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Special Issue on

'Africa and its Discontents: Politics, Economics and Culture'

Guest Editor

Lansana Keita

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Editor-in-Chief/Rédacteur en Chef

Africa Development/Afrique et Développement

CODESRIA, Av. Cheikh Anta Diop x Canal IV B.P. 3304, Dakar, 18524 Sénégal.

Tel: +221 825 98 22 / 825 98 23 - Fax: +221 824 12 89 Email: publications@codesria.sn or codesria@codesria.sn

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Introduction

Lansana Keita*

The General Situation

The essays that make up this special issue are informed by a general theme that continues to plague the African continent and its inhabitants. The issues that are fairly obvious are those concerning very high unemployment rates, unviable infrastructures, high and low intensity conflicts, low wages in a context of first world prices, uneven growth and widening Gini coefficients.

The majority of Africa's existing states gained their present 'independent' status from colonial tutelage in the last 50 years and there was much optimism at that point that the new nations would quickly develop by acquiring new technologies similar to those that facilitated European economic dominance during colonial times. But things did not progress as anticipated for a number of complex reasons; and the general discontent is palpable – both on the political and economic fronts. These facts are to be pondered over with the knowledge that countries like South Korea were on economic par with countries such as Senegal and the Democratic Republic of the Congo. Today, South Korea is an industrial powerhouse that is a leader in enterprises such as ship building, automotive engineering, television manufacture and computer technology. So what went wrong with the African countries? A variety of explanations and theories have been offered in this regard. The explanations offered range from dependency theory to the retarding effects of neoliberal theory on one side, to the other side that appeals to explanations such as too much government intervention, cultures that are not compatible with modern industrialisation, and corruption.

To get a sense of the general state of affairs, consider the rankings on the Human Development Index for 2011. Of the 179 nations polled in the latest (2011) Human Development Index according to a set of criteria that offer a holistic view of the economic and welfare health of a nation, the majority of the nations in the category of 'low human development' are

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^{*} Department of Economics and Political Science, Kwara State University, Nigeria. Email: keitalans@yahoo.com

those of Africa. The category ranks on the index against which countries are assessed are: very high human development, high human development, medium human development, and low human development. The index itself was developed my economists Mahbub ul-Haq and Amartya Sen and lists a set of nine criteria according to which the economic life of an average individual is to be evaluated. These criteria include metrics such as years of education, life expectancy, daily caloric intake, gender equity, basic needs, poverty levels, etc. Not surprisingly, the Scandinavian nations predominated in the very high human development category along with other nations such as Australia and Canada.

At the other end of the table most of Africa's nations are in the low category with a few being in the medium development category. At the top of the African list are Libya, Algeria, Tunisia, and Mauritius. The rest are mainly in the low human development category, with some others in the medium development level. But in all of this we should note the rankings of the three most influential nations in Africa: Nigeria (145), South Africa (113) and Egypt (104). The question that automatically follows here is: what are some possible explanations for the fact that most of Africa's nations occupy the lowest categories and that the nations of Scandinavia hold the highest positions? Given that general human discontentment usually derives from economic deprivation, it would be safe to say that, on a purely material basis, Scandinavians are arguably the least discontented people on earth.

As stated above, there must be some explanations for the dismal economic state of most African nations. So what could they be? Some theorists argue that Africa has yet to recover from the debilitating impact of European colonialism in that most of Africa's nations are still locked into neocolonial relations with their erstwhile colonisers or with the leading nation of the West, the United States. The argument here derives from the 'dependency school' of economic analysis (Prebisch 1949; Amin et al 1987). In this regard, those African nations affected just do not have enough leverage to accumulate capital for the purposes of industrialisation given that their relationship with the West amounts to the Ricardian one of exporting raw materials at cheap prices to the West, and then importing manufactured products that are purchased mainly by the comprador bourgeois classes and resident expatriates that constitute no more than five per cent of the population. There are others who argue that the problem with African nations is that they are the victims of capitalism in the sense that the neoliberal policies foisted on them by the Bretton Woods institutions such as the International Monetary Fund would not allow them to accumulate critical masses of capital to develop independently. The recommended solution is to develop strong worker classes Keita: Introduction 3

by way of trade unions, so as to finally wrest economic power away from the guardians of the neocolonial comprador bourgeois state (Amin 1978). The result would be nationalised state enterprises that would be sufficiently strong to attend to the material and welfare needs of the masses.

Other theorists, mainly of Western provenance, argue that free markets and property rights are the key variables that pave the way to growth and development. The implicit thesis here is that if the culture of the free market is adopted in a framework of private property rights, rule of law and 'democratic' government then the poor would have the basis on which to obtain credit for business purposes. The theoretical foundations here are economic neo-liberalism which has been touted by economists such as Hernando de Soto (2000) and Paul Collier (2008). But still the neo-liberal approach has not been able to push the poor out of poverty and lead to economic growth. A more extreme version of the neoliberal approach has been touted by Dambisa Moyo (2009) who argues that the amount of 'aid' that Africa has received over the years has not led to development and instead has stifled the free operation of the market.

A more recent group of economists have decided to brook neoclassical orthodoxy with its neoliberal applications to embrace what has been dubbed 'heterodox economics'. Heterodox economics, in general terms, can be defined as all economic paradigms that do not support – in lesser or fuller degrees - the neoclassical approach to economics. One can include in this varied group schools of thought such as Marxian economics, Austrian economics, neo-Ricardian Sraffa economics, behavioural economics, neuroeconomics, institutional economics, etc. There is one growing set of economists who are not usually mentioned among the foregoing group that focuses more on the global economy and the impact of neoliberal economics on the economies of the Third World. I prefer to name such a group 'critical political economy'. Its approach is historical, institutional, and global. The main distinguishing feature of this group is that its members, such as Joseph Stiglitz, Eric Reinert, Ha-Joon Chang, etc., are opposed to the fundamental tenet of neoliberal economics which is that under all circumstances markets should be as free as possible and that the role of government in economic transactions should be reduced to a minimum. The heterodox theorists are not radical in the sense of, say, embracing Marxian economic theory, they are unorthodox in the sense that they question the idea that the market is the infallible guide to economic growth and that the role of government should be minimal in economic matters because it breeds inefficiency and distorts the market.

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If the non-industrialised nations such as those of Africa were to adopt the heterodox thesis, this would mean implicitly that the Ricardian principle of comparative advantage and the Hecksher-Ohlin theorem ought not to be dogmatically conformed to by Africa's economic planners. Thus we have on the one hand textbook theorists such as Paul Collier, William Easterly, Hernando de Soto, all committed to neoliberal theory not on scientific grounds but on ideological grounds, and on the other those who question this doctrine. To grasp the dynamic of the debate, throw into this programmatic dualism the intermediaries of the IMF, the World Bank, WTO and the major programmes in economics at Western universities such as the University of Chicago, Harvard University, Cambridge University, MIT. and the London School of Economics.

At these universities themselves, students are exposed almost exclusively to neoclassical theory which they then apply as practice in Western institutions with a global reach such as the IMF and the World Bank. Neoclassical theory in practice is essentially neo-liberal economics. But even though neo-liberal economics is supposedly the practice of neoclassical economics, it is the theory itself that determines the practice without any feedback looping considerations. In normal empirical science, theory guides practice; but it is empirical practice through the feedback process that guides and seeks to correct theory. But this is not the case with neoclassical economics. The theory remains unmodified despite blatant lack of harmony between theory and real world practice.

It is on this basis that, despite predictive promises, the economic landscapes of those areas in thrall to neoliberal policies remain the same. In the case of Africa, the discontent at failed policies is palpable. There are obvious questions which neoliberal theory seems incapable of addressing, obsessed as it is mainly with free markets, privatisation and minimal government role in the economy. But Africa in particular is afflicted with serious problems of unemployment and underemployment, reaching as high 60 per cent in many countries. And even those who have invested heavily in their own human capital fare no better: university graduates have difficulty finding jobs, and those that they find are often not in their fields of training. Couple that with the fact that salaries by world standards are extremely low and prices are relatively high. What is to be done? Neither neoclassical economics nor its practice as neoliberal economics has the answer. There are other considerations such as the structural arrangements between Africa's nations that standard neoclassical theory cannot address. Take, for example, the truncated state of modern Africa with its plethora of mini-states all producing just one or two agricultural products and serving as havens for the rapacious

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multinational companies whose wages are at subsistence level. How can such nations develop except by becoming part of a much larger integrated economic space? But this would entail shelving the local, non-convertible, weak mini-currencies for something more substantial. What is the point of having a local currency when it carries value only within some tiny economic space? The absurdity of the situation is underscored by the fact that all local currencies fall under the hegemony of the dollar, pound and euro. The result is that no non-local currency is exchangeable at any recognised bank, even when different branches of the same bank are involved. Thus different branches of the same bank in different countries will transfer amounts from branch to branch only through the intermediary of the dollar.

One would have expected that under such circumstances there would have been central bank coordination across the continent with the intention of developing a strong central bank that would oversee intra-continental transactions. This would have been the basis for establishing an international African currency. A promising starting point could have been the African Development Bank, but it has been rendered practically ineffective for such a task by its falling under the hegemony and sway of Western financial institutions. Again, the bare bones of neoclassical economics and its neoliberal prescriptions are just not adequate to resolve this issue.

The problem with neoclassical economics as economics is that it has lost most of its connection with the real world. It bases all of its theories on the robotic optimisation in the name of efficiency. Its major actor is that fictitious homunculus known as 'rational economic man'. His main goal in whatever context is the maximisation of expected utility as consumer and the maximisation of profits as producer. But this is not what economics is about as was the case when it was known as 'political economy'. When economics was known as political economy, it dealt primarily with the economic concerns of real humans as they existed in sociological and political environments. This was essentially the orientation of the historically important economists such as Smith, Ricardo, Malthus, Mill, Marx, Keynes, Schumpeter, and others. It was with the development of marginalist theory by the so-called marginalist trio of Jevons, Menger and Walras, then later Marshall, that attempts were made to transform economics as a study of economic decisionmaking within contexts of sociology and politics – as was the case with the classical economists, Smith, Ricardo and Malthus - into an objective science of human decision-making.

In the Anglosphere, the issue of whether economics should be a strictly scientific enterprise was wrestled with by theorists such as J.S. Mill, Marshall, John Neville Keynes, Lionel Robbins, and others. J.N. Keynes (1917), for

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example, argues that methodologically, political economy should be an empirical and deductive science compartmentalized into positive and normative (ethical or applied) areas. A similar thesis was presented by Lionel Robbins (1935) when he argued for an economics bereft of political and ethical considerations. So by the time Samuelson began his professional life as an economist, economics was metamorphosed into a strict empirical science of individual agent choice. It fact it was Samuelson himself who sought to do the 'clean-up' work of ridding economics of any vestiges of mentalistic content with his innovative theory of revealed preference.

Thus with the idea firmly in place that economics was an empirical science, the path was now clear for its advocates to declare that its theories and operations reflected the natural order of things. The dominant paradigm in this regard came to be known as neo-classical economics. The market is then seen as a kind of organic structure whose dynamic constituent parts are human agents and their empirically observable choices. A key assumption about the human agents who inhabit the neoclassical market is that their choices are founded on the principle of a consistent rationality. It is this individual rationality on the part of the generic neoclassical agent that guarantees what neoclassical economics values most. Efficiency is what neoclassical economics values most in terms of outcomes for agent decision making. Thus any intervening element that inhibits the smooth functioning of the market distorts the market and should be removed. Issues of equity for the participating agents of the neoclassical dynamic are not to be considered. The rule for those trained in neoclassical economics is 'optimisation' at all costs. Even if such optimisation means increasing poverty within society, the optimising rule must be maintained.

The reason for this dogmatism is as follows. In their goal to establish economics as a science, it was necessary to formulate general laws of human decision making necessary for analysis in terms of prediction and explanation. But given the variegations of human decision making in practice and the psychological origins of agent choice, such laws could not be formulated to any degree of accuracy, especially in terms of explanatory power. Thus the only way the project of 'economics as science' could progress was to create a universe of idealised human choice-makers whose decisions would conform to the law -- like rules of rational choice. This idealised economic space was then transferred to what neoclassical theory describes as 'the market'. The 'market' in real terms, that is, with real humans is now required to operate according to the principles of the idealised universe of neoclassical economics. This is the basis for neoliberal economics theory and its ministrations by its

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consultants at the IMF, the World Bank and other Bretton Woods institutions with global reach.

In practical terms, this means that the neoliberal theorist in his or her deliberations would ascribe priority to efficiency and eschew considerations of equity. If increased poverty results from decisions made according to efficiency considerations then so be it. In fact, this is the basis for the well-known concept of Pareto Optimality in welfare economics. The entrenched neoliberal law of the land as enforced regarding the countries of Africa is: privatise as much as possible, reduce the role of government as much as possible, and open markets as much as possible despite the vagaries and developmentally deleterious effects of free trade. In the case of Africa, the application of this paradigm has resulted in unbalanced growth, great unemployment, low wages, minimal technological development and general discontent. But despite failure, the recommendations remain unchanged. We are not witnessing empirical science here, rather something akin to theological dogma.

What is to be Done?

Once it is recognised that the function of the optimal economy is the wellbeing of those who are willing participants in its economic space, then a number of solutions for persistent problems can be sought. In the case of the nations of Africa, one serious problem is that of unemployment and underemployment. At whatever level of training and human capital investment hiring is minimal and is often based on factors extraneous to skills levels. It is an obvious fact of economics that increased hiring leads to increased growth. So the hiring question is an issue that governments should actively seek to address. Two issues are pertinent here: 1) How relevant are Africa's educational systems to the continent's needs? Are there mechanisms in place to ensure that tertiarylevel graduates are apprenticed to actual work enterprises before graduation? 2) For individuals who would wish to be self-employed, what role can sponsored banks play in providing credit at affordable rates? In other words, matters pertaining to unemployment could begin to be resolved once working cooperation between training institutes, industry, and banks will have been established. Governments, in this instance, would be of maximal support in terms of their funding credit-granting agencies such as cooperative banks and other development- oriented credit institutions. Other solutions to the unemployment problem could entail reducing work hours for individuals in business enterprises, such that the unemployed could be hired. The point being made here is that, to solve the unemployment problem, governments can be much more dynamically involved than they are wont to be.

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To facilitate solutions for the unemployment issue governments should engage themselves in regional cooperation in such a way that the artificial national boundaries imposed by the colonialists lose significance. In this regard, workers should be granted the legal right to move freely for employment purposes. At the moment, this is not the case. The colonial idea of the territorial imperative of the state is very much alive in that Africa's post-colonial governments freely exercise the identifying idea of 'legal' and 'illegal' regarding persons within their respective states.

Similar considerations apply to wages within the African context. On account of globalisation with its practice of international trade, African nations find themselves in the unenviable position of exporters mainly of raw materials and importers of finished value-added products. The prices of such products are those that obtain minimally in the industrialised 'first world' nations while the wages that correspond to such prices are those of the so-called 'third world'. The situation is an unfortunate one of 'third world' wages and 'first world' prices. Mechanisms should be invoked to rectify the situation in which the wages of African workers are the lowest in the world. When this is coupled with weak currencies and low prices for exportable raw materials a situation is set up for perpetual African indebtedness to the industrialised nations. The following data demonstrate the great disparities in average wages, income and wealth distribution, and quality of life among the world's regions.

Continents/Regions	AveragePer	Capita (\$)	Average
	GINI Index	GDI (2011)	HDI (2011)
East Asia	0.349	\$7,610	0.671
South Asia	0.389	\$1,000	0.548
Africa	0.452	\$1,590	0.473
Europe	0.327	\$30, 200	0.835
North America	0.486	\$32,000	0.724
South America	0.502	\$7,640	0.711

Sources: Average GINI Index and Per Capita GDI, Wolfram-Alpha Knowledge Base (2012). Average HDI, UNDP Report (2011).

It is obvious from the above metrics that Africa's performance in all designated areas is not encouraging. In the important area of the GINI coefficient, it should be noted that although the African average is 0.452, there are some bothersome extremes especially in the areas of European settlement. This relates to the fact that despite the wars waged to win political and economic rights for the African populations in areas such as South Africa and Namibia, economic structures remain the same. There has been no meaningful

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redistribution of wealth and capital in South Africa and Namibia so as to establish more equitable societies. The highest GINI coefficients in Africa are those of Namibia and South Africa. Their respective numbers are 0.742 and 0.674. These large wealth disparities are followed by those of Botswana (0.61) and Seychelles (0.658) whose recent economic performances have been praised by neoliberal theorists as impressive. But what is the point of a country demonstrating impressive growth when the extremes of wealth and poverty remain unchanged in terms of percentages?

In our globalised world there is perhaps no metric that is more reflective of unequal exchange between the North and the South than wages. It is the very low wages paid to Africa's workers that has led to the infamous 'brain drain' syndrome that has plagued the African continent since the early days of 'flag independence'. It is always an immediate puzzle to a casual observer why a hard-working bus driver, for example, in some African capital earns, on average, some fifteen times less than his counterpart in the North. If the bus drivers in question have the same extent of experience on the job and equal competences, how does one explain this and similar wage disparities? The answer is that African currencies have been effectively shorn of any real or exchange value by the harsh neoliberal dictates of the IMF and the World Bank. First, it was deemed that African currencies are not exchangeable on the international finance markets. Only the currencies of the North are acceptable as international legal tender. This ploy, no doubt, went hand-inglove with the dictate that African markets should be geared to the export market in order to gain the foreign exchange necessary for the purchase of goods on the import market. Second, on account of incurred loan debts on account of the above-mentioned unequal exchange, 'bailout loans' obtained from the IMF and World Bank were proffered with the requirement that the currency of the loan-seeking country be devalued. And thus began the vicious cycle of debt and devaluation that decimated the wage scales of Africa's citizens. Only the complicit classes survived these frontal economic assaults. It is this dynamic that partially explains that the average African wage is \$1,590 while that of non-industrial Iceland is \$36,800 per annum.

The puzzle in all this is that the same problem of weak currencies and low wages affects those African nations that export the world's vital commodity, petroleum. The average wage of those African countries that export petroleum thereby guaranteeing a daily inflow of petrodollars is also very low. By keeping wages low the parasitical comprador bourgeois classes of these petroleum-exporting nations are able to appropriate most of the proceeds from the sale of petroleum for themselves. Egregious examples of such countries are Angola, Nigeria, Equatorial Guinea and Gabon. This situation

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must be rectified through the formation of strong workers' unions who would then militate against their exploitative neocolonial governments.

On the Problematic of African Political Economy

The above discussion serves two purposes: 1) the structure of the dominant economic paradigm, neoclassical economics, was examined to expose its ideological foundations that are not fully recognised by economists of the South, trained as they are to believe that economics is some species of engineering. Under such conditions the managers of Africa's economies easily succumb to the assumed authority of the so-called 'experts' at the IMF and the World Bank, for example. 2) Recommendations were made as to what ought to done so as to improve Africa's economic performance in terms of human welfare and equity, which in reality ought to be the prescribed goals of economics as a necessarily prescriptive social science. This point should be fairly obvious given that any discipline involving conscious human choice which can express itself over a range of possibilities must take into consideration the normative notion of optimality when theorists of such decision making seek to develop in formal terms theories that are analytical.

Yet this is not to deny that Africa's economic managers do make prescriptive recommendations regarding economic matters. They do recognise that Africa's economies are in dire need of efficient infrastructures and human necessities that have been long made possible by modern science and technology. But such needs are not attended to because of the intervention of the political and sociological variables of political economy. One key variable, in this instance, is that concerning human capital investments for the development of managerial cadres for those areas requiring the distribution of public goods and services. In many of the technologically advanced nations priority is accorded in this regard. In modern times the nations of Western Europe and its overseas settle states have invested heavily in this regard with its advanced schools of public administration. The training is not only in the area of administrative competence but also in areas pertaining to the important area of civic responsibility. In some instances, rigorous civil service examinations ensure that only the most competent cadres are the ones employed. This is not the case in Africa where positions requiring the dispensation of public goods are not meted out according to competence but according to arbitrary criteria that yield only inefficiencies and wastage. The task is difficult, given the various impediments for implementation according to sociological criteria such as ethnicity, religion, gender and class. With proper managerial cadres in place, society would be guaranteed those basic public goods that are necessary for human welfare in modern times.

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The ongoing failures in this regard are an obvious testimony to the inadequacies of human capital investment in the form of education at all levels. At the moment, there is very little sense of Pan African connectivity all encouraged by the narrow outlooks of the post-colonial comprador classes whose only conscious goal is to consume the trinkets, toys, and baubles of Western and Asian capitalism. Ignorance reigns supreme and is deliberately nurtured in this regard. This ignorance, derived from inadequate human capital training and education, is no more evident than in the political activities of contemporary Africa. Given that the optimal form of government currently in practice in most of Africa is the one resulting from multiparty democracy, a form of governing that has been strongly recommended by the West even to the extent of external financing, it is unfortunate that individuals who eventually win Africa's presidencies are, for the most part, unknowledgeable in the crucial areas of holistic African history, modern political theory and modern economics. The same critique applies to those who have supported them financially – internally or externally, or on whatever basis – usually on the illogical bases of ethnicity, religion, or regional origin. These are important considerations that explain a large portion of the political incompetence on the African continent. If here are age requirements for presidential positions and appointments in contemporary Africa, why not advanced educational requirements in the areas of world and African history, political theory, and economics for prospective candidates at the presidential level.

The Discussion

It is just these issues concerning Africa and its palpable discontent the papers in this edition seek to address. Two of the papers are theoretical in that they attempt to lay bare and explicate the structural foundations of capitalist neoclassical economics whose dominance as a paradigm is firmly entrenched in the major academic training centres in the world today. Amin's paper seeks to demonstrate that capitalism is an illegitimate form of economic theorising and practice. He achieves this through a rigorous analysis of its internal logic expressed in its actual empirical dynamics. Keita's paper is an attempt to show how the taken-for-granted neoclassical economic theory, the dominant paradigm in Africa's universities, has had a long history of its theorists struggling to establish their discipline as a genuine empirical science. Samuelson's 1938(a) paper 'A Note on the Pure Theory of Consumer's Behaviour' and Friedman's 'Methodology of Positive Economics' (1953) are important examples of such. But the subsequent methodological debates on the ideas promoted by Samuelson, Friedman, and others, in the bastions of neo-classical economics in the West are rarely brought to the attention of

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students. The same applies for Africa. In this regard, it would be incumbent on departments of economics in Africa to reflect theoretically on the orthodox neoclassical economics paradigm now the standard in Africa. Heterodox approaches should now be seriously encouraged.

The paper by Amaizo is a critical paper that takes the position that the economic advice offered to African countries is essentially an exercise that invariably yield zero-sum results to the West in terms of trade and otherwise. At best such recommendations are not much more than palliatives that do not tackle the underlying structural problems that afflict Africa's economies. He points out, in this regard, the role of the Bretton Woods institutions in ensuring that a centre-periphery dependency relationship continues to exist between the nations of the West and those of Africa. Amaizo's solution is to promote an alternative economic developmentalism with a positively Africacentred paradigm. Babatunde's paper examines and analyses the poor growth performance of Africa's economies since independence some fifty years ago. He discusses the failure of Import Substitution programmes adopted by a number of African nations as a way to escape the dependency trap and to industrialise in the process. He shows how such initiatives failed in the past and were, unfortunately, followed up by 'structural adjustment' recommendations at the behest of the IMF and the World Bank. The SAPs have not helped Africa in terms of its developmental goals and have merely helped to demonstrate the inadequacies of the neoliberal economics template that accompanied them. The effects of the African SAPs are still very much with us and are a major source of Africa's ongoing discontent. Dembele's paper continues in the same critical vein. He locates African's continuing economic crisis in the historical matrix of West European globalisation initiatives first in the sixteenth century Atlantic triangular trade in enforced human labour from African sources and trade goods bound for Europe from the Americas, and the subsequent colonisation of the African continent for purposes of in situ raw materials extraction.

