picked up by Friedrich List (1841). It states that new industries, in which a country has a comparative advantage, need to be protected during an initial period until firms reach international competitiveness due to economies of scale or by adopting new technologies (Meier 2005: 144).}—in its ideal type is based on the promotion of a domestic industrial sector protected with the help of tariffs or other import controls, and a reduction of import-dependency for manufactured goods (Kiely 1998: 79). In other words, it is each kind of government intervention that encourages domestic industrial production with the goal of replacing imports.

ISI typically commences with the domestic production of non-durable consumer goods (e.g., food and textiles) and later diversifies into more complex, durable products (household applications, car parts, simple chemical products, oil refining) and finishes with the complete manufacturing structure producing technologically advanced capital goods (machinery, aircraft, electronic instruments) (Saad-Filho 2005: 129). However, the production level heavily relies on intermediate and capital goods, which made ISI dependent on the import of these goods.
The practical problem was how to go beyond the immature development plans deriving from colonialism, which consisted mainly of an incoherent list of possible investment projects (Toye 2006: 26). Tools and techniques relied on available data. The absence of reliable data, however, promoted a tendency towards planning without facts on the basis of doctrinaire assumptions (Toye 2006: 26).

Despite the lack of internationally comparable data for African sectoral value added, there is a widespread consensus that the industrial share rose substantially from 1960 until the late 1970s (UNIDO 2011: 15; Wangwe & Semboja 2003: 163; Page 2011: 11). It was expected that if the industrialization process proceeded, linkage effects would help expand the production of intermediate and capital goods as well, thus enhance self-reliance and prevent balance-of-payments problems (UNIDO 2011: 10). At the end of the 1970s, expectations were under threat, as linkages between the industries remained minimal and only few industries became competitive (Wangwe & Semboja 2003: 163). Africa had produced industries with low efficiency, low returns, and low labor productivity.

The African industrial sector rose substantially: from 29.4 percent in 1970 up to 36.7 percent in 1980. This increase, however, can be attributed to a large extent to the mining sector rather than to the manufacturing sector. Indeed, assessing the performance of the African manufacturing sector between 1960 and 1980 is difficult. Internationally comparable data before 1970 is rare, and the data sources for the time between 1970 and 1980 are contradictory. According to the ECA (1971: 27), the manufacturing sector (including energy) in developing Africa (excluding South Africa) rose from 10.7 to 12.6 percent of total value added, meaning an average growth rate of 6.1 percent, whereas the average growth rate of the total economy was only 4.4 percent.

For the time period between 1970 and 1980, UNCTAD & UNIDO (2011: 15) reports an increase in the size of the manufacturing sector in developing Africa from 6.3 to 11.9 percent, whereas UNCTADstat reports an increase from 12.0 to 12.6 percent. I report the publicly accessible data from UNCTADstat in figure 5 and table 5.

In general, the outcomes of industrialization remain negligible. The African share in world manufacturing was negligible at 2.3 percent in 1980. However, several economies such as Congo-Kinshasa, Kenya, Malawi, Zambia, Zimbabwe, Swaziland, and Mauritius managed to increase their manufacturing share considerably.
2 A short economic history of Africa

Figure 5: Share of manufacturing of total value added in African countries in 1980

African countries experienced a disastrous crisis at the beginning of the 1980s. Even though Africa could not be perceived as “developed” by then, its growth rates had been relatively high between 1960 and 1970. While GDP per capita in sub-Saharan Africa experienced a moderate growth of 3.3 percent from 1965 to 1973, it decreased by 0.3 percent from 1973 to 1980 and 1.1 percent from 1980 to 1989 (Tarp 1994: 12) (see also figure 1). Besides, African countries experienced falling export volumes contributing to severe balance-of-payments deficits as well as increased external long-term debt, which diminished the capacity to import intermediate and capital goods needed for economic growth (Sender & Smith 1985: 126).
In addition, African countries suffered from domestic problems: The political scenery was characterized by coups d’état, ethnic fragmentation, and civil strife. Political stability was rare in sub-Saharan Africa (Owusu 2003: 1657).

There have been two kinds of explanations for this economic crisis in Africa. The structuralists, especially academics with Marxist orientations such as Amin (1974), Lawrence (1986), or Sutcliffe (1986), saw the crisis as a result of long-term underdevelopment. Quite similar, the United Nations Economic Commission for Africa (ECA 1989: 1) explained the African crisis with the underlying structures of the African economy in production, consumption, technology, employment, and socio-political organization. As Fole (2003: 79) points out, both explanations of the crisis focus on historically formed structures.43

Additionally, the structuralist approach assumes that the world trade system had a major impact on African development. Structurally decreasing prices for agricultural goods, the world depression, and protectionist agricultural policies in developed countries finally caused the decreasing share of exports. The following deficit in the balance of payments, the increased interest rates as a consequence of the global depression, and the oil crises of 1973 and 1979 eventually resulted in increasing government debts (Lensink 1996: 41).

