

The Facts About Africa

ABSA chairman Danie Cronjé has questioned the South African attitude of simply accepting that conditions in the country will deteriorate. He believes South Africans themselves are responsible for the local outbreak of Afro-pessimism.

There's no denying Africa's litany of failures and there are good reasons for Afro-pessimism. But neither of the two standard explanations for these failures is convincing. According to one, Africans are doomed because of some mythical or hereditary flaw. The other blames colonialism for everything going wrong on the continent.

Neither of these views remains standing against the results of real research, done by various experts.

Two institutions have contributed much to the understanding of African economic failure -- the Centre for the Study of African Economies at Oxford University in Britain and a team at Harvard University in the United States, led by Jeffrey Sachs (one of the world's foremost development economists).

Their findings were really quite simple: Africa's failures are in the main the result of bad economics (closed economies excluding private enterprise); bad politics (low levels of political rights); risk levels that are too high for investors; and insufficient capital.

The central causes are bad economics and bad politics.

First, let us consider closed economies. Africa's economies have largely been rooted in socialism – at the time of uhuru, Kaunda, Nyerere, Nkrumah and many other African leaders opted for socialism. As a result, Africa experienced the same

economic degradation as European socialist countries such as East Germany.

The East Germans had the same language, culture, basic training and work ethic as the West Germans, but their economy was strikingly backward by comparison. Systems are more important than culture.

Research done by Sachs shows convincingly that almost 100% of Africa's poor economic performance can be blamed on the continent's closed economies. Other influences include geography, a tropical climate and diseases.

South Africa also has a history of socialist policies. For instance, apartheid has severely restricted one critical characteristic of a market economy, namely private ownership of land. And in addition to apartheid, collective tribal ownership of land prevented people from becoming individual land owners.

As a consequence, investment in such land was severely limited. Large tracts of land in South Africa, rural as well as urban, remain undeveloped in the absence of investment. The very limited development in areas such as Soweto and Alexandra can be explained, at least in part, by the absence of individual property rights.

But South Africa's problems went beyond land. Free markets did not exist in important industries such as transport, telecommunication, electricity and agriculture. Successive (white) governments promoted monopolies and socialist policies, thereby undermining growth. Apartheid could indeed be called a period of Afrikaner socialism.

Secondly, the other major reason for Africa's failures is bad politics, caused by low levels of political rights.

Typically, the government of the day is answerable to only a section of the country's citizens. Prime examples are military dictatorships, governments with low support bases and governments run by members of only one ethnic or interest group.

Conflict is the inevitable consequence. It manifests as continuous unrest, low-intensity civil war and even full-scale war. And when a country is involved in war or facing unrest, it cannot raise its living standards. This experience was shared by the Romans, the Americans during Vietnam and by South Africans in the Eighties.

It is interesting to note that Africa's current trouble spots are all characterised by one of the two major causes of failure, either low levels of political rights leading to conflict and war (the Kongo, Angola and Swaziland, for instance) or closed economies leading to deterioration and conflict (Zimbabwe, for instance).

Botswana is an opposite example. This African country has neither a closed economy nor unrepresentative government, and has enjoyed growth rates of more than 8% for most of the past two decades. Of course diamonds and the De Beers cartel helped. But many other countries with commodities and cartels, such as the oil producers, have not achieved Botswana's growth rates.

In South Africa, neither of the two main reasons for Africa's failures is present. Its citizens enjoy high levels of political rights – interestingly manifested by the official probe into Government arms purchases (what are the chances that such a probe would have been sanctioned by parliament before 1994?). And Government is steadfastly following a policy of opening up the economy and of deregulating – even at the cost of thousands of job opportunities for its own supporters.

The more open economy will automatically lead to higher productivity. This should improve investor returns and attract capital.

None of which means that South Africa will automatically become a success story. We face daunting challenges. But it does help to know what the necessary preconditions are – an open political system and an open economy. And our chances of fully achieving those are better now than at any time during the past 50 years.

Danie Cronjé's observation that our own attitudes are promoting Afro-pessimism is a timely warning.

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