The present problem has its roots, according to Dembele, in the continuing problematic of Africa's post-colonial economies being stuck in the rut of mere commodity production. This, according to the same author, laid the groundwork for the enforced mantra of structural adjustment programmes, trade liberalisation, and privatisation all under the rubric of IMF and World Bank-touted 'neoliberalism'. Dembele underscores the very negative results of such programmes and argues that the path towards development requires 'democratic developmentalism' within the economic matrix of socialism. But there must also be creative ways of dealing with Africa's post-colonial truncation into its myriad commodity producing states.

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Finally, a dynamic analysis of Africa's present situation is offered by comments to questions presented to Patrick Bond of the University of Kwa-Zulu Natal and Demba Moussa Dembele, Director, Forum for African Alternatives, Dakar, Senegal. Their penetrating comments offer a proper analysis of the roots of Africa's discontent. The ongoing discontent in Africa is only minimally captured by the metrics that are continuously churned out by the world's economic research institutions such as the IMF and the World Bank. To say that the average annual income of such and such African nation only minimally reflects actually lived lives. Diop's paper fills in this gap with his appeal to post-independence African literature to capture the clash of culture and modernism that Africans of all economic classes experience as they go through contemporary times. Diop explains Africa's ongoing developmental impasse by the passive and subordinate role played by Africa's comprador classes in the ongoing world economic struggle for the control of resources.

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On Deligitimising Capitalism: The Scourge of Africa and the South

Samir Amin*

Abstract

Contrary to orthodox belief the ongoing economic growth crisis in the West and the perpetual development crisis in Africa derives from the problematic of capitalism. The situation in Africa of high prices, inflation, massive unemployment and stunted growth is just taken as it is and borne painfully but stocially. But all this is due to the structure of capitalism which this paper seeks to explain. Marxian dynamic analysis, founded on the law of value and its role in the accumulation of capital, is the method of analysis employed. I explore results of such in terms of "unequal development" in the context of the asymmetry of the "centreperiphery" dual model. The discussion leads to an analysis of Walras's general equilibrium model and paradoxical observation that capitalism never experiences a general equilibrium. The "anti-law of value" theories of Walras, Sraffa, and Keynes are analysed as they seek to transfer economic value from the product of labour to the gains of capital. The critiques of Giovani Arrighi are also woven into the critical fabric. Contemporary liberal economists such as Joseph Stiglitz are noted for their lack of full comprehension of the dynamics of the contemporary form of capitalism which although seeking growth tends rather to stagnation in the social context of human alienation. In the end it is globalised finance capital that will prove to be the Archilles's heel of capitalism. It is at this point that the nations of the South should be prepared to delink from the capitalist as a precondition for genuine development. Necessarily this would apply to the nations of Africa.

Résumé

Contrairement à une croyance répandue, la crise de croissance actuelle en occident et la persistante crise du développement en Afrique découlent de la problématique du capitalisme. Le problème de la hausse des prix en Afrique, de l'inflation, du chômage massif et de la faible croissance de l'économie sont juste perçus tels qu'ils sont et supportes avec stoïcisme. Mais tout ceci est une conséquence de la nature même

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^{*} Forum du Tiers Monde, Dakar, Senegal. Email: samir.amin@wanadoo.com

du capitalisme que cet article cherche à expliquer. L'analyse de la dynamique marxiste, fondée sur la loi de la valeur et sur son rôle dans l'accumulation primitive du capital, est la méthode d'analyse employée. J'observe ce genre de résultats du point de vue du développement inégal dans le contexte de l'asymétrie du modèle double de la périphérie du centre ? La discussion conduit a une analyse du modèle de l'équilibre général de Walras et a l'observation paradoxale (qui veut) que le capitalisme ne connaît jamais un équilibre général. Les théories de « antiloi de valeur » de Walras, Sraffa et Keynes sur les théories des valeurs anti-loi sont analysées sous l'angle de leur tendance à transférer la valeur économique du produit du travail aux gains du capital. Les critiques de Giovani Arrighi semblent, elles aussi, trempées dans le même genre très critique. Les économistes libéraux contemporains comme Joseph Stiglitz sont connus pour leur méconnaissance totale de la dynamique de la forme contemporaine du capitalisme qui tout en visant la croissance s'occupe plutôt de la stagnation dans le contexte social d'aliénation humaine. À la fin, c'est la capital de finance globalisée qui s'avérera être le talon d'Achilles du capitalisme. C'est a ce moment seulement que les nations du Sud devraient être préparées à se déconnecter du capitalisme comme une condition nécessaire pour le vrai développement. Et cela devrait s'appliquer forcement aux pays de l'Afrique.

Introduction

Since the twentieth century, Africa has known only the capitalist system and its impact on African life. Violently drawn into the capitalist system, firstly, as slaves, transported to the Americas, and afterwards used as pawns in the colonialist system spearheaded by the same countries enriched through Atlantic globalisation, African populations became an integral part of the capitalist system. Right from the beginning and into the twentieth century, nothing has really changed. Africa and Africans continue to be exploited by the capitalist system for the well-being of the capitalist nerve centre of the industrialised countries. The consequence is the discontentment of Africa's peoples on all fronts.

The problem is that today's African does not know any other economic and cultural system than capitalism. And even African lecturers-cumresearchers and their students, in general, seldom wonder if alternatives exist. The reason for this is that education in post-colonial universities only takes into account the rules and mechanics of the neoclassical economic system. The severe effects of neoliberal economic initiatives such as Structural Adjustment Programmes, open market diktats, NEPAD, etc., are all meant to continue to extract 'imperialist rent' from Africa's suffering populations and others from the South. Low wages, low commodity prices, high import prices for the same processed commodities, massive unemployment coupled

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with significant underemployment, punishing exchange rates, resource wars, the coddling of the firmly entrenched corrupt, comprador classes of Africa and the South, the flight of capital – physical, monetary, and human – etc., are all instances of the debilitating extraction of 'imperialist rent' from Africa. All this is founded on my original theses of the 'centre-periphery' paradigm always characterised by 'unequal exchange'. So, *Que faire*? The long-term goal is a socialist world of 'equal exchange' and the abolition of 'imperialist rent'. In the short term, Africa's labouring classes and its intellectuals should militate to put an end to the ongoing extraction of 'imperialist rent' from Africa by way of debilitating 'unequal exchange'. This can be done through worker organization and cooperation, and concerted democratic processes which would hold accountable the decisions made by those voted into power. The question they must be constantly made to answer is: 'Are you on the side of imperialism or on the side of the people?' There are grounds for optimism given the ongoing crisis of capital in the Eurozone and the United States.

This is why my purpose in this article is to analyse and explain the capitalist economic system which causes so much discontentment and anxiety in contemporary Africa. In reality, alternatives exist, but it is first necessary to understand this system and the misfortunes it is causing today. To fight the disease it is necessary to understand its aetiology. The goal is to render the ideology and practice of capitalism illegitimate for the development of Africa.

I offer, in this article, to develop salient points to show the objective reasons which clearly reveal that capitalism, considered in its entirety as mode of management of the economy and of our social life, is an obsolete system. Alas! The widely-held view that lends legitimacy to this system because it guarantees economic efficiency born from competition on which it is founded, as well as political democracy, is groundless. In fact, it can, convincingly, be shown that capitalism feeds an irrational and extremely dangerous vision on three levels from a social and human point of view. The conventional analytical paradigm used by most economists in the world is that of neoclassical economics. With the political and economic transformations that took place in the Soviet Union and China, a triumphal neoclassical economics with its practice as neoliberalism on the world scale was being touted as the optimal economic system available. The pundits were wrong as the severe ongoing crisis of capitalism proves. The pundits of neoclassical economics were incapable of predicting and explaining the severe economic recession of 2007. On the contrary, Marxist economic analysis is much better equipped, both in terms of depth and width, to understand, explain and predict the present situation. The same applies to the unending economic crisis in Africa. Neoclassical economics and its practice as neoliberalism can neither explain nor solve the economic problems of

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Africa. The Marxist model offers a better understanding of how capitalism operates in Africa as it seeks to extract imperialist rent from its victims according to its voracious need for continuing accumulation. It is on this basis that nations of the South, and Africa in particular, must reject the enterprise of capitalism if they are going to develop. This is the reason why capitalism must be delegitimised as the optimal model for African development. This essay seeks to explain why this is so. Capitalism operates on what I note as three levels. They are as follows.

- *First Level*: the reproduction of the extensive accumulation of capital (capital development) in capitalism demands monopolies which have characterised this system since the end of the nineteenth century through the growth of dependent, useless, and destructive activities, with the sole objective of absorbing a growing surplus which cannot be invested to increase and sustain productive and useful activities.
- Second Level: the reproduction of accumulation, on a global scale, produces, reproduces and deepens the gap worldwide and allows the hold of an imperialist revenue in uninterrupted growth to the detriment of the people and nations of the periphery of this globalised system, which is, in itself, an increasing obstacle to the building of the multi-pole world that guarantees equal respect of the rights of nations.
- *Third Level*: products alienation, the reification of social relations as well as the commercialisation of economic management, all inseparable from capitalism which ruins possibilities needed to induce progress for the liberation of human beings and societies.

No alternative capitalism is possible as Remy Herrera strongly continues to point out. The internationalist socialist perspective is the only realistic alternative to the barbarism perpetuated through the pursuit of the capitalist action called 'development' (or more simply the endless GDP growth based on capital development).

Part I: The Expansion of Economic Surplus

In my book *The Law of Value and Historical Materialism* (1977, a new edition is expected soon in French and English), I proposed to identify the characteristics and the conditions for extensive accumulation, formulated for a system that is reduced to its two departments which are: I - production of assets, and II - production of consumer goods, in a simple model.

From this simple model, we draw two conclusions:

 That extensive accumulation requires real wage growth defined by a combination of productivity growth rates in Departments I and II;

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(ii) The rate of economic growth (the sum of wages and capital gains, which in turn controls employment, is determined by the rate of accumulation, which is also controlled by the rate of capital gain (the percentage of capital gain in comparison to net proceeds: salaries + capital gain) and the rates of progress of social labour productivity.

These two findings are crucial in understanding that capitalism truly exists.

The natural tendency of capital is not to guarantee the growth of real wage as required, but to keep it as low as social conditions permit. This fundamental and enduring contradiction reflects the history of capitalist development in its true dimensions. It helps amongst others:

- (i) to understand why the glorious phase of this development was remarkably short, and corresponds to the beginning of capitalism from the Industrial Revolution to the nineteenth century. During this early period, extensive accumulation was made possible, despite the stagnation (and even regression) of wages, by its expansion at the expense of segments of the non-capitalist productive system, because it disintegrated (ruined craftsmen and poor peasants fuelled the expansion of paid labour) and integrated into its system (demand was fuelled by the expansion of commercial agriculture and that of new middle classes). The huge investments in infrastructure (railways, among others) that the new spatial planning imposed complete the picture of this established and completed capitalism.
- (ii) Marx had fully understood that capitalism was not the end of the story, but rather a brief interlude during which conditions would be, finally, in place to enable its being rapidly overtaken.
- (iii) To understand why, after this rapid implementation, capitalism entered its long crisis with an economic face seen through the emerging spectrum of stagnation (from 1873) and the political face as seen through its questioning by the Commune de Paris (1871). Capital responded to this structural crisis through monopolisation, globalisation and financialisation. The accumulation method was transformed, and henceforth based on the continued expansion of Department III on absorption of growing surplus, as Baran, Sweezy and Magdoff demonstrated. I also analysed in this way the second long crisis of capitalism that began in the 1970s, and came into a new phase of its evolution with the 2008 financial disintegration. Here, I refer the reader to my analysis of these two long crises of matured (in real fact, obsolete) capitalism.

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It is not hard to see why, in the absence of real wage growth at a definable rate (by the growth rate of social labour productivity), capital accumulation is possible only if there is a department III for the absorption of surplus, which is defined as the excess of capital gain over its fraction to be invested in expanding and deepening the productive system (investments in Departments I and II). We can even measure the growth rate of the volume of department III, which is based on the difference between the growth of net proceeds and real wage growth.

For example, let us assume the growth rate of social labour productivity is in the order of 4.5 per cent per annum, ensuring a doubling of net proceeds over a period of fifteen years, which corresponds to the average life of equipment. To simplify this reasoning, it can be assumed that the organic compositions and growth rates of labour productivity for Departments I and II are stable. The introduction of different assumptions would require the use of algebraic representation of this example, which is easy to write but may be difficult to read for non-mathematicians. The consideration of this complication would not affect the conclusions illustrated by the example, since real wage growth is lower than net proceeds.

Let us imagine that real wage growth is, in the long term, of about 3.5 per cent per annum, thereby ensuring its increase to 70 per cent over 15 years.

This leads to changes in key variables of the example according to the illustration that follows (figures rounded up).

	Net Income	Wages	Profits	Surplus	
Year 1	100	50	50	0	
Year 15	200	70	70	60	
Year 30	400	100	100	200	
Year 45	800	140	140	520	

After half a century of continuous and regular evolution of the system, surplus, (which defines the volume of Department III in relation to net income, itself sum of wages, reinvested profits and surplus), absorbs two-thirds of net proceeds (roughly the GDP).

This is roughly what actually happened during the twentieth century for the developed centres of global capitalism (the triad: United States, Europe, and Japan).

Keynes had keenly observed that mature capitalism was struck by a latent tendency to unyielding stagnation. But he had not explained it, as this would have required him to seriously consider the substitution of monopoly capitalism with the classical model of competition. His explanation remains, therefore,

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tautological: stagnation is the result of the fall – unexplained – of the marginal efficiency of capital (below the liquidity preference).

Initially, that is to say until the 1914 war, surplus was reduced almost to government spending financed by taxes, of about 10 to 15 per cent of GDP at most. These were the expenses of sovereignty (state, police and army), expenses associated with the public management of certain social services (education and health) and the development of certain infrastructure (bridges and roads, ports, railways).

Analysis of the components corresponding to the concept of surplus reveals the diversity of status governing their management.

Marx's Departments I and II correspond – approximately – to the sectors defined respectively in national accounts as *primary* (agricultural production and mining), *secondary* (processing industries), and a fraction of activities called *tertiary* that it is not always easy to spot in the statistics (which were not designed for this purpose), even though the definition of their status does not cause confusion.

- Must be selected as participating indirectly to the production of Departments I and II: transport equipment, raw materials and final products, trade in these products, management costs of financial institutions at their service.
- Are not to be taken into account as components of direct and indirect
 production of Departments I and II, and should be considered as part
 of the surplus: government spending, social transfers (education, health,
 social security, pensions and retirements), the services corresponding
 to selling costs (advertising) services to individuals covered by the
 spending of income (accommodation included).

The private or public nature of the management of the services in question, classified in national accounts under the tertiary sector (with the possible distinction among them from a new sector called quaternary), does not define, in itself, the association to Department III (surplus).

Still, today the volume of the tertiary sector is already in itself far more than primary and secondary activities in the developed countries of the centre (but also in many countries of the periphery, but this issue – different – is not ours here). Also the amount of taxes and mandatory contributions, alone, reaches – or exceeds – 40 per cent of these countries' GDP. The speech by some straight ideological fundamentalists calling for the reduction of these taxes is purely demagogic: capitalism cannot function otherwise. In fact any reduction in taxes paid by the rich must necessarily be offset by a higher taxation of the poor!

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One can thus estimate without fear of committing a major error that the surplus (Department III) constitutes half of the GDP or, in other words, it passed from 10 per cent in the nineteenth century to 50 per cent in the first decade of this century. And ifat the time of Marx, therefore, an analysis of the accumulation reduced to the consideration of departments I and II made sense, it is no longer the case. The enrichment brought to Marxist thought by Baran, Sweezy and Magdoff by their consideration of Department III (and the concept of 'surplus' which is associated with it, defined as we mentioned) is, therefore, crucial. I regret that most analysts of contemporary Marxism are still in doubt!

Once again, everything in this surplus is not to be condemned as being parasitic and useless. Far from it! On the contrary, the growth of a good portion of the expenditure associated with this Department III deserves to be supported; and, in a much later stage of development of human civilisation, it would have to still take on more importance, like education, health, social security and retirement policy, or even other services associated with deploying forms of socialisation through democracy to replace the socialisation of the market (public transport, housing and others). On the other hand, certain components of Department III – such as the costs of sale in exponential growth during the twentieth century, identified as such, very early, by some economists less or badly considered by the profession (like Joan Robinson) – are obviously of parasitic nature. One can also treat, similarly, certain public (armament) or private (private police, armed forces lawyers, etc) expenditure.

A large portion of Department III certainly had profitable advantages to workers and supplemented their direct wages (social security, pensions). Nevertheless, these hard-won advantages by the working class were questioned during the last three decades; some seriously reduced, and others transferred from a social-solidarity-based public management to an alleged individual rights-based private management. This management style, dominant in the United States, and in progression in Europe, opens up additional possibilities for surplus investments, in turn, very well remunerated!

But it remains that in capitalism, all of these uses of the GDP – useful or not – fulfil the same function: to allow continued accumulation despite insufficient growth in labour incomes. In addition, the permanent battle on the choice of management – by the replacement of private management with the public management of many components of Department III – provides capital with additional opportunities for profit-making (and to, consequently, increase the surplus volume!). In the United States, private medicine believes that if the patient must be treated, he must surely enrich (private clinics, laboratories, pharmaceutical companies and health insurance companies)!

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My analysis on Department III of surplus absorption falls within the context of the pioneering works of Baran and Sweezy. The ultimate conclusion is that an important proposal of activities managed within this context is, indeed, parasitic and inflates the GDP, depriving it of much of its significance as an indicator of the real degree of richness of the society.

In counterpoint, it is fashionable today to consider the rapid growth of this Department as an indicator of the transformation of capitalism, from the industrial age to the knowledge economy. Thus, the endless pursuit of capital appreciation finds its legitimacy. The expression 'cognitive capitalism' is, in itself, an oxymoron. Tomorrow's economy, of socialism, will, well, be cognitive; capitalism cannot be. Imagine that the development of the productive forces, by itself, sets up – in capitalism – tomorrow's economy, as inspired by the writings of Negri and his followers, is only seemingly correct. For capital appreciation, necessarily based on the submission of work, annihilates the progressive and transformer aspect of this development. This annihilation is at the heart of the definition of Department III, designed to absorb the inseparable surplus associated with monopoly capitalism.

Imperialist Rent

Imperialist rent is the result of unequal development of truly existing globalised capitalism, pertinently of the polarisation generated by the globalised expansion of capital domination and the differential in prices of the work force (with equal productivity) which is associated to it. This polarisation, unceasingly produced, reproduced and deepened from one phase of globalised expansion of capital to the other, destroys the possibility for peripheral countries of this globalised system to catch up with the dominant centres, i.e., to resemble, the opulent capitalist societies. It is, thus, for the people and the nations of the periphery (Asia, Africa and Latin America, which constitute 80 per cent of the human population) the major reason which should completely nullify any legitimacy of capitalism.

However, this reality does not, necessarily, exist in the minds of the people and nations concerned. More so, as the concerned societies are class societies where the dominant classes – in modern times – were largely created (or recreated) by the global expansion of capitalism. Thus, large numbers of these dominant classes are stakeholders in the system which ensures their privileged position in their respective societies on the economic and political fronts. On their side, the classes dominated and exploited, simultaneously – by dominating capital on a global scale and by the local classes/driving forces of this domination – are not, more than others, spontaneously conscious of the real reasons of their misery.

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Discovering, through scientific analysis of veritable globalised capitalism, the mechanisms (economic) which generate polarisation and consequent imperialist rent is an imperative requirement in critical reflection

I have devoted much of my important and personal work for over fifty years to this task. This is why I will neither even try, here, to summarize the stages, nor the theoretical reasoning for this purpose, nor the confrontations with empirical realities essential for checking the validity of this work. I will return only to my recent work (underway for publication in French and English), precisely on the analysis of what I called the metamorphosis of the law of value to the 'law of globalized value' (the title of the book!).

Reading Marx

I was an early Marx reader. This work certainly filled me with intellectual pleasure and the convincing power of Marx's thoughts. But, simultaneously, it left me hungering for more. For I was asking myself a key question, about 'underdevelopment', (a new term often used when I started this reading in the 1950s), of the societies of Asia and contemporary Africa, for which I did not find an answer in Marx. The texts read later when they were published in French for the first time in 1960 (*Grundrisse*) left me with the same hunger.

Without giving up on Marx and judging him as outdated, I concluded that his work had remained unfinished. Marx had not completed his work as he had planned through the integration, on the one hand, in his analysis of the global dimension of capitalism and, on the other hand, the systematic evocation of politics and of economy (capitalist and before) – beyond what the overly brilliant indications that his treatment of the French revolutions (from the Great Revolution of 1871 through 1848) can provide on the subject.

The question of (unequal) development which is the reality of globalised capitalism thus brought me, as a student, to focus on the first of these dimensions. My doctorate thesis (*Accumulation on a Global Scale*, 1957) testifies to this. It was, for me, a beginning, a first step in the work I continued during the following fifty years. I will not recall the successive moments of the development. I believe it is only useful to highlight the overall formulation of the question of unequal development which I proposed in 1973 in the book with the same title, and in two other works written at the same time: *The Law of Value and Historical Materialism* (1977) and *Unequal Exchange* (1973).

To arrive at this formulation, I had chosen to deepen my reflexion in these two directions, while being directly inspired by the superb lesson that Marx himself had given us on the matter. Initially, I read, attentively, the great works on conventional economics produced after Marx, in answer to Marx, as Marx had taught us to, through his criticism of classical economy

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and its previous orthodox idea. This implied the complete reading of Bohm Bawerk, Walras, Sraffa and other producers of the foundation of the new empiricist or subjectivist economy including Keynes' formulations. This critical reading is already proposed in the first version of *Accumulation* (1957), and undertaken again in *Unequal Development* (1973). 'Reading Marx' today – i.e. after Marx – imposes this critical reading which convinced me of the orthodox, ideological character in the functional sense of the term, of the new bourgeois economy, post and anti-Marxist.

Marx, in his time, went beyond the theoretical criticism of his precursors. He had, equally, provided an ordered presentation of substantial empirical data. I thus thought that, similarly, post-Marx criticism of bourgeois economy would be insufficient. And that it was necessary to, also, complete this criticism through the ordered presentation of facts illustrating the reality of the globalised development of capitalism. I proposed the first blend of this mass of empirical data in *Accumulation*; and then updated it for the publications of the 1970s. I continued this work, while monitoring the then on-going developments – that of the first 'awakening of the South' that the period of Bandung (1955-1980) represented. Attentive readers of my writings – mainly British and Asian – noticed these empirical studies.

The continuation comprises two sections: the so-called development economy on the one hand, and the depth of markets analysis (and the role of anticipations) on the other hand.

The first of these sections seemed, generally, rather poor, restricted to the decreed vision of the fundamental stages of growth. I had formulated the radical criticism of this mechanist and orthodox vision three years before Rostov expressed it in his 1960 work. And since then, never has the 'development economy' proposed by major institutions that intervene in favour of this economy (the World Bank, cooperation programmes, universities) gone beyond these idiocies.

The second section seemed to continue the neoclassical vision while carrying it to a logical end: construction of an imaginary economy – that of generalised markets – unrelated to truly existing capitalism. The centrality of the empty and unreal concept of anticipation, that is needed for this construction, completes this vision. Economic theory became pedagogic, leading to the discussion of something like the 'sex of angels', while thinking like the predecessors of the Middle Ages, that the answer to this question is the only means through which one can understand the world. Simultaneously, this self-proclaimed empirical, vision undertakes to integrate, into its proposed theses, a growing mass of – disordered – empirical data. The mathematical method that this action imposes is certainly not to be rejected. But the continued

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sophistication of its methods does not abolish the absurd – unrealistic – character of the questions of its users: the anticipations (the sex of angels?).