The neoclassical explanation of the African crisis also focuses on government debts, but sees them as a result of high state consumption, corruption, and inefficient allocation. Import substitution policies and development plans, including the promotion of the industrial sector, were evaluated as a neglect of the beneficial effects of market incentives. The recommendations of privatization, deregulation, and liberalization thus gained supremacy in the important development institutions for the following decades.

2.6.1 Washington Consensus

In 1990, John Williamson (1990) coined the term “Washington Consensus” to describe the neoclassical standard economic policy of the World Bank or the IMF for developing countries, starting in 1981. While the ear-

43 For further reading concerning the African crisis in the 1980s, see Bienefeld (1988).
ly development thinkers mainly focused on market failure due to information or coordination externalities, the economists of the 80s and 90s stressed government failures and pointed to excessive government consumption, misallocation of resources as well as inadequate macroeconomic policy or corruption (Tarp 1994: 14 ff.). The neoclassical market price system with a minimalist government and a balance-of-payments as well as fiscal deficit equilibrium became the main feature of the new development paradigm of the 1980s and 1990s (Thorbecke 2007: 16). Along with Béla Balassa and Jagdish Bhagwati, Anne Krüger became the famous advocate of this school of thought.

With the revival of neoclassical economics in the Western industrialized countries and the rise to power of Margaret Thatcher and Ronald Reagan, neoclassical orthodox economists regained massive influence in the World Bank and the other Bretton Woods institutions. As Meier (2005: 83) puts it: “Reagan’s ‘magic of the market’ and Thatcher’s minimization of government provided a congenial intellectual environment for the neoclassical resurgence.” In 1980, World Bank president Robert McNamara was followed by A.W. Clausen with a different ideological focus. He replaced the former chief economist Hollis B. Chenery by Anne O. Krüger, an institutional reflection of the neoclassical takeover.44

The following two decades were characterized by the second generation of development economists criticizing the former policies for ignoring fundamental neoclassical principles (Meier 2005: 85). Economic theory in the following years became synonymous with privatization, deregulation, and liberalization as driven by the Bretton Woods institutions IMF and World Bank, which became more and more dominant while African economies suffered from severe debt problems.45

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44 While Chenery emphasized the role of structural change for economic development, Krueger was a strong believer in neoclassicism, pointing out the failures of import substitution policies. In her article “The Political Economy of the Rent-Seeking Society” (1974) she showed how rent-seeking economies produce deadweight losses.

45 The hegemonic power of the World Bank in development economics was also underscored by a range of World Bank studies and the annually published World Development Reports. The WDR is the flagship publication by the Research Department led by the World Bank chief economist. The 1997 World Development Report cost $3 million, and the report was translated into various languages and printed about 150,000 times. Almost half of the copies were distributed as free copies to libraries and universities in developing countries (Menzel 2000, 208). About eight of the World Bank’s best and most senior re-
Due to the severe debt crisis in developing countries in the 70s, the World Bank initiated structural adjustment programs (SAP) in 1980, which made loans conditional on the implementation of economic policies in line with the new “Washington Consensus”. The IMF and the World Bank made 958 adjustment loans to developing countries between 1980 and 1998, thus became the most dominant players in the economic policy of African states (Easterly 2001: 136).

2.6.2 Methodological issues

The World Bank’s famous “Berg Report” (World Bank 1981) attributed most of the growth failure in sub-Saharan Africa to the false perception that development is equivalent to industrial growth. It argues that the overoptimistic interventionist import substitution industrialization policies had led to a huge unproductive administrative public sector marked by corruption, delays, and an underutilization of capacities (Sender & Smith 1985: 126).

The central argument of the report and the upcoming economists at this time was that individuals react to incentives. The inefficient use of resources and the debt-ridden public sector could thus be traced back to wrong institutional incentive structures. While the early development economists focused on structure rather than individuals, methodological individualism and physical metaphors, which already had been prominent during the marginal revolution in 1870, became popular again (Hodgson 2012: 503).