Neither the criticism that I made on the orthodox theory and its paraempirical applications, nor the counter proposals developed and proposed as counterpoint to integrating the ordered data into a theory of truly existing globalised capitalism, seemed sufficient to me, in understanding all the reality of unequal development. The articulation of the political, ideological, and cultural dimensions and that which relates to economic management of the society is, indeed, the backdrop for an imperative historic materialist read. And here, my reading Marx had already convinced me, as reiterated, that his first proposals dare one to advance. What I tried to do by proposing, on the one hand, a general concept of tributary mode of production, base of the large family of organisations of societies of advanced anti-capitalists classes: I opposed the articulation dominating power/dominated economy to that, inversely particular to capitalism, and I drew some important conclusions from them on the forms of alienation specific to old historical societies and to modern capitalist society.

I also sought, in the varied forms, the existence of real contradictions which operate therein, accelerating or delaying capitalist development. I thus tried to integrate the questions on historical materialism and on economic dimension, as the reader of *Unequal Development* and *The Law of Value and Historical Materialism* (1977) will notice.

My work was never that of a 'marxologist'. I have repeated unceasingly that for me 'to be Marxist' was to start from Marx and not to stop with him, or with his major successors (Lenin and Mao), exponents of historical Marxism. The central axis of my conclusions is defined by the formulation of a 'law of globalized value', coherent with the bases of the law of value which is particular to capitalism as discovered by Marx on the one hand, and to realities of unequal globalised development on the other hand.

What I will dare to describe as my humble contributions to the enrichment of the analysis of Marx are varied, in particular given their importance as regards the design of nature and the range of major contradictions and conflicts associated to them in contemporary capitalism. I did not hesitate in contributing to complete the proposals of Marx, even to correct them. I thus announce here my developments on the role of credit in *Accumulation* (in answer to the question of surplus by Rosa Luxemburg); my key analyses of the growth of Department III on the absorption of profit (inspired by the pioneering works of Baran, Sweezy and Magdoff); my criticisms of the theories of Marx on the determinations of interest rate and of land revenue and my alternative propositions in these areas – my criticisms of conventional economics.

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My major contribution is on the transition from the law of value to the law of globalised value, based on a hierarchy – itself globalised – of prices of labour force around its value. With the management practices of access to natural resources, this globalisation of value is the basis of the imperialist rent. I claim that this globalisation of value controls the elaboration of the major contradictions of truly existing capitalism/imperialism and conflicts associated with them, in such a way that social classes and nations are caught up in their fights and conflicts, in all the complexity of their specific and concrete articulations. I claim that twentieth and twenty-first centuries' reads cannot be other than that of emergence – or awakening – of the peoples and nations of the peripheries from the globalised capitalist/imperialist system.

The Fundamental Nature of the Law of Value

The analysis of goods, and of the form of value which defines it, is inevitable for whoever intends to understand what capitalism really is. The scientific/political economy of this system cannot choose to overlook the law of value. Orthodox bourgeois economics in all its successive formulations, self-proclaimed neoclassical (the misleading appellation by which it lays claims to 'science') never managed – and will never manage – to establish a criterion of 'rationality' of the system of observed prices unrelated to the rate of labour exploitation (the rate of profit). I will come back to this crucial criticism of orthodox (non-Marxist, even anti-Marxist) economics.

On the other hand, I then analysed the metamorphoses of value, from its transformation into production price, then into market price, and finally into the law of globalised value.

From Production Prices to Market Prices

If competition of fragmented capital suffices to transform values into production prices, it is nevertheless necessary to consider a third component of operative realities which transform production prices into market prices.

The first element here is the existence of oligopolies, which negate the liberal assumption of competition. These oligopolies, which define the truly existing capitalism – as Marx and Braudel after him have done – are able to tax all profits from monopoly rents that guarantee profit rates above those registered by dominated capital segments. Baran and Sweezy had, from 1966, started this analysis of monopoly capitalism. Extending this analysis, I advanced the thesis that the advanced degree of capital centralisation that now characterises contemporary capitalism deserved to underline for the first time the generalised, globalised and financialised oligopoly system, foundations for the configuration of collective economic power of the triad (US, Europe and Japan). A Marxist thesis that few dare propose, for fear of being – wrongly – equated to Kautsky and his thesis of super-imperialism.

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The second intervention element in the determination of market prices challenges the theoretical analysis of the functions of monetary standard. Marx proposes here major and interesting developments for the production of commodity/standard (gold) and the creation / destruction of currency by credit. I also proposed some theories on this issue under new conditions of widespread abandonment of the metallic standard (*Unequal Development*). The fact is that human societies – because of their alienation (i.e., commodity alienation inherent in capitalism) – still need a fetish. Hence, for our modern world, gold remains the ultimate resort, as seen in moments of crisis of accumulation – such as ours, for example.

A third component of disparate elements that either define the general situation (easy growth periods and sharpening periods of capitals competition) or specific situations (new products versus products with exhausted expansion potential), intervene in turn in the determination of observed prices in the markets.

Is an Empiricist Approach to Accumulation Possible?

The strictly empiricist philosophical spirit of the Anglo-Saxon world, carried over into all contemporary conventional economics, prefers to retain only observed facts (prices such as they are), directly deducing laws from it enabling understanding of the mechanisms of reproduction of the system and its expansion. For the professional economist, and hardcore empiricist, the detour through value is burdening and useless.

One could be contented to respond that to understand capitalism, it is not enough to understand its economic laws, but also to understand the relations between these laws and the general conditions of its social reproduction, that is to say the functioning of its ideological authority in its relationships with its base. The law of value occupies a key position that favours one to grasp this reality in the overall richness of its entirety. Those who operate the reduction we condemn always end up imagining socialism only as 'capitalism without capitalists'.

But this argument, as fundamental as it is, is not the only one. In fact, the empiricist treatment of the question which economises this 'burdening and useless detour through value' – replacing it with the direct understanding of the expressed reality in market price traps one in a dead end. What will happen if, indeed, we placed our analysis, undertaken within a context strictly inspired by *Capital*, with an analysis inspired by price, using the Sraffa type of model?

The difference between the two methods lies in two areas to be carefully separated: a) the replacement of price with values; and b) the adoption of a production system of branches in place of the two departments specialised in the production of capital goods and consumer goods. The major drawback

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of price analysis compared to value analysis does not result from the open nature of the Sraffa model (i.e., that the balance in the dynamics of supply and demand of each product, capital goods and consumer goods, is not formalised as an internal condition of the model, but simply and supposedly driven externally), as opposed to the closed character (knotted) of Marx's model (where the balance question is formalised in the same model). This drawback is from the replacement of prices, which depend on distribution, with values that do not depend on distribution. Thus, the concept of progression of labour productivity (as a measure of development of productive forces), which is perfectly objective with Marx (it does not depend on profit rate), is no longer the case with Sraffa or with any model expressed in price.

Certainly, a system defined in prices is perfectly determined - in the sense that relative prices and profit rates are – the moment the real wage rate is given. But then there arises the question of a standard where Sraffa, in Ricardian tradition, defines the condition for validity as follows: it is a standard that would leave the net proceed unchanged while distribution (wages and profits) changes autonomously.

Sraffa does not analyze the system like Marx. He eliminates labour from the productive process to consider wages, not as the value of labour, but as a category of distribution. Sraffa also proposes, and as we know, to choose as standard the price of net proceeds. With this standard, profit rate and wages are in a linear relationship independent of price, and designated by a straight line, while any other given standard shows a relationship between wages and profit rate that is neither linear nor monotonic.

Is the standard proposed by Sraffa better than another? No: (i) because this standard involves the Sraffan treatment of wage; if it (wage) is integrated into the production process as variable capital, standard varies when wage varies: it is no longer independent of prices, (ii) because, even in Sraffan formulation, the net proceed is changing over time (as a result of growth), the standard is, thus, not independent of price, it is elastic. This is no longer a standard. If we then reinstate wages in the productive process, as it must be done, no matter the standard, we can always express profit rate based on salary. But the relationship is neither linear, nor even necessarily monotonically decreasing.

It does not do justice to Marx to reduce his proposal – to choose value as the standard for price – to demonstrate that this standard works, i.e., to say that transformation is possible. The debate on transformation is a false case against Marx that comes from a positivist / empiricist Capital, totally foreign to Marx's method. I will not return to this issue which I have fully explored in my major writings. I simply repeat that, by the transformation of

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value into price, the profit rate that the system expression of value allows to calculate differs from the profit rate observable in any system directly formulated in price, and does not reveal a mistake from Marx, but is instead a key discovery to understanding the nature of capitalism. Science requires that research goes beyond appearances to discover what is hidden behind. If both rates were similar, aligning underlying reality and visible appearance, there would be no need for scientific logic to understand the world; we would only need to look at it! Of course, economists whose scientific philosophy makes do with empiricist positivism cannot understand the scope of discovery (and not the blunder) of Marx. This discovery is the key that gives alienation in capitalism its entire dimension. I will return to this question.

In fact, Marx was looking for a yardstick for measuring the progress of productive forces. This yardstick is value. Indeed, the amount of social necessary labour is the only wealth of society in the long run. And value is independent of distribution.

One can show the relationship between wages and profit rate in an illustration where salary is plotted as the ordinate (so it goes from zero to the highest maximum possible point when it absorbs the entire net income) and the profit rate on the abscissa (the profit rate is maximal when the wage is zero).

In this illustration, we must interpret system transformations from one phase to another by reading them on the y-axis. The system that maximises the net income minimises the necessary social labour-time to produce a sum of values of a given usage. It, thus, corresponds to more efficient, more developed productive forces. The Sraffa yardstick compares the systems along the x-axis. For zero wage, profit absorbs the entire proceeds. The system that maximises profit rate will be considered as superior. This is not the same thing.

Along the ordinate axis, the comparison of systems simultaneously considers all coefficients corresponding to goods input and the coefficients defining direct labour inputs. On the contrary, to compare productive systems along the x-axis, for which wage is zero, is to consider only the first coefficients (production of goods by goods and not by goods and direct work) and neglecting the coefficients of direct labour inputs. The value yardstick is higher because it, solely, considers production as a result of all the technical coefficients that describe it.

There is therefore no way of ignoring the theory of value. It allows us to link all the economic variables (price and income) to a common denominator – value, that is to say, the amount of necessary social labour – independent of distribution rules (operating, competition etc). And this is for characterising a given phase (synchronic static analysis) as well as for measuring change

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from one phase to another (diachronic dynamic analysis) of the progress of productive forces.

In the Saffran system, by replacing wages with their equivalent (goods consumed by employees), work disappears from production equations; goods are no more produced than with the help of goods without work (which remains fundamental); surplus is entirely due to capital, which becomes the sole factor of production!

We have here reached the highest stage of alienation: goods (workers' subsistence) create goods (a larger quantity of goods) without work. We can compare this supreme alienation to the financier, who while making money with money, qualifies money as being solely productive. Or again, we can remove material inputs by replacing them with their equivalent in time worked. We would thus have a system with only a single factor, labour, but timed, and we fall back into the productive-time factor of Bohm Bawerk.

The empiricist approach – and that of Sraffa expresses the most rigorous attempt – not permitting to establish a rationality of price system independent of the rate of labour exploitation. It does not allow it in its general model. And therefore it does not give the differential rates of labour exploitation, in the truly existing global capitalism, the central importance that it has. It is this difference – foreign to Sraffa's method – which shows the imperialist rent, the scope of which only the transformation of the law of value into the law of globalised value allows to capture.

The Sraffa structure does not lend itself to analysis of conditions from equilibrium to dynamic, since it does not address the supply/demand balance of each product type (equipment, consumption) as in Marx's structure. This is an empirical and poor model that allows, at the most, to describe an observed trend, but not to draw evolution laws from it.

All post-Marxian economics worked – to abandon Marx – by locating the origin of progress outside social work. This economics invented for this purpose specific productivities of factors of production, or reduced them to commodity (Sraffa: goods produce goods), or that of money (money produces silver), or that of time (time is money, the depreciation of the future in Bohm-Bawerk), or – today – that of science ('cognitive capitalism', with precursor the marginal efficiency of capital as Keynes understood it). Here, it is just forms of fundamental alienation, particular to conventional bourgeois social thought.

Marx completed his assessment of capitalist reality with assessment, whether it concerned those produced by great classics, founders of modern thought in the field of new political economy (Smith, Ricardo, et al), or those of orthodox economics, already present at the time (Bastiat). Criticism of post-Marxian economists is no less necessary. It was made by some Marxists out of the straitjacket of exegesis, sadly out of fashion. I note my

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contributions to the assessment of the best conventional economy that extends the classics (Walras, Keynes, Sraffa, et al), to criticism of new forms of conventional economics ('witchcraft in modern times', I wrote), that the reader might find in *Unequal Development* and *Critique de l'air du temps* (Harmattan 1997).

Is the Law of Value Valid?

The identification of value as the core of the critical analysis of capitalism economy, and then of its masked presence by operations of its transformation into observed prices is not without its problems. Developments by Marx on these issues demands of Marxists not to be limited to the analysis of their texts but to dare to go further. In particular, in terms of treatment of (i) concrete works with diverse qualifications and their reduction to the concept of abstract labour, (ii) the time required for the production, circulation and production of profit and from the relationship between living labour/transferred dead labour, (iii) the identification of usage values, (iv) the processing of natural resources, whether they are subject to private ownership or not, (v) of appropriate definition, specific to capitalism, social work and analysis of its relationship to other forms of labour, (vi) the highlighted forms of absorption of profit by Department III.

The evolution of capitalism since Marx's time and the huge changes it has produced challenges Marxist analysis. A perspective that seeks to remain critical, and deepen this radical criticism of capitalism, requires going beyond Marx's answers to the challenges involved in these issues. Some Marxists, including myself, are engaged in this endeavour. My interventions in these debates such as the proposals I made in response to challenges were summarily reproduced in *From Capitalism to Civilization* (Tulika Books, 2010:84 - 95).

The time is not conducive for the pursuit of these enrichment projects of Marxism, conceived limitlessly in its fundamental criticism of the reality of the capitalist world. Instead of enriching Marxist thought, we prefer to bury it and pretend to start over at zero. One is then often prisoner – whether one realizes it or not – to orthodox thought, by nature non-critical. The radical criticism of the concept of progress reduced to GDP growth that I proposed (*From Capitalism to Civilization*, Chapter 3, from page 98 onwards) and – in counterpoint – the thesis I have adopted, equating progress to emancipation (*Eurocentrism, Modernity, Religion and Democracy*, introductory chapter, Pambazuka Press, New Edition, 2010) register here against the trend of the times.

It is fashionable today to say that the law of value is outdated. This would have been particular to the industrial manufacturing stage of capitalism, overtaken by the formation of contemporary 'cognitive capitalism'. We forget

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that, by its essential nature, capitalism today and yesterday is based on social relations of capital domination and the labour exploitation associated with it. It cannot be otherwise.

The invention of the 'cognitive capitalism' concept lies on the rallying to the method of orthodox economics – based on measure of specific productivities of factors of production (labour, capital, nature, etc). We discover that progress by these factorial productivities explains only 50 or 60 or 70 per cent of the general progress (of growth). This difference is due to the intervention of science and technology, regarded as a fourth independent factor. Some think they have rediscovered it in the concept of 'human technological creativity' the importance of which Marx underlined in defining social labour productivity. But there is nothing new here because work, scientific and technical knowledge are inseparable at all stages of human history (From Capitalism to Civilization, Annex 2, pages 113 to 123). I proposed a radical criticism of the orthodox method that I accused of artificially separating work (with the tools it uses and under the natural conditions of its development) from scientific and technical knowledge without which it cannot alone be considered. The operation is the same as in theology where the soul is separated from the body (From Capitalism to Civilization, pages 77 to 84).

There is only one productivity, social labour, operating with adequate tools, in a given natural environment, on the basis of scientific and technical knowledge, incorporating inseparable elements. What orthodox economics separates artificially, Marx associates, thus giving to the concept of value that emerges its fundamental status, a condition in turn for radical criticism of capitalist reality. Cognitive capitalism is an oxymoron. We can only speak of 'cognitive economy' when social relations other than those on which capitalism is based have been established. Instead of this vision that the trends of the times inspires, I have tried to add the transformations of forms of expression of the law of value that capitalist transformations entrain.

In *Critique de l'air du temps* (Harmattan, 1997, Chapter V, pages 66 to 80) I imagined a capitalism that is at the extreme in its decline in allocated labor to material production (hardware, the hardware store: manufactured objects and food products) by an imaginary generalization of 'robotisation' production departments will only mobilise a tiny fraction of labour force, used, on the one hand, in producing sciences and technologies (software) for the hardware and, on the other hand, in services associated with consumption. Under these conditions, the dominating relations of capital, expressing itself in the unequal distribution of global income and value, only has meaning at this integrated and comprehensive level. The concept of value exists only because society remains alienated in economism.

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Does the system at this stage of its development still deserve to be called 'capitalism'? Probably not. It could be neo-tributary based on the exercise of a systematic political violence (associated with ideological procedures that can give it the semblance of legitimacy), itself essential to the reproduction of inequality. Such a system is sadly unthinkable in a globalised scale, it is already underway. I have described it as 'global apartheid'. The logic of forces that command capitalist reproduction operates in this direction, the direction that would produce 'another possible world', even more barbaric than have been all successive class societies in history!

From the Law of Value to the Law of Globalised Value

I now broach the law of transformation of value which I think is the most important by far, in terms of its consequences, which operate decisively in all fields of social struggles and in all national and international political conflicts of the modern world. I mean the transformation of value into globalised value.

I had sensed the importance of this issue even during the writing of my doctoral thesis (in 1954-1956), although it took me ten years to express it and to write about it, even clumsily. The issue was not brought up by Marx. And it is, in this precise sense that I pretend – with humility – to have contributed in expanding and enriching Marxism. I had, perhaps, the audacity to imagine what Book 6 of the *Capital*, announced in the *Grundrisse* under the title of 'International Trade', could have been. Of course what I wrote then, stems from contemporary reality, quite different from that of Marx's time. The thesis barely convinced the thinkers of Western Marxism, except, to my knowledge, that of Giovanni Arrighi. On the contrary, it was well received in Asia and Africa, where, through diverse but ultimately converging voices, it contributed to the shaping of an Asian and African face of Marxism.

The argument is simple, but still double. Truly existing historical capitalism has always been imperialist in the precise sense that the inherent mechanisms of its global development, far from gradually homogenizing economic conditions globally, have instead produced, reproduced and deepened the divide between the dominant (imperialist) centres and the dominated peripheries. It is in this irregularity that is affirmed, with still greater violence than that imagined by Marx, the law of impoverishment inseparably associated with the logic of capital accumulation. My proposed developments on the forms of accumulation by dispossession find their place here.

Despite this permanent irregularity, capitalism is one and indivisible. Capitalism is neither the United States nor Germany, while India and Ethiopia would only be half of it. Capitalism is the United States, India, Ethiopia and Germany put together. This means that labour force has only one value, the one associated with the level of exploitation of productive forces considered

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on a global scale (the 'general intellect' on this scale). In response to the controversial argument that was opposed to it – 'how can one compare the value of working hours in The Congo and in The United States?' – Arghiri Emmanuel had written: 'as we compare the value of the working hours of the hairdresser from New York to that of the worker in Detroit'. We need to be consistent. One cannot invoke inevitable globalisation when it is convenient and deny its consideration when it disturbs!

But if there is only one value of labour force on the level of global capitalism, this force is, nevertheless, still paid for at very different prices. Certainly, price variations in labour force do exist in the central capitalist countries themselves, but this variation is increased tenfold in the world.

We can therefore model the expressions of this reality, and, from them, measure their magnitude (if one wants to bother), that is to say that of the transfer of value from the peripheries to the centres. This is a transfer hidden in the system of observed prices and wages and therefore unthinkable for the neoclassical economist. I therefore make in this way the terms of this modelling required to understand the metamorphosis that transforms the law of value into a law of globalised value.

A second set of arguments exists about access to natural resources, the standards governing their management and their uses thereof. Here, we are no longer in the law of value, but at the external borders of the latter. This is why Marx does not confuse 'value' and 'wealth' as do all the neoclassical economists, including supposed Marxists open to contributions from conventional economy. Marx concludes his radical criticism of *Capital* by noting that capitalist accumulation is based on the destruction of the foundations of wealth: human beings and nature.

It took a century and half for our ecologists to re-discover this reality that is now blinding. It is true that historical Marxism had largely erased the analysis offered by Marx on the subject and adopted the standpoint of the bourgeoisie – considered as a classic rational point of view – concerning the exploitation of natural resources. So we must now retake the issue from zero. Certainly, the bourgeois economy was forced to consider the price of access to those of resources that are subject to private ownership, and designed mining revenue in its own way similar to land revenue. It is, henceforth, recognised that the challenge is at a totally different level that must incorporate all the unprocessed resources. Neoclassical economics is unable to do so, while the creative method of Marxism allows it.

The treatment of natural resources is inextricably linked to the analysis of irregular globalisation produced by capitalist expansion. As unequal access to the use of global resources is in turn a second dimension of the imperialist rent no less important than that from the global prioritisation of the price of labour power.

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One or two Models of Accumulation?

I proposed (*Unequal Development*, pages 60-65 and 164-169) two models of accumulation, one for the centre and another for the periphery. The central model is controlled by Departments I and II of *Capital*, which thus expresses the consistency of a self-centred capitalist economy. On the contrary, in the peripheral model, what controls the reproduction of the system links exports (driven) to consumption (induced). The model is 'extroverted' (as opposed to 'self-centred'). It reflects a dependency in the sense that the periphery unilaterally adjusts to dominant trends across the global system in which it is integrated into, these trends being themselves controlled by the demands of accumulation at the centre.

Obviously, each of these models (central and peripheral) passed through successive phases with their own characteristics. For example, the peripheral model passes from the first stage (agricultural and mineral exports) to that of industrialisation through import substitution (the general model of the second half of the twentieth century, during the Bandung era) and then to the generalised industrialisation for export competing with industries from the centre (the Chinese model of the 1990s). However, the model remains peripheral because it operates within unilateral adjustments to the demands of globalisation.

These conditions that govern accumulation globally, thus, reproduce unequal development. They explain that countries are underdeveloped because they are overexploited and not because they are late (if they were actually late, this allowed their overexploitation).

Experience, however, confirms this view. All projections of dependent development policies elaborated at constant prices lead to a blockage by the double deficit of external balance and the public finance; all projections of these same policies elaborated *ex post* at current prices (relative prices of imports and exports) lead to the same blockage even faster. This fact has only one explanation: that price structures are distorted (as a result of combined class struggles in the world) favouring increased exploitation in the periphery.

'Catching up', according to the sense that the false theory of 'stages of growth' gives it, becomes impossible in the context of truly existing capitalism, imperialist in nature. This conclusion does not only concern the past, it questions the future under construction. The idea that supposedly emerging countries are engaged on the road to catch up due to their deep integration in globalisation as it is (and it cannot be otherwise) is baseless.

The two models are none the less constitutive of one reality that of an accumulation operating worldwide, characterised by the two Departments I and II of Marx, retained, henceforth, at the global scale and no more in the

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societies of the centre. Because exports from the periphery become at this scale constitutive elements of constant capital and variable capital (the price of which they reduce), while imports have similar functions to those of Department III, that is to say facilitating the realization of surplus profit.

The conclusion I drew from the implementation of this expression of global capitalist economy /social struggles and national and international political conflicts, is that the North-South conflict and the conflict between the tendency to reproduce social relations specific to capitalism on the one hand and, in counterpoint, the demands of their socialist excess on the other, are inseparable. The magnitude of the calculable portion of the imperialist rent, produced by the differential in price of labour (to equal productivity), is obviously considerable. I will attempt here to give an order of magnitude, with the assumption that global GDP is divided into two-thirds for the centres (20 per cent of global population) and one-third for the peripheries (80 per cent of global population). I am assuming a growth rate of GDP of 4.5 per cent per annum for the centres and peripheries and wage growth at 3.5 per cent for centres and zero for peripheries (stagnant labour income). After fifteen years of development of this system, we would achieve the results summarized in the following table:

	Centres	Peripheries	Globe
YEAR 1			
GDP	66	33	100
Wages	33	17	50
Profits	33	16	50
YEAR 15			
GDP	132	68	200
Wages	56	17	73
Profits	56	17	73
Department III	20	20	
Imperialist rent	34	34	

Of course, the volume of this imperialist rent, which is of about half of the apparent GDP of peripheries, being 17 per cent of global GDP or 25 per cent for the centres may be partially masked by exchange rates. This is a well known reality that makes international comparisons uncertain (GDP at market exchange rate or the exchange rate ensuring equivalence of purchasing power?). Moreover, the rent is not fully transferred to the benefit of centres. Retention of a portion by the local ruling classes is the condition of agreement

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for them to 'play the game of globalisation'. But the fact remains that the material benefits from this rent, that benefit not only the dominant capital on a global scale, but also the affluent societies of the centres, are very considerable.

Calculable advantages associated with the differential in labour pricing are added to those which are not calculable though decisive, based on exclusive access to global resources, technological monopolies and control of the globalised financial system.

Unequal Access to Global Resources and the Ecological Issue

Classical economics was interested in natural resources only when they were under private ownership. It then treated these resources as factors of production eligible to an income (revenue) determined by the productivity of the factor in question. In counterpoint, Marx analyzes these revenues as categories of distribution, that is 7 to say, as taxes imposed on the profit. For natural resources do not create value, although they are an important foundation of wealth.

The exploitation of global resources has now become disproportionate, whether they are subject to appropriation (such as subsoil and resources) or not (such as atmospheric air), and has brought back the issue of treatment of natural conditions of production. Contemporary neoclassical economics maintained its policy positions, seeking to integrate into its usual reasoning these new factors of production to give them a price. For my part, I see it differently and I will evoke, by prolonging without fear, the reflections initiated by Marx. Because the emergence of these issues is precisely the best witness to the limits that the so-called economic science cannot cross, and calls for further consideration of the radical criticism of both the reality that capitalism represents on the one hand and its alienated representations through the new orthodox economics (known as 'green') on the other hand.

The issue of natural resources – read global – by its very definition challenges the nature of the irregular global system of truly existing capitalism / imperialism. Strategies and practices implemented by the dominant centres work to preserve to their benefit the exclusivity of access to these resources. The imperialist rent is thus a second dimension, superimposed on the one drawn from the global hierarchisation of the price of labor power.

Orthodox neoclassical economics is obsessed with the false concept of real prices, be they those of ordinary goods, labour, money, time, or natural resources. There are no 'real prices' that the 'market' would have the genius of revealing. Prices are the combined products of the rates of labour exploitation (the rate of profit), competition and split capital, and deducted tax in the form of oligopoly revenues of political and social conditions that control the distribution of surplus value between profits, land and mineral revenues.

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Mining revenues are thus determined by compromises from the confrontation between the owners of the subsoil on the one hand and the entire capitalist class on the other hand. Because the tax that mining revenue represents, precisely, concerns the entire system of capital reproduction, government intervention has always been decisive in this area. I developed my thoughts on this question in a chapter of my book on the globalisation of the law of value.

The ecological question requires us to leave the narrow context of conventional economic reasoning which recognises only exchange value, replacing it with the fantasy of an economy based on usage value, that is to say the political economy of socialism (actually the communism of Marx). The concept of *ecological footprint*, introduced by the work of Wackernagel and Rees (*Our Ecological Footprint*, 1996, New Society Press) that I commented on, moreover, started this major reflection for radical social thought on the construction of the future, based on a calculation (and I mean a calculation and not a speech) that itself was based on the usage value of resources of the planet shown here by their measure in global hectares (gha), and not in dollars.

The proof exists that the social usage value can be the subject of perfectly rational calculations. This proof is decisive in its scope since socialism is defined in terms of society based on usage value rather than exchange value. While defenders of capitalism – the end of history – have always held that socialism is an unrealistic utopia because they believe that the usage value is not measurable, except if it matched with exchange value (based on 'utility' in conventional economics).

The establishment of ecological calculation by orthodox economics is rapidly advancing. Ecological costs are assimilated, to this effect, into external economy. The orthodox method of calculating cost / benefit specific to the measure of exchange value (itself confused with market price) is then used to define a 'fair price' integrating economies and external economies. Mission accomplished. The establishment of ecological discourse through the political culture of consensus (necessary expression of the concept of capitalism – the end of history) is no less advanced. This establishment takes the easy path. This is because it responds to alienations and illusions that nourish the dominant culture, which is that of capitalism. Easy because this culture truly exists, is in place, and dominant in the minds of most humans, in the South and in the North.

In counterpoint, the expression of the demands of the counter culture of socialism leads to a difficult path. For the culture of socialism is not there, before us. This culture is a future to invent, a civilization project open to the inventive imagination. Phrases (such as 'socialization through democracy

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and not through the market', 'dominance of culture replaced by economics and politics at its service') are not sufficient, despite the power that they have to begin the historical process of change. Being a long secular process, the reconstruction of societies, on principles different from capitalism in both North and South, is not to be imagined fast. But the construction of the future, however distant, begins today.

The North-South conflict over access to global resources

The issue of 'mining revenue', or more generally revenue that countries get from natural resources within their territory, is inseparable from forms of domination of oligopolistic capitalism on subordinate peripheries. The treatment of this question is closely associated with the analysis of the phases of economic imperialism, of international class alliances related to it, and the modalities of labour division controlled by it. To each phase corresponds, then, a certain simultaneous arrangement of productions and applications, a suitable structure of income distribution: structuring of labour remuneration, amount and profit rate, volume and rate of land revenue, volume of revenues from natural resources.

In the first case in point, we distinguish three phases in the evolution of capital accumulation within the imperialist system. During the first phase (the long nineteenth century until the 1930s and 1960s of the twentieth century, according to countries and regions), international division of labour, colonial-style, confines the periphery to the export of agricultural and mineral products. This division of labour based on class alliances between imperialism and the traditional local ruling classes results in a relative price structure of goods traded globally. This leads to the promotion of industrial capital accumulation at the centre, facilitating wage increases parallel to the development of labour.

Price structures corresponding to this equilibrium point to land revenues that reward landowners, allies of imperialism, but they do not include mineral revenues, which constitute the capital that the colonial monopolies reserve for themselves through free access to peripheral underground resources while confining the new comprador classes of dominated regions to its purchasing portion. We often forget that the easy growth of the 'thirty glorious years' (1945-1975) was associated with energy prices (particularly petrol) reduced to almost zero.

The second phase of modern unequal globalisation opens with the victories of national liberation movements in Asia and in Africa, during the Bandung era (1955-1980) and the development of the Non-Aligned Movement. This second phase is characterised by import substitution industrialisation. This requires the renewal of international class alliances, the replacement of the national bourgeoisie with the old ruling classes.

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During this phase, the dynamic balance continues to operate primarily on the basis of the expansion of centre markets, fuelled by wage growth, exacerbated by the maintenance of unequal exchange rates, with the periphery continuing to provide raw materials under conditions of stagnant labour wages, while its earnings pay for imports of industrial goods and equipment which replace previously imported consumer goods. Land revenues sometimes disappear when feudal alliances are broken through bourgeois agrarian reforms that establish new classes of landowners and middle peasants. Consequent reduction in agricultural prices favours the local bourgeoisies engaged in substitution industrialisation as it favours oligopolistic imperialism, in a context whereby agricultural products continue to be exported to the centre.

However, whatever the limitations of this first moment of awakening would have been, the on-going movement of peoples and nations in Bandung soon raised the issue of acquired income by states concerned about their natural resources. Bandung proclaimed the principle of the exercise of national sovereignty over those resources and succeeded, albeit belatedly – in 1973 – in imposing an upward revision of oil prices as we know.

This readjustment of access conditions to natural resources (oil price is a symbol) was not inherently anti-capitalist. On the contrary, the inclusion of revenues (oil in this case) in the prices of natural resources exported by the South would have improved capital mobilisation by the peripheral bourgeoisie which in turn would have allowed them to enter into a new era of industrialisation, based this time on the export of industrial products to the centres. The relocation of some industries, from the North, could have recreated an unemployment reserve account, which would have simultaneously helped in raising profit rate. Expansion would have been initiated through the export industry of the South, on the basis of which, new motor industries could resume their expansion in the North. This perspective, quite capitalist in nature, to overcome the contradictions of the global system, was the programme of the peripheral bourgeoisie of the time.

The imperialist West rejected the proposals and adjustments were finally made of the 'New International Economic Order', even though oil price was imposed. Very different theses have been proposed on this subject. Some have focused on the objective economic conditions of energy production: trend reversal on the relative price of oil, for example, which, falling for a century, would have begun a long period of recovery from the 1960s to 1970s. Others have emphasised the inter-imperialist contradictions and stressed the United States' commitment to turn in their favour a deteriorating situation (dollar crisis, etc), while mobilizing oil multinationals and petro-states against Europe and Japan. Some even went further and saw in this last conspiracy a

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manifestation of the strategy of multinationals that would have chosen alliance with Third World states against the central states. The objective of multinationals was supposedly to increase profit rates through the relocation of industries under their control.

Adjustments in the economies of the North made to absorb oil price shocks actually inspired strategies to enable capital to go on the offensive and dismantle the gains of the working classes (post-war social democratic compromise). These strategies succeeded in imposing on these working classes the needed restructuring for the resumption of accumulation that was grounded.

The new order project was then finally implemented (relocations as proof). But it was neither under peripheral bourgeoisie control nor their states' control – nor to their benefit – as elaborated in the original project. It was in fact implemented for the benefit of oligopoly capital of the imperialist centres! This operation opened the – short – era of new globalisation called 'neo-liberalism' that I qualified as the second 'golden age'. The fast and expected 'breathlessness' of this phase of globalisation created conditions for a 'second wave of awakening of the South', initiated even before the 2008 financial collapse.

The ruling classes and the states of the South – at least those qualified as 'emerging' – retook the initiative and engaged in accelerated industrialisation and 'modernisation' of their agriculture. The pursuit of their business requires that these countries benefit from an increasing access to global natural resources, which arises when the operating costs of the best of these scarce resources, are considerably higher than in the past. Beyond these cost issues, the battle is now engaged on the ground for direct access to resources. Western imperialism intends to reserve them for itself – a condition for the continuation of its 'lifestyle' and the basis of a social consensus that guarantees the stability of capital power – through brutal global military control. This North-South conflict has therefore become the major conflict of our time.

The range of natural resources in question is broader than was previously thought, not long ago. It concerns oil and gas, but also the rare minerals, water and agricultural land – whose access has become the stake in conflicts over their use – and even the atmosphere (and through it, the climate).

Under these conditions, it is impossible to resolve the issue of determining mining revenue (or more generally the access cost of the resources in question) in general terms. Examination of this issue must be based on concrete analyses of concrete situations. For each mineral, specific circumstances control the debate over its revenue, and possible outcome. Thus, as a comparative example, one could cite the case of iron ore, long produced exclusively in developed countries for their national steel industry. Since steel needs were no longer being satisfied by former major producers, the West secured, for itself, a mining belt of safe countries (Canada, Brazil, South Africa and

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Australia) to provide competitive minerals in largely sufficient quantities in the foreseeable future. Under these conditions, Third World producers (Venezuela, Mauritania, Guinea, Liberia, Gabon, India, and Malaysia) are marginalised and deprived of negotiation possibilities (particularly if Brazil continues to refuse them support). But, on the other hand, the financial requirements for the establishment of steel plants in Third World countries are considerable. Here we can see the possibility for a three-partner association: the Third World steelmakers, countries with significant financial resources (the OPEC countries, China, Japan, etc.) and countries with mining resources. Such an association would strengthen the collective autonomy of these countries and separate the minerals/steel relationship between the periphery and the centre, that is still exerting influence on the mining and steel producing countries of the Third World. Mineral revenues, within this context, would become negotiable between States.

Revenue utilisation by countries that are potential beneficiaries obviously depends on the type of dominant ruling classes in place. In extreme cases – still frequent – this revenue may be wasted by the ruling cliques to solely maintain their stay in power, with neither the masses nor even the country benefiting from it (this revenue is not invested in economic development). In other cases – as in the Gulf countries – this revenue simply funds the globalised financial market controlled by Western oligopolies. These patterns of revenue utilisation by dependent states or powerless archaic regimes are quite acceptable to the dominant economic imperialism. On the contrary, when the revenue is used for development, be it capitalist – as in emerging countries – conflict becomes inevitable.

Is Imperialist Revenue Called into Question?

The visible part of imperialist revenue – that comes from the structuring of labour price – is already huge by itself, and measurable, if one bothers to find out. This can be confiscated by the countries of the South only to the extent whereby they 'disconnect'– even relatively – to give priority to domestic market development and to the satisfaction of the needs of their masses. Only then can this anti-imperialist position help in bringing focus on surpassing capitalist social relations and engaging on the long road to socialism.

The invisible part of capitalist revenue – access to global resources – though not measurable (being outside the scope of economy), is no less important. The battle here is on the affirmation of sovereignty of the countries of the South on these resources, together with their assignment to give priority to internal development. Through this option, the countries of the South would refuse to submit to the perspective of global apartheid, which capitalist logic imposes.

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By engaging in these directions, the victories of the nations of the South would be the conditions for questioning the consensus based on profits derived, by the North, through capitalist revenue. Progress in the South depends on the defeat of capitalist states through confrontation with the nations of the North.

Market Alienation and Financialisation, the two Inseparable Dimensions of Capitalism

Capitalism is a social system – the first – whereby economic authority directly dominates all other authorities of social life. In other words, 'economic life' now directly dominates other aspects of social life. The economy is more than 'important ultimately'. Having won its autonomy, economic life is then subjected to its own laws, and to discover its outlines can and should therefore become the subject of a particular scientific thinking. This is the purpose of the new economic science, that it is best to call political economy to highlight the relationship that associates its autonomy to the new historical/political stage that is capitalism.

It is, thus, no coincidence that economic science began its first formulations at the time of the Enlightenment, in close relation with the emergence of the discourse of bourgeois ideas. This social class - the bourgeoisie – is then in conflict with the existing order, that of the Old Regime. Bourgeois enlightenment thought inaugurates modernity that I defined as the proclamation that man makes his own history, in contrast with the dominant conception of earlier times, based on the idea that it is God, or the gods, through the ancestors that created an unchangeable social order. Bourgeois thought flushes out alienation (therefore irrationality) that underlies this submission to the demands of the existing order, the alienation that I qualified as metaphysical specific to dependent production methods. The criticism that this thought directs to the system governing reality and the beliefs of the Old Regime seeks to be scientific. And it is, once one understands that science is neither final, nor complete. The system of organisation of real economic and social life that the rising bourgeoisie proposes, and the system of thought that accompanies it and gives it legitimacy, are based on the concept of rationality that defines the entire scope of the thought on Enlightenment.

The contradictory, limited and ambiguous nature of modernity and the new rationality is expressed through the conviction of the bourgeoisie that the new system it wishes to promote, that is to say, capitalism (in the sense of capitalist relations of production), is simply an expression of complete, definitive, rationality and not of the relative rationality associated with capitalism. The scientific nature of the analyses that the new political economy

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proposes, is, therefore, contradictory, limited, not completed (as the bourgeoisie believes). The legitimising function of the established new capitalist order, and bourgeois political economy of Enlightenment is inseparable from its methods, conceptualisations and from the economic laws that they help in elaborating.

So let us step back and look at capitalism not as the end of the story (which the thought on Enlightenment cannot afford to doubt), but as a stage in an uncompleted story. It then becomes clear that, to do this, it is necessary to make the double radical criticism of the real world (defined mainly by capitalist economy) and the thought that grants it absolute legitimacy – without time limit. That is to say, criticism of labour exploitation by capital (on which the system is based) and criticism of bourgeois political economy.

Marx focused on doing this. And he did it with unparalleled convincing power. Reading of *Capital* enables one to understand the immense scope of this double criticism of real-world labour exploitation and bourgeois economic science that masks its reality.

To do this, Marx attacks the formulations of the new political economy – the most serious, the closest to science – those of Adam Smith and David Ricardo. This does not prevent him, in passing, to criticise – sometimes in humorous style as it should be – the first visions of the economics of his time (Bastiat, Say, et al).

Indeed, the moment completed capitalism is established with the emergence of the machine invented by the industrial revolution, bourgeois thought ceases to be critical, as it was obliged to be in its fight against the now toppled Old Order. The dimension through which it legitimates the new order wins the day. The scientific spirit that it evoked in its criticism of the old order no longer has a *raison d'être*.

The history of economic science – now bourgeois (in that Marx gives this qualification to its legitimizing function of the capitalist order) – becomes the story of its vision, of its increasingly marked distancing from the basic requirements of scientific thought.

To delegitimise this pseudo-science called (modern) 'economic science' becomes an essential requirement in the exercise of the ability to criticise reality, and formulate objectives from this criticism in the fight to change the way.

We will draw the outlines of this criticism, without which the views on building another world (supposedly better, of course) become wishful thinking and baseless. We will do this in stages. We recall, first, the basis of the criticism of neoclassical economics post-Marxist (actually anti-Marxist). We continue with a presentation on various aspects and degrees of alienation that are specific to capitalism. This presentation will allow you to flush out

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the aberration of contemporary discourses (including the left) on financialisation and, in connection with it, the nature of the ongoing crisis of contemporary capitalism.

Criticism of Orthodox Neoclassical Economics and its Avatars from the Left

After Marx, to go against his views and discoveries, serious bourgeois economy tries to develop a counter proposal based on a positivist / empiricist method that is allegedly similar to a scientific method. Walras in the nineteenth century and Sraffa in the twentieth (but also Keynes) are the major thinkers – consistent and firm – that illustrate better than others this attempt to analyze the functioning of the reality (capitalist) without turning to the concepts highlighted by Marx's discoveries (the law of value).

I, therefore, focus my criticism of conventional economics on these thinkers.

The starting point for Walras, Sraffa and Keynes is in the rejection of the law of value, under the pretext that the transformation of values into costs of production was 'impossible', or at least unnecessary and cumbersome. I will not repeat what I said about this: that this refusal demonstrates the inability of these thinkers to understand alienation.

Walras – and after him, Sraffa – therefore consider (wrongly) the value (work) as a metaphysical and cumbersome hypothesis. But they are not any further won over to its substitutes – the value / usefulness – that they probably judge as also metaphysical. They, then, stick to the immediate visible reality of – market prices. Walras proposes in this strict positivist spirit a model of generalised interdependence, coded in a system of equations describing the production of n products as it is, that is to say from inputs of equipment, raw materials and direct labour. These inputs are quantifiable by the technical coefficients that define implemented methods of production The system solution correctly provides products prices under certain conditions.

First, the system does not classify the productions into the two departments similar to those considered by Marx. Walras's system does not tell us, then, if the volume of profits from production will be lower, equal, or greater than that required to be allocated to investment (in equipment) necessary in the production of consumer goods that correspond to effective demand (determined by the fraction of net proceeds assigned to this demand for consumer goods). The question is not by Walras. So, he does not answer it. However, to understand the possibility and reality of accumulation we are, actually, forced to answer this question.

Then – and here is the major criticism against the Walras model of general equilibrium – it is not established that the application of a decentralised market

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solution actually provides the solution that can de deduced from the system of n equations, even by trial and error. For, when a single agent takes any decision (e.g., to change the technical mode of production) the system, in its entirety, is transformed and its solution yields results different from those of the system in place prior to this decision. The system then moves into reality from imbalance to imbalance (due to the decisions taken) never aiming at a balance. The history of the system triumphs over the rationality of its solution!

Walras was honest – a quality certainly alien to today's Nobel Prize winners – and therefore acknowledged this failure. The failure of positivism as a scientific method? Walras did not dare go that far; to acknowledge the scientific superiority of Marx's method and the inevitability of the law of value and the consideration of the rate of surplus value (degree of labour exploitation). Value/labour then appears not as a metaphysical hypothesis but as an expression of acknowledgement of reality.

It is known that Walras has imagined only one solution to the problem: entrance of an 'auctioneer' who knows everything in advance: the invisible hand, or God, which exists only for those who believe. Contemporary neoclassical economics will substitute it with the 'perfect foresight' of those officers (plural) gifted with a perfect knowledge of the objective requirements of the operation of the system – a terminology substituted with another, which adds nothing to it.

Neoclassical economics, committed to the path of the analysis of markets operating on the basis of an imperfect information, is then forced to substitute the analysis of capitalist reality with an endless game (in which mathematics becomes indispensable) of assumptions about expectations. For the assumptions about expectations help to pre-empt everything and nothing, which Keynes' subtle and realistic intelligence had fully grasped.

What expectations? A series of good jokes. The expectations of labour sellers? The unfortunate know they have little choice. They also know that they can only improve the sale of their labour through organisation and collective class struggle. Like consumers who choose (their supermarket?) and choose their prospective financial investments? The unfortunates are indeed forced to go with the advice of their bankers, the real decision makers. Those of entrepreneurs who decide to invest or not to? History shows, as Marx and Keynes had understood it, that the cycles of over-investment, then of capital depreciation impose their reality. That of capital owners who choose between risky term investments and liquidity preference? The recurring story of financial bubbles of which the reasons and mechanisms have been fully analysed, once again, by Marx, together with his discovery of the supreme alienation of neoclassical economics 'money makes money', A gives A 'without going through production', will always remain outside the scope of

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thought of our conventional economists. And that of stock market speculators? We know that the best position is the one taken by the sheep that follow the general trend and that this practice necessarily increases the magnitude of instability.

Drowning in the ocean of expectations is the inevitable product of the reduction of society to a sum of individuals and to a wilful ignorance of major realities through which is defined real capitalism (the classes, private property, the State, nations, etc...). This is an ideological expression in the negative sense of the term, which is perfectly in place to give legitimacy to the actual practices of dominant capital. The neoclassical economists who lay claim to scientific work are not even aware of this. They cannot understand that to do scientific work, to approach an understanding of objective reality, we must start from the radical criticism of the starting point of their reasoning.

Walras concludes, then, that capitalism can only work if it is no longer capitalism, but a planned system (by the State, as the only capitalist). Walras was a socialist, just like his pupil Barone, the ancestor of Gosplan. And the Gosplan projects not a socialist economy, but – in the historical settings of the Soviet Union – a capitalist economy without capitalists. The model of general equilibrium, which does not reflect the real operation of capitalism, becomes a good planning tool, that is to say a primer establishment of a system that could pave the way (I mean just clear the way) to the gradual replacement of socialisation through the market of a socialisation via democracy, which requires more than good management from the top of the productive system.

Sraffa takes back the questions by Walras and treats them in the same way. I cannot come back here to the analyses that I devoted to the failure of Sraffa (with some details in my book on the globalization of value).

In line with the efforts and failures of post-Marxian positivist economists, the economic vision starts in another direction, by replacing utility value with labour value (Menger, von Mises and latest – the most extremist – Von Hayek, all Austrians). And it is in this context that originates the formless body of alleged contemporary economic science, on the one hand, and the recovery and takeover of Keynes, on the other hand, by the new economic termed 'neoclassical' (that it is not, having failed from the beginning with the classics).

The construction lies in abolishing the concept of capitalism and replacing it with the insipid discourse on market economy. The essential reality – which is the social relations of production (especially the private ownership of means of production becoming, thus, capital) – is excluded quickly. We feign ignorance that the markets in question must be qualified and are actually

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capitalist markets – that is to say, subject to the requirements of capital appreciation.

This abolition of the concept of capitalism rests on two assumptions apparently unrelated to reality.

Firstly, we substitute the relations of production – particularly the submission of the seller of labour to the employer forced to appreciate capital – with the assumption of a society made up of individuals, who ultimately become the active agents of the reproduction system and its evolution. This individual (Robinson or the *homo economicus*) is non-historical, identical to himself since the dawn of humanity. Similarly, ecological challenges are formulated in terms of relations between Man and Nature, without reference to the economic and social system in which the man in question thinks and acts. Capitalism and the capitalist are thus freed from all suspicion.