Development economics, in consequence, distanced itself from development studies and the incorporation of interdisciplinary elements (Fine 2010a: 69). The historical analysis of modernization, progress, and industrialization, which was accompanied by an interdisciplinary exchange with development studies, was abandoned in favor of the analysis of individual agents, incentive structures, and the assessment of performance in perfectly working markets (Gore 2000: 794). Development economics in the following years reverted back to being an applied field of “normal” econom-
ics, in which the same tools of labor economics, agricultural economics as well as international economics were used (Krueger 1986: 62–63).

When the principles of marginalist economics had been extended to macroeconomics (Fine 2010b: 63), the rise of neoclassical thinking was accompanied by the rise of modern growth theory in which human capital becomes one of the prime movers of economic development. Furthermore, the role of knowledge, technology, and innovations were important additions to the understanding of development (Lucas 1988; Romer 1990). Interestingly, these endogenous models could be equally applied to development economics and industrialized countries, revealing the neglect of structural issues in these models. Gore (2000) further emphasizes that the explanatory framework of development in the Washington Consensus was national, whereas the structuralist approach (especially dependency economists but also modernization theorists) had a global framework for explaining development and underdevelopment. The changing perspective explains why development economics was simply seen as an applied field of normal economics and why economic policy gained primacy in explaining differentials between the performances of economies. However, the framework dismisses the impact of global developments as well as historically grown path-dependencies.

According to the national framework of explaining economic growth, the neoclassical analysis is underlined by empirical growth regressions in which around 60 variables were found to be significant for economic growth (Sala-I-Martin 1997: 178). Dualism and structural change have been nearly completely absent from empirical growth research. On the contrary, “much of that research proceeds as if structural change can be ignored” (Temple & Wößmann 2006: 188).

An influential study by Little et al. (1970) showed that import substitution policies had been much more costly than expected and that the export-led policies of the Newly Industrializing Countries (NIC) in East-Asia had been much more successful. Instead of import substitution industrialization, an externally-oriented trade policy was seen as a key ingredient for economic growth and development (Krueger 1997: 1). The theory provided indications that protectionist policies encourage rent-seeking involving corruption, smuggling, and black markets (Meier 2005: 85). Simultaneously, dynamic trade theory (Helpman & Krugman 2002; Jensen & Wong 1997) helped the comparative advantage theory to celebrate its comeback and to become prominent again. The use of tariffs or any other type of import-restrictions was in consequence deemed hampering for economic development.
2.6.3 Structural adjustment policies

According to the Washington Consensus, the main aspects of these adjustment programs had been a) the devaluation of the currency, b) the reduction of tariffs and other import restrictions, c) stimulating agricultural production, and d) restructuring the public sector, i.e., the reduction of subsidies and the number of civil servants as well as the privatization of public enterprises (Lensink 1996: 77–93).

According to the World Bank (1992), Africa received 117 of a total of 258 adjustment loans between 1980 and 1991, which account for $10,025 million or 24 percent of all adjustment loans (World Bank 1992: 69). The survey shows that 14 out of the group of 27 intensive adjustment lending countries and 18 out of the group of 30 other adjustment lending countries were African. Only Botswana, Egypt, Ethiopia, Lesotho, Liberia, and Rwanda did not receive any adjustment loans (see table 3). Adjustment policies in African economies were implemented fully in 73 percent and substantially in 87 percent (World Bank 1995: 84).

Table 3: Adjustment lending countries in Africa

<table>
<thead>
<tr>
<th>Intensive-adjustment lending countries a</th>
<th>Other adjustment lending countries b</th>
<th>Non-adjustment lending countries</th>
</tr>
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<tbody>
<tr>
<td>Côte d’Ivoire</td>
<td>Algeria</td>
<td>Botswana</td>
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<tr>
<td>Ghana</td>
<td>Benin</td>
<td>Egypt</td>
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<tr>
<td>Guinea-Bissau</td>
<td>Burkina Faso</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Kenya</td>
<td>Burundi</td>
<td>Lesotho</td>
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<tr>
<td>Madagascar</td>
<td>Cameroon</td>
<td>Liberia</td>
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<tr>
<td>Malawi</td>
<td>Central African Republic</td>
<td>Rwanda</td>
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<tr>
<td>Mauritania</td>
<td>Congo (Brazzaville)</td>
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<tr>
<td>Mauritius</td>
<td>Congo (Kinshasa)</td>
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<td>Morocco</td>
<td>Gabon</td>
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<td>Nigeria</td>
<td>Gambia</td>
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<td>Senegal</td>
<td>Mali</td>
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<td>Tanzania</td>
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<td>Togo</td>
<td>Sierra Leone</td>
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<td>Zambia</td>
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<td>Sudan</td>
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<td>Trinidad and Tobago</td>
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<td>Tunisia</td>
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<td></td>
<td>Zimbabwe</td>
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</table>