Secondly, the concept of capital itself is abolished. Standard neoclassical economics recognizes only equipment (with their own productivity) implemented by work. Another non-historical concept since, of all times, the worker has used instruments, the peasant plough, the artisan's medieval tools, the bow and the arrow of the first hunter and even before him carved, then polished stones of *homo sapiens* of archaeological periods. At this rate, capitalism, though confused with the use of means of production, always existed.

The construction built on these foundations – the market economy – does not correspond to a stylized expression of the world of historical and real capitalism. This is the construction of an imaginary system that only integrates the essence of what characterises the capitalist reality. Consequently, some major and decisive dimensions of reality, such as the domination of monopolies in the entire production system (and the issue of increasing returns associated with it) can also be deliberately ignored.

Modern conventional economy has never been able to render operational the economic system imagined by it on these bases. I refer the reader, here, to Rémy Herrera (*Another Capitalism is Not Possible*, Syllepse, 2010) who made the thorough proof of this. From Walras to Solow and Samuelson, to Debreu and Arrow, there is a failed attempt to prove that the convergence of agents' choices is visible, recognised, but without any conclusion drawn from it. The solution requires that we replace the multiplicity of agents, with the single representative agent (i.e., one who knows everything – Big Brother, the Auctioneer of Walras, the planner of Gosplan, or the invisible hand of...God!). There are no more interactive Robinsons, but one Robinson who represents all! There is no field of scientific research—beyond economic science – where such nonsense would be tolerated.

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Neoclassical economics is not a standalone product borne from intellectual and academic delirium. It occupies an important place in the ideological construction essential to capitalism – and often, more brutally and like today – serves as a screen for covering the most undemocratic and deliberately reactionary policies.

The utility value has this unparalleled virtue that helps to erase the idea that the submission of labour to capital can be the vehicle for the exploitation of workers. The method of analysis of society in terms of an aggregate of individuals and the substitution of equipment with the concept of capital (a specific social relationship) – two non-historical operations – that allow to read the story like that a linear development / progress. And since our contemporary societies are visibly richer than those that preceded them, we live in a perfect world in which there can be no question of invalidating its legitimacy, rationality, or even eternity.

The views on neoclassical economics reinforce the ideological requirements of production and reproduction of truly existing capitalism. It promotes at centre stage the exclusive praise of competition regarded as the prerequisite for progress, a quality denied to solidarity (despite historical evidence), itself locked in straitjacket compassion and charity. Whether it concerns competition between producers (capitalists, without much attention to the oligopolistic form of contemporary capitalist production), or even between workers (which implies that the unemployed, or poor, is responsible for his situation), the new language (social partners instead of classes in conflict) like practices, amongst others, of the Court of the European Union staunch supporter of union busting, barrier to competition between workers) – reinforces the exclusivity of competition.

In turn, the adoption of the exclusive principle of competition invites society to rally around the goal of building a consensus that excludes, from perspective, an imaginary other society based on solidarity. This ideology of a consensual society that is now about to be adopted in Europe destroys the transformative scope of the democratic message. It conveys the libertarian message of the right that considers the State – whatever it is – as the enemy of freedom (read: the enemy of the enterprising freedom of capital). It separates the practice of castrated democracy from social progress.

The theory is called 'economics', as we say 'physics', to show that it is not a social thought, but a hard science. Its function is to make us believe that the markets produce by themselves the best of worlds, or the social optimum! It invents, for this purpose, imaginary theories – expounded without basis on the analysis of reality in its essential and determinant scopes – to consolidate the commitment to the idea – false – on the reign of universal

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harmonies, that symbolise the real prices of all: goods, money (interest rates), land and nature (externalities) and even exchange rates that govern international relations and govern capitalist globalisation, thus becoming also in themselves factors of globalised, generalised progress. Deconstruction of these imaginary theories is the starting point of the radical criticism of capitalism, needed to delegitimize it. Some have done it within the strict domain of economic theory. Others went beyond refusing to separate the economic (then called apolitical) from the social and the political. This has always been the case of Marxists, but also of others, such as Braudelians, particularly in areas concerning the globalisation of capitalism.

The economist discourse of universal harmonies could bring others to memory, such as the Confucian discourse of 'harmonious development', yet of a much better intellectual performance. But this is not enough. We must delegitimise the bourgeois thought – henceforth reactionary by nature – in its entirety and for that, delegitimise neoliberal economics – at the service of the reactionary policies of capital – also as a whole. And we are very few addressing ourselves to this task. Alongside genuine mathematicians (especially Israel and Guerrien), I will mention here the recent work of Rémy Herrera, who had the bright idea to label as science fiction the false economic science known as neoclassical, and to demonstrate that this is so. For my part, I had used the expression 'science of imaginary economy' (having nothing to do with real capitalism). I had compared the type of questions it poses to those previously discussed by the medieval scholars (the sex of angels). I had compared these functions with those of witchcraft in ancient times (*Critique de l'air du temps*).

The direct political function of contemporary neoclassical economics is obvious. Its theorists are equally activists of neo-liberalism, of often the far right. Their major concern is to justify reactionary (State) policies to the extreme, with the real purpose of supporting the growth of social inequalities. Brave moralists, addressing themselves to the complementary tasks of 'fight against poverty', that provide them with useful alibis. Internationally, these neoliberal theorists advocate the destruction of the State in the peripheries of the system, paving the way for the return of colonialism for which they never lost the nostalgia.

Undoubtedly, sincere reformers though too timid to challenge the social relations characteristic of capitalism, or even the contemporary dominance of oligopolies, believe they can give capitalism a human face. Obama was elected proclaiming 'Yes we can'. The title of his next Speech of the Union should be 'No, we cannot', and thereby recognize that it is the oligopolies and not the elections that are at the controls. When the question was put to

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Paul Sweezy, 'What would you do if the President were to put you at the head of the FED?' (the Central Bank in the US), his answer was: 'Resign'. Rémy Herrera is right, 'another capitalism is not possible' (title of his book).

Delegitimizing both the system (truly existing capitalism in the era of globalised, financialised and generalised oligopolies in the terminology I proposed) and its intellectual mode of legitimacy (especially by neoclassical economics) is not easy. The task is made more difficult presently by the adhesion of the vast majority of left thinkers to the postulations of both standard neoclassical economics and political thought of consensus called 'democratic' (in the strict sense of membership to the form of procedural, representative electoral democracy considered final).

The contemporary left – in its majority and even beyond the majority which the social liberalism parties represent – is eclectic. It thinks it can combine fragments of Marxism its adherence to the postulations and the method of conventional economic theory. The list of avatars of the left of economic science fiction is long. I will return to some of their illustrations on the crisis and financialisation.

The general public and the working classes are thus disarmed, stripped of needed intellectual resources to enable their struggles (that do exist) to assert themselves through strong revolutionary advances, capable of reducing their vulnerability. Yet in moments of crisis like ours, the powerlessness of neoclassical economics appears in all its fullness.

The newspaper *Le Monde* asked a mean question to this effect, 'How is it that the "geniuses" at Harvard did not foresee the crisis ...?' Are they just idiots? Certainly not. But their intelligence is entirely focused on the only tracks marked out by neoclassical economics and the false theory of imaginary capitalism of generalised markets. Just like the best minds of the past believed that the debate on the sex of angels could help in better understanding the world!

For the general public, including the working classes, the big names of economic science – recognised with the Nobel Prize (Economics) – are surrounded by a halo of respect. They know. If, moreover, they accompany their incomprehensible technical sentences with moralizing sentences and expressions on social issues, the authority of their proposals hold sway.

It is time to delegitimise the Nobel Prize that is awarded to only faithful servants of capital for their work that is not done to enlighten but to plunge one into darkness. The Nobel Prize is the equivalent of the Academic Prize in Painting in the nineteenth century, which rewarded the highly placed provided they represented the Emperor or a Princess in their best clothes ... Their names are all forgotten today. And it is those in the 'Salon des Independants' who eventually prevailed. Conventional economists are not critical thinkers.

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They are, at best, technocrats. I prefer to use, for them, the Anglo-Saxon term of – 'executive' (executing agent, here at the orders of capital, today oligopolies).

That is why the criticisms that they can make against the system are still marginal and reform proposals they believe are realistic but are actually quite unrealistic for the most part. And if then, for any moral reason they dislike the reality ('too much poverty' even 'too much inequality'), the slipping towards wishful thinking and preaching as a policy becomes inevitable. A bestseller for a Nobel Prize winner in economics (restricted to neoclassical economists) is therefore necessarily a work, at best, mediocre. Joseph Stiglitz's first chapter in his book, *Making Globalization Work* (Norton 2006) that bears the pompous title 'Another World is Possible' is a good example of this.

Stiglitz discovers in 2002 that the Washington Consensus was not good; he discovers the reality of the IMF and of WTO attitudes, etc. More than half of the 550 pages of this bloated book is celeb revelations already known by others for the last 30 or 40 years! Stiglitz believes to be the first to say this, having never read the work of critical thinkers (and he will probably never read them). This has nothing here to do with arrogance, but simply ignorance. An amusing example: Stiglitz 'discovers' that in 1990, there was agreement on some prices by some oligopolies! Wonderful! And what does he propose to restore the competition: an anti-trust law and recourse to the courts, US style! In this work published in 2002, Stiglitz ignores financialisation, which he says almost nothing about, that he considers harmless and even useful ... The outstanding work of the late Giovanni Arrighi, on financialisation as final stage of declining hegemonies, is completely ignored. Obviously, Stiglitz was surprised by the financial collapse of 2008, although not a line of his book indicates the seriousness of the threat. Yet, over the same period, others (including myself) had analysed the globalised liberal system as inherently unstable, doomed to collapse through financial crisis (the Achilles heel of the system as I wrote). Stiglitz obviously knows nothing about it. The idea he has of himself, revealing to the world the defects of the system, can only be funny.

It will not be surprising that what I called the Stiglitz report, that is to say that of the Commission designated by the Chairman of the UN General Assembly – Padre Miguel D'Escoto – of which the presidency was unfortunately assigned to Stiglitz, who probably imposed his superficial and limited perception of the problems in finalising the document, did not move away from the scope of reactionary conventional orthodoxy. The failure that resulted from this – the fact that developing countries had given up on being represented at the Assembly by officials at the required level – is in fact, for

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me, a good sign. It suggests that developing countries have understood that this report – under the pretext of 'global consensus' ... and realism – was part of the strategy of the North of a response to the crisis and that their proposals were likely to be acceptable to the oligopolies. Change the world? You bet!

Market Alienation, Reification of Social Relations and Financialisation are Inseparable

- 1. Alienation is conjugated in the plural, echoing the diversity of situations in which it is expressed. But there is a common denominator to all these situations, the denominator that legitimates the choice of this same term. There is alienation when a human being – individually, or a society (an organized group of people) submit their views and choices of action to what they believe to be transcendental supernatural forces, which act on them. Alienation is thus the obstacle that emancipation – which defines modernity (the human being is his story) – must find and analyse in order to be able to overcome it, to destroy its binding power. This is the freedom of thought and action to which emancipation calls and which is unlimited. Marx himself said that men make their story, but in objective conditions which apply to them. Freedom enables knowledge of necessities. I will not go further in this philosophical debate – concerning 'free will' – which is not my field. I will only say that in an alienated society, alienation is itself part of the conditions that limit its thinking ability, to imagine and to act. To delegitimise a system of thought and of action (here that of capitalism) is doomed to failure if the alienation (or alienations) specific to this system are not uprooted and deconstructed. Only then can we transcend them and open wider horizons to thought and to action.
- **2.** The anthropological debate raises an inevitable question: is the human being, beyond historical determinants which condition him not, by nature, producer and victim of an alienation that he cannot do without to live?

This debate is not ours here. Although I have accepted, without much hesitation, that the answer to this question might validate the saying that: the abolition of alienation is impossible for humans; for example, in accepting the idea that man[generic] is a metaphysical animal that cannot avoid questioning the meaning of life, even if he cannot respond to the questions of science. Psychoanalysts do not imagine an unalienated human being and do not imagine that we can understand his condition differently. They may have a point.

Our discussion is more limited in scope. It involves specific forms of alienation produced by a defined social / historical system that conditions its functioning and reproduction. These alienations, I contend, can be discovered through critical analysis of the system in question. Their questioning then

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becomes possible, necessary for going beyond what the system allows, to innovate.

3. I have personally taken on the task of identifying social alienations (that is how I qualified them in contrast to anthropological alienations) of ancient and modern times. I intended to show here the differences (and not the similarities) between what I called 'dependent alienation' and 'capitalist alienation'.

The thesis I have proposed for this purpose is that the overthrow of the dominant body – the power in dependent stages of civilisation, the economy in capitalism – implied a parallel revolution in content and form of expression of the social alienation peculiar to the reproduction of involved systems.

I do recall here this thesis, whose follow-up is centred exclusively on the specific alienations of capitalism.

4. The terms 'market alienation' and 'economic alienation' were henceforth rendered common in all schools of thought somewhat critical of capitalist modernity, for better (for critical intent) and for the worst (to blur the definition used by each and everyone).

The discourse on (and against) market alienation expresses protests against the transformation of everything into goods – the most trivial productions, works of art, labour, scientific research, etc... – expressed in the refusal to see the range of practice extended unceasingly through the abolition of the concepts of public services, for example (and their privatization). However, only the most radical protesters connect this dominance of goods to the endless value of capital that defines capitalism. Others believe they can say 'yes' to market economy and 'no' to the market society. This separation is, on the contrary, impossible, for me.

The term 'economic alienation' is somewhat trivial, though often expressed, rather quickly. We, express, by this, a refusal to accept that all choices – political and social – must obey economic imperatives. The ambiguity that this refusal projects must be lifted. In capitalism – in its real operation and in the system of ideas that gives it legitimacy – economics and politics are subordinated to it.

For capitalism is not to be reduced to a 'market economy' I said. It is an economy of capitalist markets subject to the requirements of capital appreciation. Thus alienation (or alienations) that portray it cannot be reduced to the general concept of market alienation.

5. The expression of capital appreciation does not make sense if we do not understand the sense that Marx makes of capital and of the relations of production associated with it.

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Capital is neither a 'thing' (nor a set of equipment, nor a monetary fortune) but a social relation. The one that requires the seller of 'free' labour with nothing else to offer, to sell this labour to his employer, landlord (or owner or manager) with the means of appreciating this labour. This relation exists only under capitalism, and even if marginal and embryonic forms of it appeared in ancient times, it only became dominant with advanced capitalism.

It is in capitalism that 'equipment' becomes capital. Because the social relationship then allows the exploitation of work, that is to say, the production of a profit (the excess in the amount of work supplied – 8 hours – over that required for the reproduction of labour – for example, if four hours are needed to produce what the employee will be allowed to consume, to buy in the consumer goods market). Of course, only the concept of value helps to capture the key importance of what the capitalist production relation produces.

But, I already said, bourgeois thought does not know – refuses to know – the concept of production relation and that of value. It replaces them with the plurality of inputs to simplify direct labour and equipment. Capitalist thought well qualifies them as capital, but it is then with a different meaning, that of 'effective and useful things' that equipment is.

Alienation proceeds here through a reification of social relations: two things face to face, direct labour, equipment. Each of these things has its own productivity, that of work, that of capital. I will not repeat what this dissociation expresses – the disembodied soul as scholasticism imagined it. For Marx – and in reality, it must be emphasized – work and work tools are inseparable. There is only one productivity, the productivity of labour supported with necessary tools for the accomplishment of its tasks. I will not go back to the inconsistency of bourgeois discourse on the 'productivity of capital', this factor consisting of an addition of specific equipment (and each having its own productivity). Their aggregate is impossible outside of the common denominator that the estimation of their value (in the trivial sense, their price) allows to establish. In other words, there is only financialised capital (I will return to this issue). Reification of components of the production system, separated from each other, should be continued beyond what I have just said.

Labour productivity armed with adequate instruments also depends on 'natural conditions' of production. Marx rejects this account of the theory of value (real, not imaginary) by distinguishing value from wealth. Neoclassical economic thought ignores this distinction and is therefore working and attempting to reify nature, seeing it as a series of things that have their own productivity, as well as their price.

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Of course, the adequacy of equipment put in place is not separable from technological knowledge (and behind them, science). Here again, what Marx associates (body and soul), scholasticism dissociates: science is in turn treated as a thing that has its own productivity.

The definition of capital so reified can be changed. Conventional economic thought replaces its definition in terms of social relations with another reversed definition based on what its exploitation produces: its income (profit). The operation is financial; it assumes an interest rate (of capitalisation) and therefore the capitalisation of income at this rate. We arrived at alienation to the power 2; exceeding that which the mere thought of markets alienation permits to imagine.

6. Market alienation, in general, dominates all minds. All were struck by it, like the plague, even if all are not dead. The worker that sells his labour power believes he is selling his work. He therefore accepts his salary as normal pay for what he offers. At most, he demands a just wage, a better one, and does not consider himself exploited other than when he is overexploited. The criticism that Lenin was making in the face of the powerlessness of the immediate consciousness – conveyed by trade unionism – places emphasis on the effects of this alienation, and rightly so.

The most extremist lovers of the market did not hesitate in extending the logic of supply and demand to all areas of social life, beyond the economic. They do not hesitate in analysing, in these miserable terms, the choice of partners in marriage, electoral choices in politics! The excessiveness moves to talking about human capital, which reveals the transformation of the human being into a thing regarded as such – useful – for some in certain conditions. 7. Money and credit certainly existed long before capitalism. They are inseparable from exchange of goods, even at early stages of its appearance. But with capitalism, and therefore capitalist exchange of goods (non-goods simply), they change nature. Non-financialised capitalism is unthinkable. Not considering that the first forms of money have been associated with the choice of goods, produced like others, by social work. The moment this good becomes the universal equivalent in trading, it acquires a new nature: it becomes more than a good. But it is not yet capital. We will need to wait for capitalism (and capital appreciation) for a sum of money to become the equivalent of the possession of capital; that is to say precisely of a right that renders its value possible.

In dependent societies, gold is certainly already currency in the sense of an instrument of exchanges, of general equivalence, a reserve of value and of liquidity. But it is especially treasure and not capital. Those in power accumulated it not to capitalise it but to spread the force of their power.

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Currency (usually still exclusively metal), however, began its metamorphosis into capital. In the interstices of dependent society, traders do not accumulate their wealth just to flaunt it; they seek to appreciate it through the expansion of their trading activities. It remains that the profits derived from this appreciation are not directly associated to job submission processes. The formula is A! A '(A' superior to A) passing through exchange E and not through capitalist production P. The impression then is that exchange is productive (of profit), as would say our neoclassical economists. This is only an impression. Because the goods purchased by the trader to be sold elsewhere by him, are surely the product of work – but the work of a craftsman or a peasant, not that of a manual worker involved in a capitalist production process. Though – quite late – early forms of it appear in the manufacturing that precedes the machine in Asia and later in Europe.

I have drawn attention here to two facets of this issue:

- (i) that the transition from A! E (exchange)! A 'to the formula A! P (capitalist production)! A' represents a qualitative leap, that involves a transformation in social relations.
- (ii) that in the formula A! E! A 'profit (commercial) is based on comparisons of utility: silk is popular with the rich user of fine clothes without him/her knowing where it comes from, who produces it and how. Curiously, I said that the 'value-utility' that does not make sense in capitalism (it does not illuminate the reality, but masks it) does in the old dependent/traders systems.

Once money becomes the means of work of the trader, the invention of credit is imperative. The techniques of this latter are already so richly developed long before capitalism. But with capitalism credit, in turn, changes its nature.

8. There is no thinkable capitalism without credit.

In the model of extensive accumulation that I proposed and to which I refer to here (see among others its mention in my book on the globalisation of value) I refer to my elaborations (already old) on the issue of the realisation of profit that had plagued Rosa Luxemburg. I think I had risen to the challenge and established that extensive accumulation was possible on the condition that at the beginning of a production period (one year, fifteen years, whatsoever) an advance is made to the capitalist of an amount equal to the profit that he can make during this period, allowing it to repay this advance at the end of the given period.

In this first sense, capitalism is still financialised, and cannot be otherwise. But we must add that: the volume of credit expansion necessary to enable extensive accumulation is calculable. Neither much nor little. This requirement raises the serious question of credit management, its issuance, the creation

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and destruction of money through it. This requirement is new, specific to capitalism, and does respond to questions relating to credit in past non-capitalist trading systems.

9. Credit management in capitalism raises a new issue: the credit must serve not any capitalist (the borrower) but capitalism (the collective of capitalists) since it must be determined in volume by the requirements of balance in extensive accumulation.

Credit and State meet here in a symbiotic relationship. The State, Engels reminded us, is not the defender of *capitalists*' interests, but that of *capitalism*, and was then, in some cases, against the interests of certain capitalists, sometimes many! The state at the service of capitalists, or of some amongst them, is the corrupt State!

Similarly, credit must be managed by collective capitalism to serve this latter, not capitalists, for their seemingly exclusive benefit. Neoclassical economics, which cannot make this distinction, ignores the question. Credit, for neoclassical economics, can be managed by its managers (banks) on the exclusive basis of the profits that private capitalists and individuals can gain from this management. To the real question: how much credit is required by extensive accumulation? – it puts forward a false answer: the price of liquidity.

Two sets of problems must be solved in the spirit of the thesis I am elaborating here (which is none other than that of Marx, in my own thinking).

The first concerns the nature of currency as a last resort. Gold was the metal used for a long time during the earlier period of capitalism. Marx proposed here immense developments on the relationship between the volume of credit issued and the gold produced. His comments on the debate – almost exclusively British in their time – between bullionists and advocates of the bank, are, for this purpose, brilliant.

The abolition of convertibility – partial until 1971, total since then – modifies the facts of the problem and the extent of options for credit management. Credit has never been exclusively practiced for the sole satisfaction of the requirements of extensive accumulation. There has always been credit for private consumption (not very important before the contemporary time) but especially a credit to the State. This is even way back before capitalism. The old financialisations, highlighted by Giovanni Arrighi (*The Long Twentieth Century*, New Edition, Verso, 2010) are of this nature; they rely on huge loans made by traders (or by trading towns due to their glory) to monarchs.

In capitalism and with gold convertibility, the possibility for the State to borrow from financial markets remains limited by the requirements of convertibility. So it is therefore no coincidence that the massive resort to these loans is rather that of peripheral states (the Ottoman Empire, the Latin

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American countries). The loan here is guaranteed by the capitalist powers to be reimbursed through seizures in the defaulting country via direct management of their taxation (especially customs). Credit in this instance is simply a way of direct looting without resorting to the establishment of forms of production that requires the direct exploitation of labour. The indebtedness of contemporary Third World countries and the structural adjustment policies that the global system imposed on them are similar.

But once convertibility is abolished, the scope of expansion of credit takes a quite different scale. In principle, the State can borrow without limit from its central bank, which prints currency notes in return. Of course, this action generates inflation, which reduces the cost of reimbursement and imprisons in a vicious cycle that can be tragic. It is to nullify this apocalyptic danger that Europe chose the extreme rules of the Maastricht Treaty. And if the US has not been constrained to do as much today, it is because the adoption of the dollar as international currency accepted by the others allows the US debt transfer to others, forced to become her creditors. But this is an issue we will meet later.

And in any event, even when convertibility is abolished, gold remains present behind the scenes. All human societies to this day need fetishes. In capitalism, it is gold. Here we discover another facet of general alienation. The second set of questions concerns credit management: private or public?

Banks, including central banks, have always been private until World War I. This did not hinder much their operational management as agents of capitalism as a whole. Because at that time, the ownership of these banks (and they were plural) was distinct from that of production companies that they were serving, even when, in Germany for example, the rapport conglomerates/banks was more marked than elsewhere. As a result, banks were forced to obey the credit policies established by the central bank, in close cooperation with the State.

François Morin (*The Wall of Money*, Seuil 2006) has clearly demonstrated that this wall does not separate a segment of capital (financial capital) from the other (productive capital) but was built by capital as a whole to withstand the onslaught of its victims, workers. Where, in given political conditions, the State is forced to consider workers' claims, the established wall then serves as an alibi to facilitate its eventual betrayal of these workers and enable its return to its normal function, of serving capital.