Source: World Bank (1995: 15); a) countries which received two or more adjustment loans effective in June 1990, with the first adjustment loan effective before June 1986, b) other countries that received at least one adjustment loan effective by 1990.
The effects of the adjustment policies are noticeable but unclear. Most of the studies, especially those by the World Bank or the IMF, suggest that they had a positive effect on economic growth (World Bank 1992, 1994). Concerning exports, investments, and savings, even the estimates of the IMF and the World Bank are inconclusive (Lensink 1996: 107). However, the World Bank assessments were harshly criticized by several authors. Most of the evaluation studies, except for the studies by the implementation institutions themselves, conclude that there has not been any positive impact of adjustment policies on economic growth (Mosley et al. 1995; Wangwe & Semboja 2003; Easterly 2005).

Apart from the modest economic outcomes of structural adjustment, its critics stress the high environmental and social costs of the policies (Lensink 1996: 125) as well as the political consequences. Since adjustment policies had been entirely external to the governments and driven by donor concerns, they reduced the accountability and transparency of national decision-making. Furthermore, large capital flows yielded to increased aid dependency and, thus, dependency to international financial donors (Van de Walle 2008: 228–229). Shrinking legitimacy and public impatience up to social unrest against western domination were the results. Herbst (1990) emphasizes that politicians faced an even more risky political environment when adopting more decentralized forms of government. Adjustment loans limited the direct financial flows from political leaders to their old network, which, in turn, broke down and thus weakened the central state apparatus. Van de Walle (2008: 14) concludes that adjustment lending had a negative impact on state capacity and even facilitated the emergence of neo-patrimonial systems.

Due to the overall decline of growth rates in sub-Saharan Africa during the 80s until the mid-90s, this period time came to be known as the “lost development decades” (Easterly 2001). The decline is mysterious, since growth regressions that had been successful in explaining cross-country variations in economic growth predicted an upward trend of overall economic growth due to country characteristics, such as school-enrollment, financial depth, or telephone density (Easterly 2001: 137). The typical growth regression over-predicted economic growth in the 80s and 90s. According to Easterly, this overall decline must probably be attributed to worldwide factors, such as the terms of trade (commodity prices), interest rates, or the overall growth slowdown of industrial economies.
Considering the manufacturing share of African economies, the results during this period are very diverse (see figure 6). While the manufacturing share in all of Africa rose from 11.5 to 14.8 percent, the same share in developing Africa fell from 12.6 percent in 1980 to 8.2 percent in 1995. The share of manufacturing rose substantially in several economies during this time, for example in Swaziland, Benin, Côte d'Ivoire, Burkina Faso, Mali, Mauretania, but also in Libya and Tunisia. However, it shrunk in Angola, Congo-Kinshasa, Djibouti, Liberia, Kenya, Mozambique, and Zambia.
2.7 Post Washington Consensus Consensus

As most of the developing countries needed to go through a painful adjustment process, it became clear that the overall situation had become one of stagnation. While in the time span 1960–1980, the average per capita growth was 2 percent, in the period 1980–1995, the average per capita growth was negative at -0.43 percent, and even -1.7 percent in sub-Saharan Africa (see table 4). The period between 1980 and 1995 became the “lost decades” for development economics (e.g., Easterly 2001). Only the Newly Industrializing Countries (NIC) in East Asia managed to sustain their growth during this time. Botswana and Mauritius are two African outliers which also experienced high growth in this period.

Table 4: Average GDP per capita (constant 2010 USD) growth in percent

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<tbody>
<tr>
<td>Africa</td>
<td>1.97%</td>
<td>-0.43%</td>
<td>1.91%</td>
</tr>
<tr>
<td>World</td>
<td>2.65%</td>
<td>1.11%</td>
<td>1.73%</td>
</tr>
<tr>
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<td>1.91%</td>
<td>1.47%</td>
</tr>
<tr>
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<td>3.16%</td>
<td>0.16%</td>
<td>1.82%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>-</td>
<td>1.27%</td>
<td>1.91%</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>4.23%</td>
<td>3.39%</td>
<td>3.22%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>1.59%</td>
<td>-1.72%</td>
<td>2.08%</td>
</tr>
</tbody>
</table>