What has changed is not that financial capital would be given a position to dominate productive capital, as our critical analysts from the naive left would make us believe. Change is of a completely different nature. In reaction to the crisis of 1970 to 1980, capital as a whole responded through its increased

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monopoly, to the point of arriving at the new stage that I call the capitalism stage of generalized andfinancialised oligopolies. By generalised, I mean that they now dominate the entire 'productive' apparatus of capitalism and no more segments of it, even when they were important as was the case in the first capitalism of monopolies (1890-1950). By financialised, I mean that oligopolistic groups bring together production companies and financial institutions (banks, insurance companies, pension funds, hedge funds, etc.). Therefore, it is no longer just financial institutions that engage in financial markets operations, it is equally – and on a great scale – companies known as productive. This fact is known and recognised by all, without our drawing necessary conclusions. The naive left carries on as if it was an abuse that can be corrected while – as we shall see later – contemporary capitalism can be nothing else because there is no more possible separation between financial institutions and companies known as productive. François Morin gave a concise and magnificent presentation of this.

Under these conditions there is no more possible credit policy, at the service of capitalism as a whole, but just a collection of policies from each oligopolistic group on real production (relocation included) and financing. Contemporary neoliberal economics welcomes this abolition of the odious operations of the State in credit control. So what is to be done?

The fashionable thing today, in reaction to the severe financial crisis of September 2008, is to separate 'good capitalism' that is useful and effective, the type practiced by entrepreneurs who invest in real production of goods and services and innovate in response to competition, from the 'bad capitalism' of speculative financiers. From this distinction, therefore, we propose regulations that should help, according to their authors, in curbing the excessive financialisation of capitalism to favour the restoration of healthy growth.

The most modest regulation proposals are limited to lecturing and, in the best case, to limiting strictly, through regulations, the huge salaries of traders and bankers, as proposed by Obama, Sarkozy, and others.

Other projects, called 'neo-Keynesian' go much further. These projects incorporate, into the array of regulatory measures designed to limit speculation, a set of active policies designed to redistribute income in favour of workers and to manage credit instruments, without hesitating in anticipating the nationalisation of major banks and, maybe, even beyond. But these projects remain in the logic of respect for private property, including that of oligopolies that dominate the contemporary production system. I will not recall here the criticism I made on all these projects which are, in my view, illusory (see Appendix).

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I will not hesitate to say that even the nationalisation of all banks, insurance companies and other financial institutions does not ensure the implementation of a credit policy other than that required to perpetuate taxation of monopoly rents by the oligopolies. This is so because of at least two major reasons. The first is that as long as these oligopolies are not, in turn, nationalised, there is no reason to imagine that they will not remain in charge, requiring nationalised banks to serve them honestly. Now, the nationalisation of oligopolies is not on the agenda of projects of the naive left. The second is that credit, at the service of oligopolies, performs the inevitable function of support to the expansion of Department III, the only possibility for running contemporary capitalism and even of ensuring minimal growth. I will address this issue later.

10. The confusion reaches its peak once we confuse currency with credit management.

Money is not a collective good but a very private good. My money is not yours. And the management of an economic system even so slightly decentralised, even in the early stages of socialist development, demands it. The money of one business is not that of another!

The American *Newspeak* has thrown here the greatest confusion on real stakes. We speak pointlessly of these *common goods* that are everything and nothing. But if money is a *common good*, like atmospheric air (which is not a private property like money), because it is a very useful good so why not say that food (beyond water!) and many other things that are not less useful should not be subject to private ownership? Advocating for full communism if we take this *Newspeak* to heart. Why not? But it is certainly not for tomorrow, much less not in the minds of its inventors!

The American *Newspeak* offers a beautiful array of words deprived of real meaning such as governance, civil society, whose contradictions I will not discuss here, so as not miss our subject. This contemporary honest American English is not the language of Shakespeare and Locke. It is a newspeak formatted to cloud minds and bring in criticism that becomes very naive into the constraints of a possible consensus, always liberal in the end, that is to say, pro-capitalist. Many vague words authorize the exercise of apparent common sense to legitimise different options. But common sense resists logical reason badly. We must break free of this American slang and move away from it.

11. Whenever there is currency and credit, profit must be redistributed to pay back loans. An interest rate on money becomes necessary.

Here again, the interest of money had appeared before capitalism, in the ranks of goods exchange. But it was frowned upon and condemned by public opinion and often reserved for outcast minorities (albeit wealthy), like

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the Jews in Europe. But with capitalism, interest rate becomes a means of implementing this credit policy designed to ensure the volume of capital required in extensive accumulation, neither too much nor too little.

We could have imagined another means of issuing and distributing credit that could satisfy the requirements of accumulation without interest payment: a (State) bank obeying the orders of Gosplan. This was more or less the logic of the Soviet system for the distribution of funds between companies.

The natural logic of capitalism, and respect for private ownership of banks associated with it, would suggest the option of an interest rate. This is watched by the central bank in order to match – more or less – the volume of loans issued to the requirements of accumulation. I do mean more or less since credit policies in question have never stopped the cycles and have even shown amplitudes.

Neoclassical economics is required to give an explanation on the rate of money (price of money) consistent with its whole language – to everything its price, and fair price. The preference for cash, or the depreciation of the future performs this function, especially as these concepts refer to the *homo economicus* of all times.

But reality, in turn, finds its reversed interpretation. It is not shared profit that provides the interests on money. It is money that becomes productive (as a factor of production) by itself. All that is profitable is productive (by its profitability). The tautology is perfect. Money makes money (while bypassing production). We are here confronted to alienation to the power of 2, that I propose to call financial alienation to distinguish it from general markets alienation, from which it comes, nonetheless.

12. Alienation continues on its path, and at each step reinforces the confusion between so-called real economy and financialisation. Capitalist private property concerns, in real terms, factories, offices, stores, service firms, banks, etc. I will not discuss here the serious related problems that the exercise of this property creates: ownership, possession, control, more or less separated.

The key here is knowing that this property is the subject of securities with legal status and value. And that these securities are in turn goods that can be bought and sold. The price of these securities is based on their estimated potential to produce profits. They are fluctuating, sometimes volatile, always subject to potential speculation. It becomes impossible to ignore that the value of a property is the subject of two parallel estimates: in real terms, the value of plant equipment, the store's stock, in financial terms capitalisation (at the interest rate!) of the profit that its exploitation can bring. The fictitious capital represented by the second form of assessment (if it can be called that) is not entirely separable from the real evaluation, but it is well separated

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from it in the real behaviours of the buyers and sellers of these securities. If their imperative reconciliation does not, automatically, take place at any point in time, crisis starts.

There is nothing really new here. Marx had already made the comment in this sense on joint stock companies and operations in the first stock exchanges in his time.

Accounting by capitalist enterprises is subjected to different uses; either the reserves allocated to amortization are calculated on real historical purchase price of the equipment in question or they are in another way to take into account their depreciation when newer and more efficient models are to replace them at a given period (accounting at market prices). Europeans have generally given preference to the first method, the North Americans to the second, which will become more widespread with contemporary financialisation.

Marx (*Capital*, Volume I, chap. VIII, page 233, TOK Edition, 2009) indeed considers capitalist accounting at market prices, also perfectly consistent with the illusion produced by alienation, that is the replacement of a virtual reality with a real reality. The recourse of neoclassical economics to expectations shows the formulation of this replacement.

The forms of these two accounting methods do not, basically, give different results, but these forms produce impressions that they are. Accounting at historical prices fuels the creation of reserves corresponding to depreciations that are sufficient to ensure good assets renewals. On the contrary, when these reserves are reduced to zero, the estimated value of equipment in use becomes zero when new equipment is available in the market, the written-off depreciation gives way to excess profits of equal value. If this profit is distributed to shareholders, the firm can only renew its equipment if its access to the financial market allows it. The firm / market good side outweighs the firm / place of production side, as is the case in contemporary capitalist economy, especially in the United States.

13. Financialisation is in no way an unfortunate drift and its explosion does not extend to the loss of the growth of real economy of production. There is a good dose of naivety in the proposals in the style of seriously-taken social democracy that suggests the control of financial expansion and mobilisation of financial surplus to support real growth. The tendency to stagnation is inherent in capitalism of monopolies superbly analysed by Baran, Sweezy, and Magdoff. Financialisation not only provides the only viable outlet to capital surplus but remains the sole growth stimulus. Regressing financialisation could, only, therefore weaken further growth of the real economy.

I refer here to the recent book by John Bellamy Foster and Fred Magdoff (*The Great Financial Question*, Monthly Review, 2009) that gives us the

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best analysis of the contemporary stage of financialisation. The volume of surplus generated in generalised oligopoly capitalism minus the part of the surplus that oligopolies took for themselves (their monopoly rent) are now such that the expansion of Department III needed to absorb this surplus becomes impossible without a unlimited expansion of credit in all its forms-credit to consumers, credit to States. Herein lies the secret of successive bubbles – that of computer technology, of property loans (whose occurrence caused the 2008 financial crisis), that is in progress and deals with raw materials and basic food products. Herein lies the secret of the meteoric rise of sovereign debt, despite the prohibitions of the Maastricht Treaty (for Europeans)

Policies have been consistently implemented to enable this expansion, firstly the abandonment of the Bretton Woods (1971-1973) system and the adoption of the generalised system of flexible exchange rates, imposed by the IMF and proposed, in addition, to all countries of the periphery in the new globalisation called neoliberal. The option in favour of these policies is not the product of a drift inspired by dogmatic, even stupid monetarist theory. There is no other option for truly existing capitalism. And it is in this sense that capitalism is proving to be obsolete.

Foster and Magdoff show that the slow growth of Europe, US, and Japan is accountable to the option of financialisation. The capitalism of oligopolies is necessarily financialised; its reproduction moves from bubble to bubble. A first bubble inevitably bursts when the pursuit of its indefinite growth is hindered for any reason, and the system can only get out of the financial crisis caused by the explosion by engaging in the manufacture and swelling of a new bubble. Obviously, this form of accumulation weakens global balance and the successive financial crises that follow in its path are expected to produce in turn crises of the real economy. The probability that in this truly existing capitalism, is regrouped the conditions of a balance of real supply and demand (let alone those that match the imagination of markets and the virtual economy associated with it), which allow an extensive accumulation without problem, is almost zero.

That is why the crisis is a long system crisis and not a financial crisis. I refer here (see appendix) to the analysis that I propose on it that refuses the method based on the juxtaposition of crises – (financial, energy, food, ecological, etc.).

Could capitalism come out of this long crisis and indeed emerge stronger. Fans of the illusion of capitalism-eternal-end-of-the story are many who believe it. 'Capitalism knows how to adjust to everything,' they will repeat. In fact, if by capitalism they mean what neoclassical economics says of it, their judgment is carved in stone. What these fans cannot imagine is that if it

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survives, capitalism will be forced to deploy with even more violence the destructive dimensions of the capital appreciation process that commands it.

To understand the reasons for the explosion of the financial operations sector for thirty years, we should start analysing the difficulties faced by capital accumulation.

But first it is necessary to remember that capitalist accumulation is both real and financial and that the distinction between these two sides of the same reality – truly existing capitalism – as useful as it could be for the analysis of the contradictions of accumulation, should not imply that the first of these faces would be positive and the second negative. This is so because the real process and the financial process are complementary and not at all competitors.

Accumulation is as much of financial assets accumulation as real assets. Foster and Magdoff (2009:68) write: 'accumulation is adding to the stock of existing capital goods... it is also adding to the stock of existing financial assets'. The observation is important.

On these bases, Foster and Magdoff (2009:81, 106) criticise the proposal from the famous Tobin tax precisely because it is based on the assumption of competition rather than complementarity between real investments and financial investments. Does it (i.e., adding to financial assets) do so at the expense of producing real goods and services? And Foster and Magdoff's answer is in the negative. Tobin, like radicals in the United States and elsewhere, are unaware that financialisation is functional for capitalism.

Well-intentioned critics of the left of the American radical schools do not understand it. Foster reminds us that, in their writings, these critics speak continually of financial abuses that reduce the possibilities of real accumulation. The claim is that the fall in financial investment crowds out investment in the expansion and deepening of production systems. This view by the European left and the majority of those who fall under the banners of an alternate globalization is fundamentally and consistently wrong.

Accumulation has always involved – at all stages of the history of capitalism – real investments (equipment purchases), credit expansion driven by the demands of balancing Departments I and II in growth and simultaneously financial transactions of purchase and sale of property titles.

In capitalism in its pre-monopoly stage (roughly in the nineteenth century), the real dimension of accumulation is expressed mainly – but never exclusively – by the requirements of balanced growth divided among Departments I and II and that of credit (which I have called the active function of credit in accumulation).

This is no longer true in the capitalism of monopolies (that is to say, since the end of the nineteenth century). As noted above (see the first part),

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accumulation now requires an expansion of Department III. This requirement cannot be understood by neoclassical economics and leads, therefore, to explanations unrelated to reality. Neoclassical economics is incapable of understanding that monopoly capitalism is the product of a persistent dominant tendency to stagnation. Analyses that involve furthering the theory of value to rigorous empirical analysis, as Baran, Sweezy and Magdoff, proposed for this purpose are no more read, or are misread.

Economists of our time deliberately ignore the analysis of the fundamental contradiction of capitalism that leads to the recognition of the persistent tendency of monopoly capitalism to stagnate. They suggest a discourse on the cycle, the conditions of recessions and then successive takeovers (from 1971 to today); as if the observation of the major fact that growth rates since 1975 till date have always remained at levels that rarely exceed half of what they were from 1945 to 1975 did not matter.

The assumption (erroneous) of conventional economics, becoming defining principles, is that strong growth is inherent to capitalism. The observation of reality requires seeing things differently: it is strong growth that is the exception and must be explained by special causes, the rule being the tendency to stagnation. The thirty glorious years of strong growth (1945-1975) are the exception. They come after the long crisis (1873-1945), of which the last unfolding phase had produced two world wars and the two great revolutions (1914-1945). The gigantic changes caused by these events are the cause of international and social balances of power that are less unfavourable to the peoples and working classes, who in turn are responsible for the exceptional conditions of the accelerated growth of thirty glorious years. Then comes the second long crisis that began in 1973 and from which we have by no means emerged.

My presentation of this history of truly existing capitalism of monopolies is different from that which links it to terms of long cycles called Kondratieff. I will not repeat here the criticisms that I have addressed to this last reading, based on the idea of a long-cycle downturn caused by the internal logic of its deployment.

Department III is heterogeneous, I already said. But it contains a significant financial component. It expands in parallel with the expansion of Department III as a whole and even expands at a much faster pace. Empirical evidence confirms it: the share of the financial sector in the overall GDP is growing. This swelling is the product of the growing difficulties of accumulation and not its cause. It is a form, among others, of surplus absorption.

What I added to this analysis is the new stage of monopoly capitalism, that I qualified as the stage of generalised oligopoly capitalism (1970-1980), following the first form of monopoly capitalism (1880-1950/1970).

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I proposed here the thesis that the fundamental contradiction that characterizes accumulation is that which opposes production capacity in strong growth to that of consumption in slower growth had reached such a level of violence that the only possible solution for capital required generalisation of the oligopolistic form of control of the economy. This is a qualitative leap. Its consequence is that the growth of surplus (as defined by Baran and Sweezy) accelerates and that the only possible answer then implies an acceleration in the volume of financial transactions of which the proportion in Department III is growing rapidly and violently. The flight of the volume from these transactions that stand out now from that of the economy (Departments I, II and III) is noted as from 1980.

To say that these operations are largely if not entirely speculative and parasitic, or at the limit dishonest has absolutely no bearing. Another capitalism is not possible, as Remy Herrera said. To say that they replace the real investments that they hunt is wrong. Instead, Foster has shown that the slow growth of economies of Europe, US, and Japan would have still been much lower without this pumping up of the financier.

On the contrary, to say that this explosion demonstrates that capitalism is an outdated system seems to me to be the conclusion we must draw from it. But what is obsolete is not financial capitalism but simply capitalism, that of oligopolies that can only be financialised. Failing to be sufficiently radical, the criticism of radicals in the US loses its radical nature. It becomes an expression of wishful thinking and powerlessness, a moral sermon that Sarkozy, Obama or Stiglitz can safely administer on us on behalf of capital.

The invention of means capable of offering financial outlets to expanding surplus is not the cause of this expansion. It is rather the consequence. We always invent what needs to be invented. The general logic of these inventions, beyond their technical complexity, which forbids the right people from understanding much of it is simple: overflowing insurances. Ensuring profit (always uncertain), then ensuring this first insurance and so on without end.

The swelling volume of financial accumulation – the overflowing Insurance – among others involves limitless swelling of credit. This is beyond the scope of the blueprint under which credit is the only active agent of accumulation. Of course, let us mention it in passing: this swelling would have been impossible in a monetary system that uses gold – to a second or even tertiary degree. That is why the abandonment of Bretton Woods in 1971-1973 was demanded.

Indefinite swelling of credit responds to the concern of liquidity in capital assets (real and financial) which now outweighs all other considerations. We then understand that real assets themselves (physical businesses, buildings, equipment, stocks of goods) must become as liquid as financial assets.

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Conventional economics does not explain the reasons for this requirement. It replaces it with an ideological discourse whose function is to give legitimacy to the reduction of physical assets to forms of liquid assets.

We can say that the process is absurd. From the perspective of social global rationality it is. But it is not from the standpoint of the possessor of capital that uses them. And it is this rationality alone that the system recognises. The nature of the conflict of these two rationales cannot be grasped outside the analysis of alienation which drives the capitalist life.

I will make a probably daring, but hopefully illustrative, parallel here. The fundamental alienation of the old systems was metaphysical: it is God (in fact its definition by organized religion in the society concerned) who makes history not men. We now understand that some prelates (i.e., Catholics in the Middle Ages) may have been selling indulgences or even square metres in paradise. And they have had buyers, victims of dominant alienation at the time. Our ancestors were no less intelligent than us. But their alienation was on other grounds. In capitalism it is now money that makes history, an ordinary way of saying: that capital appreciation is at the controls. We may then want to ensure a guarantee of the profit of the fortune in question. Nothing very mysterious. A good form of security is also the flight to tax havens. Paradise is perhaps not the term chosen here by chance. The paradise of souls, far in heaven, is substituted with a paradise of profit, down here.

To overcome a contradiction is not to resolve it. We overcome a contradiction by remaining in the system that generates it. We solve it by replacing this system with another which does not generate it.

In a beautiful article written in 2006 (cited: Chapter 3 of the book by Foster and Magdoff) the authors report the accelerated swelling of FIRE (Finance, Insurance, Real Estate) needed to absorb the surplus. But beyond that, they analyse it as being unsustainable; and leading yet to the production of successive bubbles. And the bursting of a bubble (a financial crisis) finds no solution (restoring financial trust) than feeding the preparation for another. Because of the rigor of their analysis, the authors were among the few economists to predict the 2008 crisis.

14. The transformation of capitalism into monopoly capitalism as the first form (1890-1950) and then to generalised oligopoly capitalism (from 1970 to 1980) resulted in a major systematic distortion of what is called the financial market and a redistribution of the cards in the articulation of different markets.

At all stages of its deployment, the dominant capitalist market controls access to available capital, making it available to the capitalists. In this first sense, financialisation is inherent in real capitalism at all periods, it is not superimposed.

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What has changed is who the capitalists who have access to this market are (and therefore how this market is organised to prioritise such access) and how these transformations reorganise any other markets (production, labour markets, etc).

The grip of generalised oligopolies over the entire capitalist system is expressed here by the almost total control of these oligopolies on the financial and currency markets managed by banks and other financial institutions that are stakeholders of groups that they constitute. In common parlance, this means that only oligopolies access these markets. All other potential borrowers are forced to go through them. Whether it is small (the individual who applies for a mortgage or SMEs) or major (the States themselves are caught in this trap for the investment of their bond, especially the states of the South, of course). It is in this sense that I described the financial market as the dominant market. For, indeed, the loans that oligopolies get from this latter, which constitute the means of implementing their expansion strategies in all areas (price competition, new product launches, outsourcing and others), largely determine, at their turn, configurations of downstream markets: product markets, markets from which subaltern SMEs equip themselves, labour markets.

Of course neoclassical economics, which deliberately ignores the realities of the world which it purports to report on, does not pose such questions. It is merely satisfied with its theoretical thesis that the level of employment is determined by wages and thus that full employment requires that employees adjust their requests (actually accept lower wages) to the required level to allow the profit rate that is acceptable to the capitalists! The extended model of accumulation, to which I referred (notably in my book on value), demonstrates the absurdity of this argument. The level of employment is determined by the rate of accumulation and not vice versa.

Neoclassical economics also present a range of financing options from which the capitalist chooses: the issue of shares or bonds, borrowing. We deliberately ignore here that the capitalist in question is concerned about retaining ownership (or at least control) of his business and that this concern weighs decisively in his choices. At the time when the French Ministry of Finance led econometric research that made sense, the question was asked. I, in collaboration with a good mathematician (Nataf), elaborated a model of price variables based on the (empirical) observation of maximum foreign debt rate that these companies and major French groups of the time could accept, in the absence of which their excesses would have threatened their control. The model was very useful for highlighting state support policies for industrial modernisation

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15. The generalised and financialised oligopoly capitalism is also globalised. The scope of this globalisation is defined by the expansion requirements of these oligopolies: opening to their export markets of the periphery (and to a lesser extent that of the markets of the North to exports from the South), opening to financial transfers, etc.

The opening is governed by the adoption – often imposed – of the principle of flexible exchange rates. The advantages reaped, from this by capital oligopolies in particular, and more generally Northern companies, are considerable. The method allows a systematic undervaluation of peripheral currencies that provokes distortions in the price system that favours the "consumers" of the North and – equally important – further increasing the profits of oligopolies that control international trade. The case of China, accused of keeping the yuan undervalued to promote exports is not discussed here, if only because China refuses full financial globalisation and maintains exchange rates control. This method also allows raids through the invasion of peripheral economies by available capital from the North, and then their abrupt withdrawal after claiming super profits from speculation. The crises in Mexico, Argentina, South, and South East Asia were largely the product of these raids. This opening is further associated with the choice of the dollar as the quasi exclusive international currency, maintained despite the financial shortcomings of the United States.

The argument developed to make flexible exchange rates acceptable, supposedly determined by the free and honest game of supply and demand, is that of neoclassical economics: the market, globalised here produces the best of worlds. It ensures the equilibrium of external balances, in accordance with the doctrine of universal harmonies under the criticism that I will not return to. Market alienation is the key that allows such flat, ideological and dogmatic nonsense to be considered as scientific and to confuse the requirements of dominant capital with what can be called inescapable economic constraints. The real world consists of unequally developed nations whose development requires the implementation of appropriate national policies which cannot be substituted by a submission to the same general rule for all. Who does not know that free trade still favours the most powerful, and reproduces and deepens international inequalities?

Globalisation of the currency and financial market is definitely the weakness of globalisation termed as neoliberal. No wonder that it is through the rupture of this weak link that globalisation in place will be called upon to implode, and that the countries of the South will re-invent adequate forms of disconnection (un-globalisation), thus opening a new era of awakening of Africa and the rest of the South.

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Revealed Preference Theory, Rationality, and Neoclassical Economics: Science or Ideology

Lansana Keita*

Abstract

Revealed Preference Theory (Samuelson 1938) is an attempt to establish economic theory as a genuine empirical science by ridding it of nonempirical psychological concepts. Samuelson's goal was to rid economic theory of the last vestiges of utility analysis. Samuelson structured his theory on a set of preference axioms that would explain the choices of economic agents. But revealed preference theory is rendered problematic because decision making is structured therein on preferences that conform to an implicit postulate of rationality. Matters are further compounded by the fact that despite theoretical support offered by theorists such as Varian, the empirical results demonstrate that agent decision making is often at variance with the formal axioms of revealed preference. The issue is not solved even when decision making is construed within the context of imperfect, that is, 'bounded rationality'. I argue that neoclassical economic theory is best understood as a form of rule utilitarianism. In this regard, neoclassical economics is unavoidably value-laden and should be construed as an aspect of normative welfare economics. Thus efforts by theorists such as Vanberg to salvage the assumed scientific credentials of neoclassical economics by construing the postulate of rationality in evolutionary terms are seen as problematic. Neoclassical economic theory is to be viewed essentially then as an ideology that presents a particular theory of human behaviour. It is this theory that serves as the foundations of modern capitalism and its practise as neoliberal economics. This is the anthropological question then: is such an ideology socially optimal for humans as social animals in terms of efficiency and equity?