Source: World Development Indicators

The success of the NIC on the one hand implied the demise of dependency theory, which was not able to explain this phenomenon, but also challenged the neoclassical view on development policy. Several authors emphasized the Japanese development experience in contrast to the structural adjustment conditions. The first one was Chalmer Johnson who used the term “miracle” in his book “MITI and the Japanese Miracle”. Further milestones were: Cumings (1984), Evans et al. (1999), Amsden (1989), Wade (1990), and Aoki et al. (1997). All authors focused on the role of government and institutions as well as industrial policy and henceforth

46 The NIC are sometimes called the four “Tigers”: Hong Kong, Singapore, South Korea, and Taiwan. Later a second generation joined the “Tiger Club”: Indonesia, Malaysia, the Philippines, and Thailand.
heavily challenged the neoclassical interpretation of the “The East Asian Miracle” (World Bank 1994).

The Japanese government itself supported adjustment loans until 1991 due to concerns about the bilateral relationship with the United States (Stein 1998: 40). After the collapse of the Soviet Union followed by a shift in Japanese-American relations, it started to voice its criticism (Stein 1998: 41). Japan’s increasing influence as a donor and investor thus challenged the Washington consensus in 1991. The result of this process was the World Development Report (WDR) 1991 (World Bank 1991), which represented a market-friendly view, in contrast to the radical liberal one of 1987. According to the Japanese Ministry of Finance and the Japanese directors of the World Bank, the WDR still proved unacceptable because too little attention was paid to the role of bureaucracy and the developmental state. However, the WDR can be seen as a first small shift away from orthodox neoliberalism (Menzel 2000: 209).

The report recognized that generally strong states managed to stabilize their economies and to introduce market-friendly reforms. Against the backdrop of the democratic experiences, especially in Africa, it stresses the relationship between the state and the market. It acknowledged the principal faults in the dichotomy of laissez-faire and intervention and advocates a consensus for a market-friendly approach (World Bank 1991: 1–2). The role of the state was to limit its activities and public services to a minimum (Yusuf 2009: 33). Scarce state capability still was to be addressed by reducing unnecessary government involvement. State fragility was attributed to authoritarian and predatory governments, working in opposition to market forces. In general, democracy was seen as complementary to market forces, and the successful authoritarian governments in the NIC were seen as an exception rather than the rule (World Bank 1991: 133).

With the end of the Cold War and the subsequent change of the world order, development economics changed dramatically. The Post Washing-

The World Bank (1994) tried to explain the “East Asian Miracle” with the help of the neoclassical export-oriented economic policy. The fast development was attributed to the pace of human and physical capital accumulation. Macroeconomic stability for optimal allocation of production functions was seen as the key to achieve long-lasting economic growth. Furthermore, the World Bank admitted that most East Asian countries conducted industrial policies. However, the interpretation was that the NICs achieved a high growth rate and industrialization despite relying on industrial policies.
ton Consensus, which is still dominated by the World Bank, refuses its former SAPs. *New Development Economics*, mainly coined by Joseph Stiglitz, is the new paradigm within the World Bank. However, Gore (2000: 795) proposes that besides the western-dominated paradigm of development economics, there is a Southern Consensus of *Latin American Neostructuralism*, mainly articulated by United Nations Economic Commission for Latin America and the Caribbean (ECLAC), and the *East Asian Development Models*, described by United Nations Economic and Social Commission for Asia and the Pacific (1990).

### 2.7.1 New Development Economics

The World Bank’s 50th anniversary was accompanied by massive public protest against the Bretton-Woods institutions. The International Monetary Fund’s annual meeting in Madrid was hemmed by the critic’s slogan “50 years is enough”48 (Yusuf 2009: 34). President James Wolfensohn, appointed in June 1995, responded to the critics with the attempt to convince civil society of the bank’s relevance. His appointment marked the next change in international development politics. Wolfensohn was supported by two Nobel laureates: Amartya Sen, who is famous for his many-sided view of development and welfare (his suggestions heavily influenced the Human Development Index introduced by the UN in 1990), and Douglass North, famous for his work on institutions.

In Wolfensohn’s proposal for a comprehensive development framework, he challenged the World Bank and the IMF not to focus only on structural adjustment but to respect the structural, social and human dimensions as the other side of the coin (Wolfensohn 1999: 7). Unlike in the phase of SAP, the focus shifted from macroeconomic stability and economic growth to poverty and inequality reduction as well as human development including education and health (Owusu 2003: 1661). Nonetheless, the World Bank still believes that the best way to reduce poverty is economic growth (Dollar & Kraay 2002).