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^{*} Department of Economics and Political Science, Kwara State University, Nigeria. Email: keitalans@yahoo.com

Résumé

La Théorie de la préférence révélée(Samuelson 1938) est une tentative d'établir une théorie économique comme étant une authentique science empirique en la débarrassant de tout concept psychologique nonempirique. Par ce moyen, Samuelson cherchait à débarrasser la théorie économique des derniers vestiges de l'analyse de la fonction d'utilité. OSamuelson a structuré sa théorie autour d'un ensemble d'axiomes de préférence qui permettrait d'expliquer les choix des opérateurs économiques. Mais la théorie de la préférence révélée est rendue problématique, car la prise de décision y est structurée sur la base des préférences conformes à un postulat implicite de rationalité. Cela devient encore plus compliqué si on y ajoute le fait que malgré le soutien théorique apporté par ses tenants tels que Varian, les résultats empiriques démontrent que la prise de décision par l'opérateur varie souvent par rapport aux axiomes formels de la préférence révélée. Ce problème n'est pas résolu même quand la prise de décision est interprétée dans le contexte de la rationalité imparfaite, pour ne pas dire « circonscrite »J'affirme que la théorie économique néo-classique est mieux comprise comme une forme de règle de l'utilitarisme. A cet égard, l'économie néo-classique est inévitablement chargée de valeur et devrait être interprétée comme un aspect de l'économie normative de bien-être. Ainsi, les efforts de théoriciens tels que Vanberg pour sauver la prétendue identité scientifique de l'économie néo-classique, en interprétant le postulat de rationalité en termes évolutionnistes sont ressentis comme étant problématiques. La théorie économique néo-classique doit être dès lors perçue essentiellement comme une idéologie qui présente une théorie donnée du comportement humain. C'est sur cette théorie que se fonde le capitalisme moderne et sa pratique en tant qu'économie néolibérale. La question anthropologique est donc celle-ci : Une telle idéologie, est-elle socialement optimale pour les humains considérés comme animaux sociaux, en termes d'efficacité et d'équité?

Preamble

John Maynard Keynes, arguably the most influential economist of the 20th century, and originator – along with Harry Dexter White of the US Treasury – of the well-known Bretton Woods institutions, the IMF and the International Bank for Reconstruction and Development (IBRD), now the World Bank, wrote the following in his 1936 *General Theory of Employment, Interest, and Money:*

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the

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slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas (Keynes 1936:383).

I cite the above because most human beings live their economic lives without reflecting on the precepts, concepts, and rules that they take for granted: the use of money, prices, inflation, interest rates, capital, etc. Yet, it is the influence of ideas about how humans in society produce and consume that determines their life chances, especially in Africa and the rest of the so-called Third World.

The economic system under which contemporary Africa lives is not one of traditional village reciprocity and redistribution; it is one determined by the dominant capitalist market system and its rules long established by economists and politicians in the West. It is a world of private property where those who own private capital are supposed to be free to invest that capital as they see fit, in free and open markets. In this context, the role of government is mainly to supervise market operations so as to ensure macroeconomic discipline. Whether in their activities some individuals become poor and destitute and others acquire great wealth is not really a matter for pure market economic theory. The goal is maximal market efficiency where rational decisions concerning the allocation of limited resources are supposed to be made. The theoretical basis for this is what is known as neoclassical economics, a positive empirical science according to its theorists. The applied side of neoclassical economics is what is known as 'neoliberal economics', the catechism of the cohorts of acolytes who administer its rituals and rites at global institutions such as the International Monetary Fund (IMF) and the World Bank.

And this neoclassical economics system – as a rule-governed neoliberal economics – dominates the economic activity of the world through the abovementioned institutions and the World Trade Organisation (WTO). Neoclassical economics and its neoliberal rules represent the system of global capitalism. But this system just does not stand by itself, it is promoted and advanced throughout the world. This is the system of economics that is taught in most universities in the world including Africa. But the point here is that students are taught to accept the neoclassical description of economic reality as if it were scientifically valid in intent at least. The language is heavily quantitative, thereby giving the impression of science in action. Just as with religious dogma, there is no room for alternatives. But in reality the function of neoclassical economics is to reify and justify the ideological theory of market capitalism.

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This should be an interesting observation regarding Africa, given that capitalism has not treated Africa well. Low wages, high unemployment, centreperiphery unequal exchanges, high prices, exploited and abused open markets that drive local producers into poverty, incessant dreams of fleeing to the West to do the work the Euro-Americans are not too keen about doing, poor and often costly education, equally poor housing and health care. So it behoves the African student of economics to ponder the results of a meta-analysis of neoclassical economics as it strove to establish itself as a science in order to cement the claim that capitalist market economics describes the natural and optimal behaviour and decision making of humans.

Introduction

In 1938 Paul Samuelson published a paper titled 'A Note on the Pure Theory of Consumer's Behaviour' (*Economica*, February 1938:61-73) in which he sought to settle once and for all the issue of how to establish the research discipline of economics on firm scientific moorings. Samuelson's paper is important because for 100 years prior to his paper there were serious methodological debates by theorists of economics on the need for economics to establish itself as a science on epistemological par with the natural sciences such as chemistry and physics.

It was in the 1840s that William Whewell argued that empirical science, then known as 'natural philosophy', should thenceforth be known as natural science – mainly because research in physics and chemistry was firmly and restrictedly confined to the empirical world – with no room left for the results of non-empirical or metaphysical speculation. It was on this basis that John Stuart Mill published his *Logic of the Moral Sciences* in which he argued that Economics was a deductive science rather an inductive one.

Subsequent to Mill and other theorists of economics such as Cairnes, the debate centred on how to wean economics as an objective science away from political economy which was wont to nurture issues of values and ethics. This was the context in which theorists such as Alfred Marshall and John Neville Keynes debated the future of economics as a research discipline.

John Neville Keynes, for example, argued that the foundations of economics should be those of a positive science which would serve as the basis for its prescriptive or normative side. The same approach held for Marshall and Sidgwick who argued along the same lines, that economics should be a positive science as distinct from its normative or prescriptive considerations. But there was much opposition from those who wanted to maintain the idea of economics, then known as political economy, as an

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essentially moral science, that is one for which the ethical considerations relevant to human welfare were paramount.

One may wonder, parenthetically, why the antecedents of modern neoclassical economics all seem to be of Anglo-Saxon origin, specifically British, and almost all having their intellectual bases at Oxford, Cambridge and later the London School of Economics. The reason is that Britain was the first modern nation to industrialise and to become the world's leader in trade and commerce. But this pre-eminence also stemmed from the fact that the dominant British intellectual classes had adopted empiricism rather than abstract rationalism as the most effective way of understanding and controlling phenomena in the world. In this regard, the empiricist view of phenomena developed by Locke, Berkley and Hume was central and seminal.

The empiricist view of things also served as the methodological foundations not only for the natural sciences but also for the social sciences, especially economics. But the social sciences dealt with the behavioural life of humans whose phenomenal states of being are radically different from the phenomena studied by the natural sciences. The point is that whereas the behaviours of the objects of the natural sciences were to be studied purely in terms of their physical or empirical manifestations, the objects of the social sciences required study not only of external or empirical manifestation of human behaviours but also the non-empirical causes of such behaviours.

Such behaviours were properly understood not only in terms of their physical causes but also in terms of their non-empirically accessible reasons. There was also a valuation component to human decision making and behaviour because most of human behaviour was non-instinctual — hence derived from conscious deliberation. And the conscious acts of such deliberation were necessarily evaluated along ethical lines. This was the dilemma faced by those theorists who wanted to establish economics on firm scientific grounds. The only solution that was possible at the time was to appeal to the seemingly empiricist theory of human decision making afforded by utilitarianism. The fundamental assumption of utilitarianism as an ethical system was that the ethical concepts of good and bad, desirable or undesirable were ultimately reducible to the concepts of pleasure and pain. And such were measurable according to the felicific calculus of Bentham, one of the founders of the ethical school of thought known as utilitarianism.

It was on this basis that the concept of utility was adopted by the budding science of positive economics. This approach also coincided with the individualist approach to economics as evidenced by the marginalist paradigm developed by Jevons (*Theory of Political Economy*, London, Macmillan, 1879), Walras (*Elements of Pure Economics*, Lausanne, Corbaz, 1874) and Menger

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(*Principles of Economics*, New York, 1871, and New York University Press, 1976[English translation]). It was against this background that the concepts of utils, cardinal (measurable) utility, maximisation of satisfaction, and so on, developed. The issue at stake was how to establish a scientific theory that explained the economic behaviour of human agents.

But this ambitious enterprise experienced failure because it was soon realized that utility could not be measured since it was a purely introspective appraisal determined by the agent himself or herself. Furthermore, there could be no publicly observable measuring instrument to determine such, given that interpersonal comparisons of utility were not possible in any determinable scientific sense. The solution was to drop the cardinal requirement and rely only on the consumer's ordinal ranking of preferences. This was the inception of standard utility analysis according to ordinal rankings. But again, this approach was based on the subjective utility rankings of the agent himself or herself.

The point is that this approach could not be tolerated for long by those theorists who were arguing that neoclassical economics, in its positive mode, should be a genuine science through and through. This is where Paul Samuelson's theory of revealed preference comes into play. Samuelson's theory of revealed preference as expressed in his paper (Samuelson 1938[a]):61-73) was presented as a solution to the problem or ridding scientific economics of those lingering mentalist assumptions embedded initially in cardinal utility theory then later in the ordinal utility configuration.

It is for this reason that Samuelson wrote that the aim of his paper was as follows: 'I propose, therefore, that we start anew in direct attack upon the problem, dropping off the last vestiges of the utility analysis. This does not preclude the introduction of utility by any who may care to do so, nor will it contradict the results attained by use of related constructs. It is merely that the analysis can be carried on more directly, and from a different set of postulates'. (Samuelson 1938[a] in Stiglitz [ed.] 1996:4).

Samuelson's goal was to offer a purely scientific theory of agent behaviour as an improvement over the Hicks-Allen programme founded on the ordinal theory of utility. And as he put it in the concluding paragraph of his paper: 'I have tried here to develop the theory of consumer's behaviour freed from any vestigial traces of the utility concept' (Samuelson 1966:13). The reason why Samuelson was concerned to do this is that he subscribed to the view that economics – in this sense, neoclassical economics – should be an avowedly empirical science whose methodology should subscribe to the research paradigm of operationalism.

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What I propose to do in this paper is to critically evaluate Samuelson's attempt to rid economics of its ordinal utility foundations which he later developed in his 1948 paper, 'Consumption Theory in terms of Revealed Preference' (Samuelson 1966:64-74) as the 'revealed preference theory'. I will argue that the theoretical foundations of Samuelson's revealed preference theory are problematic and, as a result, Samuelson's goal of establishing a genuine science of economics is compromised. The issue is whether any agent choice (revealed preference) can be shown to be truly reflective of that agent's preferences. The issue also involves the question of whether Samuelson's revealed preference theory should just have focused on explaining agent choice without reference to preference — a subjective non-empirical concept. But then the goal of empirical science is to explain and predict phenomena in the empirical world. The question then is: has the revealed preference theory succeeded in this?

The more important question though is whether a genuine empirical science of economics is possible? If not, the claim that modern neoclassical economics is rightfully demarcated into a scientific side and a normative (prescriptive) side would be seriously cast in doubt. It would be obvious then that economics should properly redefine itself as traditional political economy did, according to which, issues of fact and value, efficiency and equity, social empathy, etc, were epistemologically bound together. There is the alternative solution to the issue though, given that human behaviour in all its dimensions is empirical. Human behaviour could be examined empirically and scientifically in much the same way that ethologists study animal behaviour and anthropologists study the behaviour of humans in traditional non-Western settings.

I will proceed as follows: first will be a discussion of what constitutes a proper scientific theory and it will then be determined whether Samuelson's revealed preference theory conforms to it – especially in terms of his adoption of operationalism as his theoretical paradigm. I will then discuss Samuelson's revealed preference theory and the responses to it by authors such as Houthakker, Sen, Wong, Varian, Grune, et al. Finally, I will argue that contemporary neoclassical theory as it evolved in the last several decades has been misguided in its attempts to establish neoclassical theory as a scientific theory. In this regard, neoclassical theory has been used as an ideological tool to defend a world of great economic disparities between people. This is the world of modern capitalism. I will then discuss the attempts by theorists such as Vanberg to salvage the neoclassical model as an adaptive system of human decision-making. But this approach would not solve the problem concerning the status of economics as a science. The argument

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eventually leads to the conclusion that neoclassical economics is implicitly and essentially an aspect of value theory – utilitarianism; more specifically preference utilitarianism. But this outcome is certainly problematic given that human behaviour is empirically given. This is the basis for my foray into economic anthropology as a way of formulating a comprehensive analysis of human behaviour.

On the Practice and Theory of Science

For working scientists, an acceptable scientific theory is one which makes claims about some aspect of the empirical world that is subject to scrutiny by other scientists and repeatable under the experimental conditions described in the research. In other words, an orthodox scientific theory makes claims about the structure of some aspects of the world in terms of explaining the results of its attendant experiment. The experiment always assumes the validity of the attendant theory's principles, postulates, laws, etc, that explain and predict the processes in question. The point being made here is that for the working scientist, certain assumptions are implicitly made about scientific research. A successful scientific theory offers a picture and description of how some aspect of the empirical world actually is or at least appears.

The fact is that a successful theory is a confident plea for ontological certitude. When the theory predicts certain results and they consistently occur under experimental conditions, the assumptions, principles and laws in question are assumed to be valid and are assumed to be explanatory of the phenomena involved. When certain experimental results are called into question the issue is not that the goals of science are being questioned but that the experiments were poorly constructed or that the basic hypothetical assumptions are erroneous. Research results are called into question when experimental conditions cannot be replicated or predicted results are not forthcoming. A basic assumption held by research scientists is that the empirical world actually exists and is knowable.

Working scientists take assumptions about the empirical world for granted but that is not the case with those who study science theoretically. In the last few decades there have been questions raised about the growth of science. The early assumption argued for by the logical positivists is that science progressed cumulatively as its practitioners delved further into the structure of phenomena.

The positivist approach was the standard approach for researchers such as Carnap and Hempel into the structure and methodology of science. Their goal was to explicate the logic of science. Matters changed with the novel approach offered by Thomas Kuhn in his *Structure of Scientific Revolutions*

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(Kuhn1962). Kuhn's basic thesis is that each successful scientific theory is founded on its own ontological and epistemological paradigm. And the way science makes progress, according to Kuhn, is by way of the scientific revolution. Each scientific theory is contextualised into its particular paradigm which carries its own internal dynamics. As research on the research phenomenon continues, anomalies and inconsistencies build up within the experimental structure. When attempts to solve the anomalies fail, crisis sets in and an extra-contextual new paradigm develops to offer novel explanations. It is in this way that scientific progress continues, according to Kuhn.

The key point in Kuhn's thesis is the claim that successful theories could be incommensurable, that is, incompatible. Critics of Kuhn argue that this approach renders scientific research relativistic, which is at odds with the objectivist goals of science. Karl Popper (1972) in *Objective Knowledge*, for example, has raised questions about this approach to scientific research on the part of Kuhn. According to Popper and others, the cardinal error committed by Kuhn is his assumption that valid scientific theories may be committed only to their paradigms and not to an underlying empirical reality.

In this regard, prominent theorists such as Popper (1968) argued for the method of falsification as the most appropriate means of testing scientific theories. The essence of Popper's falsificationist methodology is that a genuine scientific theory should contain real ontological content which could be shown to be confirmed or falsified within appropriate contexts. This approach, later fleshed out as 'critical rationalism', has been adopted by some theorists such as Mark Blaug (1980), who defines himself as being committed to Popper's falsificationist approach.

Given the continuing success of standard scientific practice founded on the principle that scientific theories and their constituent concepts must be anchored ontologically in the empirical world, debates among scientists concerning falsificationism, or whether observation terms and propositions are theory-laden or not, hardly resonate with working scientists. The rules of thumb for modern scientific practitioners are as follows: 1) Are claimed empirical results predictable according to background theory, replicable? 2) The mark of the success of a scientific theory is whether the theory successfully predicts and explains. 3) Replicable predicted outcomes are subject to experimental control in the form of the logical rules of modus tollens and modus ponens. 4) Repeatable predictions of particular theories signal that their constituent theoretical and observational terms do possess empirical content. Admittedly, there are areas of modern science, such as quantum mechanics, that researchers find problematic, but the field has never eschewed experimental analysis given that it continues to place great stock in predictions.

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Economics and the Methods of Science

In the above discussion we have examined the working methodologies of working scientists in their field. It was obvious that contemporary scientific research is founded on how successful theories are in terms of their predictions. It is on this basis that theories that successfully predict are regarded as valid. And it is the predictive power of a theory that confers legitimacy on its equally important explanatory power. But what does a valid explanation entail? It entails assumptions, postulates, concepts, laws, and principles that are ontologically real. Theoreticians of economics have wrestled with this issue for some time now The key question has always been how to deal with the troublesome issue of prediction in human decision-making. The generally unsatisfactory results have as a result cast ontological doubt on the assumptions of economic theory.

Despite a reputation as a pure technician of neoclassical economic theory, Paul Samuelson actually made important comments on the theory of science as it applies to economics. The leading theory of science during the period of Samuelson's intellectual development was the operationalism of physicist Percy Bridgman, which he formulated in his text *The Logic of Modern Physics* (Bridgman 1927). The basic idea behind operationalism was that the scientific tenor of a theory was determined by its operational significance, that is, by an empirical demonstration of the theory in operation. Thus for Bridgman, the concept of length was operationally defined when an object was actually measured (Bridgman 1927:5).

Another aspect of Samuelson's operationalism was 'descriptivism', which states that scientific theories merely describe phenomena as they present themselves empirically. Consider Samuelson's reply to Fritz Machlup's claim that the bulk of economic theory is based on counterfactual assumptions and 'contains only theoretical constructs and no operational concepts and yields results which we hope point to elements of truth present in complex situations' (Fritz Machlup 1966 in Stiglitz [ed.]:760). Samuelson writes: 'Scientists never "explain" any behaviour by theory or by any other hook. Every description that is superseded by a "deeper explanation" turns out on careful examination to have been replaced by still another description, albeit possibly a more useful description that covers and illuminates a wider area' (Samuelson 1966:762).

Thus we see that Samuelson is strongly committed to descriptivism as the goal of his operationalist methodology. It should be noticed in this regard that operationalism is synonymous with explanation. It is on this basis that Samuelson takes issue with the methodology of economics offered by another prominent theorist of economics, Milton Friedman. Friedman (1953:3-43)

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argues that the validity of a scientific theory depends essentially on its predictive tenor. In this regard, Friedman's methodology has rightfully been called instrumentalist. For Friedman, the assumptions of a theory are of minor import in terms of their empirical content. This position is obviously at odds with Samuelson's strict operationalist descriptivism. Samuelson refers to Friedman's instrumentalist methodology as the 'F-Twist'. In reply to Friedman, Samuelson argues that the predictions C of some theory B constitute an integral part of the theory itself. But B must contain its own set of assumptions, A, which must possess the same realism content as C itself. In other words, for the descriptivist Samuelson, the assumptions of some theory B are logically and empirically connected to its predictions, C. Thus, the predictive results of a theory are entailed by the realism or unrealism of its assumptions. This is the basis for Samuelson's attempt to ground fundamental economic theory on foundations that are empirically realistic.

An interesting discussion of the methodological debate between the operationalism of Samuelson and the instrumentalism of Friedman is provided by Stanley Wong's critique of Samuelson's scientific methodology and his revealed preference theory (Wong 1973, 1978). Wong's methodological approach is that of a critical empiricist given his assiduous dissection of Samuelson's epistemological wrestling with the concepts of utility theory and revealed preference. But Wong is committed to the idea of economics as a science and does not venture further than mere critique. The question is: if Samuelson's revealed preference approach to agent decision-making is problematic, then is it because of structural problems with neoclassical economics itself or otherwise?

Samuelson and Revealed Preference Theory

I have sketched a background to how Samuelson arrived at his operationally descriptivist approach to economic theory. It is on this basis that he sought to establish neoclassical theory on operationally descriptivist foundations. Consider Samuelson's reply to Fritz Machlup's 'Professor Samuelson on Theory and Realism' (Samuelson 1966:758-761): that the operationalist approach led to the development of the revealed preference theory that provided 'the most literal example of a theory that has been stripped down to its bare implications for empirical realism' (765). Samuelson then claims that his 1938 paper proved that the weak axiom of revealed preference showed that 'the regular theory of utility maximisation implied for the two-good case, no more and no less than that "no two-observed points on the demand functions should ever reveal the following contradiction of the Weak Axiom'".

According to Samuelson (1938), the purpose of his novel approach was to lead eventually to the 'dropping of the last vestiges of the utility analysis. This does not preclude the introduction of utility by any who may care to do

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so, nor will it contradict the results attained by use of related constructs. It is merely that the analysis can be carried out more directly and from a different set of postulates' (Samuelson 1966:4).

But what is of much importance is the following: 'All that follows shall relate to an idealised individual – not necessarily, however, the rational homoeconomicus.

I assume in the beginning as known, i.e., empirically determinable under ideal conditions, the amounts of n economic goods which will be purchased per unit of time by an individual faced with the prices of these goods and with a given total expenditure. It is assumed that prices are taken as given parameters not subject to influence by the individual' (Samuelson 1966:4).

The agent or economic actor in this instance, according to Samuelson, is an 'idealised individual'. Assumedly what Samuelson means by this is that the agent as 'idealised individual' behaves consistently and according to certain prescribed conditions as already required for ordinal utility theory. These conditions as postulates can be summarised as: i) the idealised agent's demand functions are single-valued in that the agent will always select the same basket of goods, ii) the consumer's demand functions are 'all homogeneous of degree zero'(4), i.e., 'the consumer's behaviour is independent of the units in which prices are expressed' (5). The third postulate states that 'in any two price and income situations and corresponding quantities of consumer's goods' the consumer behaves consistently in that if some batch of goods X is chosen over another batch Y, the consumer does not simultaneously choose Y over X.

In a later addendum (Samuelson 1938[b]:353-354) to his 1938 (a) paper, Samuelson then argues that postulates 1 and 2 are redundant because they are implied by the third postulate. In sum: Samuelson's theoretical goal is to achieve the same results of ordinal utility theory without appeal to the psychologistic concept of utility.

Samuelson's fundamental postulate of RPT, known as the 'weak axiom of revealed preference' (WARP) is as follows: for all pairs of items X0, X1 and a pair of prices P0,P1, if X0 Rj X1 then not X1RjX0 where X0 Rj X1àP0X0e"P0X1 given income I0. This means that if some individual chooses one set of items over a second set, he does not at the same time choose the second set over the first set. This is the third postulate of Samuelson's programme. As Samuelson put it: 'Woe to any who deny any one of the three postulates here! For they are, of course, deducible as theorems from the conventional analysis. They are less restrictive than the usual set-up and logically equivalent to the reformulation of Hicks and Allen' (Samuelson 1966:12).

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We recall that the conventional analysis requires 1) the single-valuedness of demand functions, 2) homogeneity of degree zero of demand functions, and 3) the negative semi-definiteness of the substitution matrix. Samuelson was able to deduce this from his weak axiom of revealed preference. But there would certainly be a problem in deriving the intended results if the agent's demand functions include the utility concept. The reason is that after all, Samuelson's WARP was designed to overcome the problem of utility.