The turning point for a new consensus within the World Bank after the failures and criticism of the Washington Consensus was pushed forward by the Japanese view on development. Its influence was felt in the WDR 2002

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48 The slogan became the header of a collective volume bringing together the critique on the World Bank and the IMF (see Danaher 1994).

The policy shift in the important development institutions was accompanied by advances in development economics differing from traditional neoclassic economics. Joseph Stiglitz calls it “New Development Economics” (NDE) (Stiglitz 1986). One of the main features of this new brand of economics is the departure from excessive beliefs in market fundamentalism. The role of the government, apart from assuring property rights and macroeconomic stability, was strengthened due to several reasons. The traditional neoclassical paradigm admits that markets are imperfect in certain cases when external economies or public goods are considered. Stiglitz (1986) established the “Imperfect Information Paradigm” assuming that, as information is imperfect in virtually all cases, markets lead to efficient allocation only under exceptional circumstances. Thus, market failures are the rule rather than the exception. New development economics focuses on information, learning, incentives as well as incomplete or missing markets.

According to Stiglitz (2008: 3), NDE provides the theoretical underpinning for the belief that in early stages of development, markets will not lead to efficient outcomes. The ascension of NDE was accompanied by the comeback and resurgence of ideas and concepts deriving from high development theory. The theories of poverty traps were subsequently illustrated by models including multiple equilibria. The big push is modeled by the existence of coordination failure, economies of scale, and imperfect tradability (Rodrik 1996). Ray (2000) also stresses the role of interindustry links and demands complementarities in a Hirschmanian tradition. Ros (2001) further attempts to reintegrate the ideas of early development economists such as Rosenstein-Rodan, Nurkse or Lewis into the new growth theory and shows a wide range of theoretical congruence between them.

Already in the 1980s, new trade theories based on economies of scale as well as imperfect information suggested selective and country-specific interventionist industrial policies (Deraniyagala 2003: 87). NDE is neither in favor of a strong overarching role of the state, as most modernization theories are, nor does it conform to a minimalist state, as proposed by the Washington Consensus. On the contrary, NDE aims to exploit the complementarities between the state and the market (Ndulu 2007: 322).
A shift from market-liberalism to a more moderate view can thus be interpreted as a convergence towards the East Asian model of development. While the policy implications may converge, the market remains the starting point of analysis for the NDE. East Asian models, on the other hand, interpret the market as a tool which can be helpful for achieving economic growth.

### 2.7.2 East Asian model of development

The emergence of the NIC in East Asia prompted the question why these economies had been so successful, whereas others had not. In spite of their regional concentration, the East Asian economies differed widely concerning size, political regime, resource endowments as well as their sociocultural and ethnic structures. Several authors therefore proposed the presence of a typical form of state as the most important factor in generating high and sustainable economic growth. Chalmer Johnson (1982) invoked the concept of the “developmental state” in characterizing the Japanese economic bureaucracy, especially the Ministry of International Trade and Industry (MITI), and its role for the extraordinary Japanese post-war development. The policies of MITI became the role model for the NIC, especially for South Korea, Taiwan, Hong Kong, and Singapore. China also adopted the institutions of the model during the 1990s (Johnson 1999: 40). Several other authors stressed the role of the state in the development process in East Asia, such as Alice Amsden (1989), Robert Wade (1990), Peter Evans (1995), and Adrian Leftwich (1995), thus established the “developmental state” model as a paradigm.

Since several authors focused on the political economy of the developmental state and analyzed the relationship between the state and the economy, Amsden (1989) examined the economic policy of South Korea in detail. The government took a strategic role in selecting and developing industries which had been critical for the productive transformation of the economy. According to Öniş (1991: 124), the industrial policy of the developmental state is characterized by three features which distinguish them from economic policies proposed by neoclassical economists or even associates of the New Development Economics. Firstly, the process of development and thus the building up of infrastructure, education, and research has the priority over direct ownership and control of industrial production. Secondly, the state plays a key role in the promotion of coopera-
tive labor-management relations. And thirdly, the state assumes responsibility for the creation of comparative advantages (Leftwich 1995: 402).

In contrast to the neoclassical postulations of profit maximization and conforming to comparative advantages, the state in the East Asian model is supposed to heavily intervene and create price distortions by subsidizing and directing capital to strategic industries before cautiously exposing them to international competition. Again, even though the East Asian Model conforms to New Development Economics in the aspect that competition is deemed useful, its starting point of analysis is not the market but rather the state and the question of how to achieve economic transformation. The market is therefore seen as an instrument for industrial policy, which is employed to expose carefully identified industries to international competitive pressure (Öniş 1991: 124).

2.7.3 Latin American Neostructuralism

Latin American Neostructuralism is a collection of policy orientations and proposals, mainly put forward by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), rather than an academic theoretical framework. However, Leiva (2008b) suggests that it meets the criteria of a paradigm as listed by Fine (2002). Neostructuralism emerged in reaction to the neoclassical experience of the 1980s and invokes the traditional Latin American thinkers of structuralism in the 70s. One of the main thinkers is Fernando Fajnzylber who coined the term and laid the foundation in two publications: “Changing production patterns..."
with social equity” (ECLAC 1990) and “Sustainable development: changing production patterns, social equity and the environment” (ECLAC 1991). Neostructuralism is seen as a structuralist reaction and Latin American answer to the historical conditions after the Washington Consensus. The term “neo” signifies the adoption of export-led oriented policies, but the analytical basis remains structural, at least according to Bielschowsky (2009: 182).

Leiva (2008a: 3) states that neostructuralism distinguishes itself from the neoliberal framework. He concludes from the SAPs that the focus on economic development itself is not sufficient and that such policy reforms are not possible as long as political legitimacy is not ensured. He thus emphasizes the interplay of economic development and participatory processes, democratic governance as well as social cohesion and equality. In the end, however, the aim of his brand of neostructuralism is still to increase the society’s capacity and to achieve international competitiveness (Leiva 2008b: 11). It needs to be distinguished from the idea of comparative advantages, in which the international competitiveness of commodities is the key for economic development.

In contrast, ECLAC (1990) developed the notion of systematic competitiveness, incorporating the entire social system, competing on a world scale. Technical progress and increases in productivity are determined by institutional, political, and cultural factors. Economic policy, according to this theory, must account for the entire system and cannot merely focus on allocation, optimization, efficiency, and externalities. The need for interdisciplinarity is the most distinguishing aspect between neostructuralism and New Development Economics. In the publication of 2007, the approach of social cohesion and its importance for economic policy, especially in developing countries confronting an economic transformation process, is elaborated (ECLAC 2007). The approach aggregates the Latin American historical legacies as well as cultural peculiarities into an economic framework to provide policy recommendations (ECLAC 2007: 19–32). Its analysis in this aspect totally differs from NDE, which uses categories like social capital. Neostructuralism further distinguishes itself from NDE in the sense that it neglects the idea of ‘one model fits it all’. A general blueprint for economic development thus cannot be developed but is dependent on historical legacies, local peculiarities, as well as the technological circumstances and the international context.

Still, the neostructuralists agree with the idea of an export-led growth model. Even though the mode of integration into the world economy must be purposeful and cannot be left to the market alone, neostructuralists as-
sume that joining the globalized economy is necessary for economic development and could be attained relatively easy. Active industrial policies which encourage more sophisticated manufacturing exports, including a higher degree of value added, are thus supported (Leiva 2008a: 8).

It should be mentioned that in contrast to NDE, neostructuralism assumes that there is a dichotomy between spurious economic growth, denoting a catching-up of the economy via the exploitation of cheap labor, and genuine or innovation-based growth, which is due to increased productivity and the incorporation of technical innovations. Competitiveness in international markets should be reached by means of research and development, integrating into global value chains, rapidly adapting to new technologies, products as well as service technologies, and the establishment of production networks and clusters. The active promotion of private-public partnerships as well as state-civil alliances consequently increase the society’s capacity to innovate and, thus, to increase productivity. Additionally, neostructuralists promote an open regionalism and therefore campaign for making the WTO regime compatible with regionally-based initiatives.

### 2.8 Interim conclusion: an African development paradigm?

In contrast to the conventional wisdom that African countries are characterized by traditional economies without external relations, the continent was integrated into the international system, especially via the Islamic trade, and was characterized by influential kingdoms long before the arrival of the European imperial powers, which marked a major turning point in African economic history. Large parts of Africa became involved in the European and the world capitalist system. Since then African economies have been heavily influenced by their external trade relations and hence by the major economic paradigms.

The first industrial experiences on the continent are to be found in the regimes of competitive exploitation (South Africa and Rhodesia) during the colonial period. The general record of colonization, however, is disastrous on many levels, and the main economic activities remained traditional agriculture and the production of cheap raw materials for export. Despite the early industrialization efforts and the gain of political independence of most countries in the 1960s, Africa never managed to become economically independent. The SAPs during the 1980s provided the basis for the “lost development decades” in Africa.
In the period after the Washington Consensus, starting in 1995, the African economic growth rate has been as high as in the time of import substitution industrialization. Sub-Saharan Africa even outscored these growth rates. However, the growth was not associated with an increasing share of manufacturing value added. The share fell from 14.8 percent in 1995 to 10.4 percent in 2010. The loss of manufacturing capacity seems to be a general problem. No African economy managed to increase its manufacturing share considerably during this period. The largest gains can be noted in Chad (from 7.3 to 11.5 percent) and in Nigeria (6.6 to 9.6 percent). Even in South Africa, the largest economy in Africa and a former manufacturing hub, the manufacturing share of value added steadily decreased to 13.2 percent in 2014.

Table 5: Sectoral contribution to GDP and world share of manufacturing

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<tr>
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<tr>
<td>Services</td>
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<td></td>
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<td>5.76</td>
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</tr>
<tr>
<td>Eastern and South-Eastern Asia</td>
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<td>4.97</td>
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<td>16.53</td>
<td>19.00</td>
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<td>41.61</td>
<td>36.14</td>
<td>31.92</td>
<td>30.02</td>
</tr>
</tbody>
</table>

Source: UNCTADstat

Figure 7 depicts the share of manufacturing value added in African countries in 2014. No economy in Africa has reached the threshold of 20 percent, and the only economies with a manufacturing share above 15 percent are Mauritius, the Democratic Republic of the Congo, and Côte d'Ivoire as
well as the three North African economies Egypt, Tunisia, and Morocco. The world share of African manufacturing thus remains negligible. In contrast, Eastern and South-Eastern Asia gained a large share and became a new manufacturing hub of the world.

Figure 7: Share of manufacturing of total value added in African countries in 2014

The rise of China and the East Asian economies paved the way for a Southern Consensus including the developmental state model as well as Latin American Neostucturalism. Until now, there is no African Development paradigm visible. However, in 1989 the ECA distanced itself from the Washington Consensus and the SAPs by providing an alternative framework. Among other things, it emphasized the need for structural transformation from primary products to consumer goods and services as
well as the diversification of the economy towards more processed commodities and manufactured goods (ECA 1989: 34). Gore (2000: 802) argues that an African version of the Southern Consensus could emerge based on Mkandawire & Soludo (2003) and UNCTAD (1998: part 2). There is evidence that African economies (esp. Ethiopia and Kenya) have been increasingly following the Chinese model of development or the East Asian developmental state model in general (Fourie 2013: 379).

Even though African economies are trying to follow route of the NIC and China, it is not clear whether the developmental state model is replicable in Africa. On the one hand, the global economic environment has changed, the global share of manufacturing is steadily shrinking, and there is not much room next to the manufacturing center of the world China (this issue is discussed further in chapter 3). On the other hand, it is argued that African economies do not fit the special conditions, which had been in place in the East Asian economies, since they are mostly characterized as neo-patrimonial.

In addition to these negative prospects, there is an ongoing debate on the need for a democratic and socially inclusive developmental state in Africa. Despite only reaching a consensus in very few instances, 54 African economies have joined the African Union and have signed the 207 paragraphs of its latest development program called “New Partnership for Africa’s Development” (NEPAD). Paragraph 79 of the policy paper reads as follows: »It is generally acknowledged that development is impossible in the absence of true democracy, respect for human rights, peace and good governance”.

The most prominent representative in favor of a democratic developmental state is Thandika Mkandawire, who argues that there are examples of African countries which have clearly been developmentalist (Mkandawire 2001: 310). It is questioned whether it is possible to shift the focus purely to economic development in a democratic state (Öniş 1991: 121). Interestingly, the most widely cited examples for African developmental states, Mauritius and Botswana, are both democratic.51

51 It is questioned whether Botswana is a flawless democracy. It scores high (+8 on a scale from -10 to +10) in the polity index, which is mainly based on legislation. Nonetheless, it is categorized as dictatorship in the ACLP dataset (ACLP is an acronym of the scholars: Michael Alvarez, José Antonio Cheibub, Fernando Limongi und Adam Przeworski), since it never had a change in government. The Botswana Democratic Party, founded in 1965, was never voted out of office.
ally, there has recently been a debate on the construction of a democratic developmental state in South Africa (Edigheji 2010). While the developmental state model is typically associated with industrial development and the promotion of the manufacturing sector, a democratic developmental state may focus on a service-led growth model. This view finds support by Eichengreen & Gupta (2009: 10), who identified a second-wave of services only observed in more outward-oriented (trade openness) and democratic countries.