It should be noted that although Samuelson did not mention the term 'revealed preference' in his 1938 paper he does indeed use it in a subsequent 1948 paper wherein he attempts to derive indifference curves from a set of revealed preference observations. But let us return to Samuelson's claim that the major results of the Hicks-Allen ordinal theory approach could be deduced from the WARP.

There is an evident problematic here given that the agent demand functions that confirmed ordinal utility theory themselves included mentalist utility-engendering variables such as the subjective tastes of the agent as consumer and advertiser. Subjective tastes determine the consumer's choice of items that are substitutes at the same price. It is also the tastes of advertisers that seek to recommend choices among items that are similar in price and quality. All this is evident from the formal demand function expressed as Qx =A+BxPx where A stands for á (residual term) and Bx stands for B1P1 + B2P2 + B3P3+...+BnPn. Thus when Samuelson claims that his third postulate implies the demand functions of postulates 1 and 2, he must explain why such demand functions can be differentiable without appealing to the subjective concept of utility. Furthermore, it is difficult to see how those differentiable demand functions could be effected without appealing to 'an increasing rate of marginal substitution' which is exactly what Samuelson's RPT is devised to avoid

According to RPT only empirically observed behaviour counts. Thus there is no need for hypothetical sets of single-valued and homogeneous of order zero demand functions. How does Samuelson know what the revealed preferences of any individual would be without actually witnessing such. The overall problem here is that Samuelson's novel discourse derives from his *idealised individual* whom he did not define in terms of his or her connection to real, empirically observable individuals. This idealised individual is assumed to behave consistently and conform to the choice paths required of postulates 1 and 2.Surely, this novel discourse of Samuelson is hardly empiricist in approach.

In his 1948 paper 'Consumption Theory in Terms of Revealed Preference' (Samuelson 1948:243-253) Samuelson attempted to demonstrate that a further

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conciliation could be established between RPT – according to Samuelson shorn of 'the last vestiges of utility analysis' – and ordinal utility theory by deriving indifference curves from a set of revealed preference points for his idealised individual. Samuelson begins his 1948 paper thus: 'A decade ago I suggested that the economic theory of consumer's behaviour can be largely built up on the notion of "revealed preference". By comparing the costs of different combinations of goods at different relative price situations, we can infer whether a given batch of goods is preferred to another batch; the individual guinea pig, by his market behaviour, reveals his preference pattern – if there is such a pattern' (Samuelson 1966:64).

Samuelson's goal in this paper was to derive indifference curves for the set of choices or revealed preferences that individual agents make. Note that Samuelson's effort in this paper was to offer an alternative to Ian Little's (1949) 'ingenious proof that if enough judiciously selected price-quantity situations are available for two goods, we may define a locus which is the precise equivalent of the conventional indifference curve' (Samuelson 1966:64).

So it seems that we have come full circle. Samuelson began his critique of ordinal theory with the intention of ridding fundamental economic theory of its 'last vestiges of the utility analysis' but still nostalgically attempted to show that the results of ordinal theory could be derived from his postulates of revealed preference. Later in his 1948 paper Samuelson attempted to show that agent indifference curves could be derived from his postulates of revealed preference. The strategy here was to build up a set of revealed preference points by way of the 'Cauchy-Lipschitz Process of Approximation' (Samuelson 1948:66), then join such points in such a way that the agent's indifference curves are ultimately revealed. This approach offered a solution 'indifference curve' from *below* as Samuelson offered. Samuelson complemented the Cauchy-Lipschitz approach with another approach that offered a mode of constructing indifference curves from *above* (Samuelson 1948:69).

But all this is in vain and only ends up compromising Samuelson's original programme. The point is that if one constructs an indifference curve from supposed revealed preferences that coincides with those of ordinal utility theory, then one can explain the shape of the resultant indifference curve only by appeal to *the increasing rate of marginal substitution*, which is exactly what Samuelson sought to eliminate from consumer analysis in his 1938 paper. According to standard ordinal utility theory, the increasing rate of marginal substitution of some good X for Y (MRS_{xy}), i.e. dy/dx equals MU_x/MU_y., i.e., the ratio of marginal utilities. So the concept of utility necessarily enters the picture again once indifference curves that mirror those of ordinal theory are introduced. The concordance with ordinal utility theory on the

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part of Samuelson's attempt to construct indifference curves from the theoretically revealed preference of the *idealised individual* has led theorists such as Houthakker (1950) to claim that Samuelson engaged in a programmatic *volte face* when he attempted to reintroduce ordinal theory into his 1947 and 1948 theorising.

What then is the problem? The problem, it would seem, is that to attempt to explain and predict human decision-making simply by limiting theory construction to observed choices of agents just would not work. Unless humans are mindless – take this in the literal sense – robots we cannot hope to explain human decision-making without appeal to empirically inaccessible concepts such as reasons, motives, preferences, utility evaluations, and so on. But this is a problem not only for neoclassical economics but also for other sciences that deal with human behaviour such as psychology and history. In the case of history, can the historian explain events without appeal to non-empirical concepts such as reasons and motives?

Axiomatic Revealed Preference Theory

According to Axiomatic Revealed Preference Theory, there are three basic axioms that purportedly describe and explain choices: 1) the Weak Axiom of Revealed Preference (WARP), 2) the Strong Axiom of Revealed Preference (SARP) and 3)the Generalized Theory of Revealed Preference (GARP, Sydney Afriat, 1976, *The Combinatorial Theory of Demand*). There are also a set of preference relations that are operationally relevant. They are reflexivity, transitivity, anti-symmetry, and completeness.

Assume the case of a two-good choice schedule where some agent A is constrained in his choice of items by an income I . Assume that A, given I, can purchase some Xi at time To at prices Pi at time To. Assume too that if A can purchase Xj at time T then Xj may also be purchased at To. Therefore, for all Xj(i''j), if PiXie'PiXj then Xi is revealed preferred Xj.

This choice path of the individual agent may be expressed as follows: XiRXja"PiXie"PiXj. We may extend this idea to include the notion of indirect revealed preference. This means that Xi is indirectly preferred to Xz if the two bundles are connected[C] by an indirect chain of bundles. Thus Xi C Xj a"Xi C Xo, C...C, Xn C Xj.

Choice Axioms of Revealed Preference

Samuelson (1938) was able to articulate his postulate of revealed preference only on the assumption that his 'idealised individual' conforms to certain modes of decision-making. Samuelson's assumption was that his 'idealised agent' behaves consistently. What this means for WARP, SARP and GARP is that the idealised agent's choices should conform to basic axioms of i)

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reflexivity, ii)transitivity, iii)completeness, and iv) acyclicity. These axioms are expressed according to the following preference relations.

Reflexivity: (X)(X Rj X)

Transitivity: (X)(Y)(Z)[(X Rj Y Rj Z!X Rj Z)]Completeness: (X)(Y)(X Rj Y v Y Rj X)

Acyclicity(antisymmetry) : (X)(Y)(Z)[(X Rj Y Rj Z)" Z Rj X

The upshot of all this is that the idealised individual of RPT is required to conform to the above set of axioms commonly referred to as the postulate of rationality as he makes his choices according to the axioms of revealed preference theory.

What we have here then is a neoclassical choice space populated by individuals without mental structures who conform to certain programmatic rules. In other words, the neoclassical agent of RPT is none other than a rational robot. But humans are much more than rational robots programmed according to the postulate of rationality. Unlike robots, when humans make choices or reveal their preferences they must appeal to considerations of motive, reasons and utility, if their choices are to be explained or understood by themselves and others.

The reason for this approach is that genuine science seeks not only to describe phenomena but also to explain them in terms of background theories with their constituent laws, postulates, and axioms. The same must hold for those sciences that deal with human behaviour. This explains why Samuelson had to augment his 1938(a) with a foray into indifference curve analysis by way of a concatenation of revealed preference points. The same observation may be applied to Samuelson's 1950 paper, 'The Problem of Integrability in Utility Theory' (Samuelson 1950:355-385). Even Houthakker, who formulated the SARP, noted that ordinal theory when excised from neoclassical theory in Samuelson's 1938 paper once again became fundamental to that theory (Houthakker 1983:63).

The point is that once Samuelson agreed that RPT merely complemented ordinal theory and was not a replacement for it, we were faced with a puzzling quandary. The question is as follows: what then is the theoretical point of RPT if it merely complements ordinal utility theory? The answer is that Samuelson believed that he was ridding agent choice theory of *the last vestiges of the utility analysis*. But this could not be the case given that both his postulates 1 and 2 entailed by postulate 3 implicitly include utility analysis. Differentiable demand functions make sense only when its agents make choices explainable only by appeal to the utility concept. We have already

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pointed out that Samuelson's 1948 attempt to construct indifference curves from revealed preference points on a budget line further compromised his position. Agent indifference curves can be explained only by appeal to utility considerations.

The point of the above discussion is to demonstrate that Samuelson actually failed in his attempts to establish agent choice theory – and by extension neoclassical economic theory – founded only on the empirically observable choices of agents themselves. Samuelson eventually had to reincorporate ordinal utility theory into his analyses.

We recall that the key actor in Samuelson's choice theory programme is the *idealised individual who is consistent in his or her choices and conforms to certain axioms and postulates*. Samuelson claims that this idealised agent is 'not necessarily, however, the rational *homo-economicus*' (Samuelson 1938[a]:4). But this 'idealised individual' is necessarily 'the rational *homo-economicus*'. Any idealised agent who behaves consistently and conforms to the theorist's idea of modelled behaviour is equivalent to a rational agent.

Revealed Preference Theory and its Aftermath

Samuleson's total programme could be summarised as consisting of three distinct papers: 1928(a), 1948, and 1950 ('The Problem of Integrability in Utility Theory'). What is obvious is that there are two distinct methodological approaches on the part of Samuelson. His 1938(a) paper was an attempt to replace ordinal utility theory with a strictly operational RPT. But his 1948 paper reintroduced the idea of ordinal theory when he tried to derive agents' indifference curves from actual RPT points. The result of this was to demonstrate a logical connection between RPT and ordinal theory. In his 1950 paper, Samuelson tackled the so-called integrability problem as it relates to ordinal theory. The goal was to demonstrate that ordinal theory, as theory, entailed RPT as its empirical instantiation. Samuelson recognised in his analyses that WARP did not offer a satisfactory answer to the question of the empirical instantiation of ordinal theory. The point was WARP was unable to deal with the issue of cyclic choices. The matter was solved by Houthakker with his formulation of the strong axiom of revealed preferences (SARP) which allowed only transitive inferences. We have again here a reinforcing of the strict rationality assumptions of an augmented RPT. The final statement by both Samuelson and Houthakker was that ordinal utility theory was the theoretical

Infrastructure from which was derived an operational RPT. With Houthakker's SARP a logical equivalence was established between ordinal utility theory and RPT.

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One of the first sustained critiques of Samuelson's position is that of Stanley Wong (1978). Wong's key point against Samuelson is that Samuelson's methodology founded on 'descriptivism and operationalism is indefensible on logical and historical grounds' (Wong 1978:127). Wong supports his critique on methodological grounds: Samuelson's methodology of descriptivism 'ideally requires a theory to be logically equivalent to its consequences' (Wong 1978:126). But for Wong descriptivism is problematic because 'a theory is not ideally equivalent to its empirical consequences' (Wong 1978:126). And the distinction between theoretical and observation terms on which the equivalency of ordinal utility theory and RPT is founded cannot be maintained. For Wong, 'all observation terms are theory-laden' (Wong 1978:126). On more prosaic grounds the issue is this: if ordinal utility theory and RPT are logically equivalent hence interchangeable, then what is the point of RPT if ordinal theory is just as operationally effective? Assuming that Wong's critique is valid, the main problem is that he does not offer an alternate theory that would explain human economic decision-making.

Despite the problematic of Samuelson's revealed preference theory and the issue about which it was developed and formulated there are theorists who think highly of it. Hal Varian, for example, writes the following: 'Samuelson's 1938 theory of revealed preference has turned out to be amazingly rich. Not only does the SARP provide a necessary and sufficient condition for observed choices to be consistent with utility maximisation, it also provides a very useful tool for empirical nonparametric analysis of consumer choices' (Varian 2006:18, pre-publication draft). Varian informs us in his paper that RPT is very much alive with his 2005 research on the prevalence of the theme yielding 997 articles.

The ultimate test of a scientific theory is the quality of its predictions, i.e., do the theory's predictions conform to the theory. It is also a fact of scientific research that when a theory makes successful predictions the proffered explanations for the predicted phenomena gain in epistemological authority. In this connection, the empirical results from testing the generalised version of RPT, i.e., GARP have not been encouraging.

Till Grune (2004:396)), for example, argues that empirical test results show that 'after 66 years of work, the preference framework and the maximization hypothesis still do not have a firm empirical foundation'. Grune makes this claim because experiments with human agents show 'high violation rates' of the axioms of RPT (Grune 2004:390). In support of his claim, he cites Reinhard Sippel (1997:1431-1444) and Aurelio Mattei (2000:487-497) both of whom claim that the neoclassical theory can be easily shown to be falsified on account of the large number of agent violations.

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According to Grune, the experimental test results, controlled for time duration and price changes, show that according to different experiments one quarter to two thirds of the test persons violated GARP. In the experiments that tested for SARP violations (Sippel 1997) the violation rate lay between 73 per cent and 90 per cent.

Thus the main problem is a theoretical one. A similar argument has also been made by Daniel Kahneman and Richard Thaler (2006:221-234). Clearly, SARP and GARP have been shown to be not always in accordance with the actual choices of economic agents. It can also be argued that the axiomatic requirements of completeness, transitivity, and non-acyclicity are not shared by the three RPT axioms. WARP and GARP, as is stated, do not preclude acyclic choices.

The crucial point at this juncture is that without appeal to the agent's preferences or subjective utility schedule, it would just not be possible to determine how any agent arrived at making the choices he or she did. A particular set of choices, *ceteris paribus*, may conform to SARP but we would have no *prima facie* explanation of this conformity. Also, how would genuine inferential errors or change of tastes, or just arbitrary decision-making be detected if choices alone were available?

One might also consider cases of pondered indifference between alternatives before choices were eventually made. There could also be cases where choices were made on a whim or as a result of serious deliberation that took into consideration new variables. There are also binary choice situations in which both choices represent two sets of non-intersecting choice criteria as in the case of the student who is conflicted between attending two different universities for a set of entirely different reasons in each case. This is clearly a situation in which there is no comparative preference basis for decision-making.

It is for the above reasons that RPT, as originally proposed by Samuelson and Houthakker, was seen as not adequate for a the formulation of a complete theory of agent choice. What eventually had to occur was the re-forging of links between empirically observable choices and ordinal utility theory. As Samuelson himself (1972:256) put it in: 'From the beginning I was concerned to find out what *refutable* hypotheses on the observable facts on price and quantity demanded were implied by the assumption that the consumer spends his limited income at given prices in order to maximize his ordinal utility'.

Choice and Preference

When the economist as social scientist formulates theories he or she must necessarily begin with what is empirically observable. And what is empirically observable are merely the choices that individuals make. The choices that humans make are not random but based on calculations and forethought in

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most cases. In the case of economic decision-making the economic agent first calculates his preferences among alternatives and then effects a choice. It is this pre-choice set of mental calculations that serves as the basis of ordinal utility. But the old problem of how to quantify or to give an account of utility remains. Furthermore, given that any proper scientific theory must offer explanations and predictions, the question then is: how are explanations of agent behaviour possible without appeal to mentalist concepts such as utility? This is the basis on which Samuelson was forced to return to the theory of ordinal utility to allow for the construction of explanatory theories of agent choice. But given that human decision-making springs from nonaccessible human mental states, and given that the choices individuals make may vary greatly even when the goals in question are the same, neoclassical theory had no alternative but to posit an idealised homo economicus whose choice paths constitute the basis on which neoclassical economic theory is constructed. The question then was: what kind of conceptual framework would shape the behaviour of the idealised homo economicus? This conceptual framework was founded on the concept of rationality. But an appeal to the concept of rationality, though leading to logically valid formal structures, compromises the scientific tenor of neoclassical microeconomic theory. What this yields is a theoretical structure that is necessarily prescriptive.

Rationality

One of the fundamental assumptions of neoclassical economic theory is that economic agents, as empirical homologues of *homo economicus* or Samuelson's idealised individual, choose rationally. In theoretical terms this means 'behaviour in accordance with the postulates of rationality'. Or more specifically, the rational agent makes consistent choices whose goal is the optimisation of some mathematical function. In the case of the individual agent as consumer, it is the utility function that is maximised.

The postulate of rationality when expressed in formal terms requires that the agent's choices conform to the completeness, reflexivity, and transitivity axioms. The agent is also required to rank items according to rules of weak preference or strong preference. Thus it is evident that the postulate of rationality is, indeed, a prescriptive postulate according to which the economic agent must conform. In this regard, the postulate of rationality is no different from, say, any concocted postulate of goodness. A postulate of 'goodness' would be founded on the concept of an ideally good individual who would make certain choices and decisions consistently.

But just as with the postulate of rationality, conformity to the postulate of goodness would witness many deviations from the prescribed rule. Thus

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contrary to the intent of the founders of neoclassical economics, who wanted to establish a genuine science of economics, the adoption of the rationality postulate as its central theoretical plank compromises the whole enterprise. As theorist of economics, Daniel Hausman, puts it: 'Rationality is a normative notion concerning how people ought to choose, prefer, or reason. So it may seem surprising that it has a large role in positive economics, which is concerned with how people do in fact choose. Since rationality is different from morality, it may also seem surprising that rationality plays a large role in normative economics' (Daniel Hausman and Michael McPherson 1996:38). The truth is that whether for 'positive' or 'normative' economics, choice path rules that determine the prescribed behaviour of agents must first be established. It is 'rationality' according to the theorist that determines such rules – reflexivity, transitivity, completeness, etc.

Despite the normative content of the foundational postulate of rationality, neoclassical economic theory as expressed in university textbooks and journal articles continues to maintain this normal science paradigm despite evident predictive and explanatory anomalies. One way to save the theory would be to collapse it into some kind of welfare economics for the individual and for society as a whole. In this way, economics would be viewed purely as a policy discipline whose function is to formulate theories of how to increase human welfare singly or generally.

Yet neoclassical theorists would hardly want to countenance such, given that their research paradigm is committed to the establishing a scientific theory of human choice. But even if neoclassical economics were reduced to a purely normative theory – as suggested above – there would still be need to establish its structure on ontologically certifiable assumptions. A basic assumption in this regard would be that individuals as decision-making agents be constantly making economic choices. Another assumption would be that individuals make their choices consciously and based on mentalist calculations. Such mentalist calculations would also be explained in terms of psychological concepts such as reasons and motives. This is where the methodological problem confronted by neoclassical theory arises: how to offer a proper ontological account of agent choice in terms of explanation and prediction. This is all that the generic methodology of science demands.

On the Problematic of Rationality

The problem with the concept of rationality is that despite its ontological status theorists of neoclassical economics would seem to have no viable alternative. The result is there have been ongoing attempts to salvage the concept on account of its crucial role in neoclassical theory. Some theorists

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have argued for a kind of purely formalistic role played by the postulate of rationality (Boland 1981. Alexander Rosenberg (1976, 1992), on the other hand, takes issue with the scientific tenor of neoclassical theory in terms of explanation and prediction – the basic requirements for any genuine scientific theory. Rosenberg (1976), first raises issues with the supposed causal laws of economics, and then eventually comes to the conclusion that neoclassical microeconomics is a form of applied mathematics (Rosenberg 1992).

Or consider Till Grune's (2004:396) comments that despite the fact that 'after 66 years of work, the preference framework and the maximization hypothesis still do not have a firm empirical foundation. Hardcore empiricists might draw the consequence that economics is therefore not a science at all'. Grune's recommendation is noteworthy: 'Instead, economists should admit that their science operates with theoretical concepts, which never can be fully defined on terms of observable parameters. Such an admission would leave economics in good company. The concept of the gene in biology, and the concept of the inter-atomic bond in chemistry are of similar type, and few deride these sciences for operating with them'(Grune 2004:396)

One must take issue with Grune's claim here though. Grune is in error to argue that the theoretical concepts of neoclassical economics are on par with those of the physical and biological sciences. The fact is that while the gene and the inter-atomic bond possess real empirical content this is not the case with the concept of rationality. Like 'goodness', rationality is not a natural attribute of any empirical phenomenon.

On Bounded Rationality

The problematic of rationality is further instanced by the fact that it has been long established in practice that 'rational economic man', the central actor in neoclassical economic theory, represents no more than a formal idealisation of economic decision-making. This understanding of economic decision-making was developed by Herbert Simon in a set of papers that comprehensively sought to replace the behaviour of *homo economicus* of the classical model with that of an agent whose decision-making options were constrained by lack of full knowledge of the economic environment. In other words, rationality under such constraints are 'bounded' and all the agent can hope for is 'satisficing' (Simon 1955, 1959, 1982). Consider Simon's approach to the problem: 'Broadly stated, the task is to replace the global rationality of economic man with a kind of rational behaviour that is compatible with the access to information and the computational capacities that are actually possessed by organisms, including man, in the kinds of environments in which such organisms exist' (Simon 1955:99). This leads to Simon's

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observation that defined rational behaviour should not be seen only as substantive rationality but also as procedural rationality which greatly extends the empirical foundations of neoclassical economics (Simon 1986:212).

Simon's basis for this attempt to transform neoclassical economics into a more empirically grounded discipline is that its predictive, and hence explanatory, record has not been encouraging. Simon's thesis deserves much consideration given that his step-by-step approach to decision-making has become central to game theory and other decision theory areas.

But it is exactly at this point that Simon's programme encounters a problem. The attempt to redirect economic theory from the formal neoclassical model of rational choice to one founded on the principle of procedural rationality and the actual psychology of human decision-making encounters the same problem that Simon underscores with standard neoclassical theory. The reason is that human behaviour is quite complex and attempts to explain and predict decision-making from the standpoint of psychology would tend to compound the issue further. Thus how should one explain what the theorist as observer would describe as decidedly irrational behaviour; or behaviour that accepted the theorist's definition of rationality but was consistently irrational in terms of committed errors?

Given that the standards of rationality that agents adhere to derive maximally from their learning environments, as opposed to being the results of instinctual promptings, Simon's programme reduces to the standard neoclassical theory, Simon's theory of satisficing would seem to be none other than the classical agent making choices under particular constraints. But the goal is still the maximisation of expected utility. So what then is one to make of Simon's claim that economics without recourse to empirically based psychological and sociological research is 'a one-bladed scissors'?

The point is that despite a plea for an economics reliant more on empirically observed agent choice than on theoretical formalism, Simon must still seek recourse to the postulate of rationality if his theories are to have any semblance of explanatory and predictive power. After all, whenever any agent effects a choice there must be prior moments of deliberation according to some normative schedule. But given that matters are compounded by the fact that individuals may vary in terms of their schedules of rationality and that they are prone to errors, bounded rationalists such as Simon are faced with a formidable task – that of constructing separate rationality schedules for each agent.

But Simon's programme is preferable to that of standard neoclassical economics because it recognizes that economics cannot define itself as an empirical science unless it has its theoretical foundations based in the empirical

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world and not on the decision-making of an idealised rational economic man. Simon has approached the problem in the correct way but success is unlikely given the enormity of the empirical logistics involved.

This may be the reason why theorists of formal economics have done little to replace the construct of rational economic man with that of the agent as a cognitively fallible decision-maker who can only 'satisfice' on grounds of his or her 'bounded rationality'. Human behaviour is much too complex and motive-driven to be dynamically plotted according to some pre-established programme of decision-making. This approach is well summarised by Esther Sent as follows: 'In economics, Simon has become mostly known for his razor-sharp criticism of the rationality postulate. In particular he criticized the four basic assumptions of neoclassical economics' (Sent 2004:313). According to Sent, Simon argued that 'the mind functions mostly by applying approximate solutions to problems' (Sent 2004:313). Thus humans in their decision-making adopt 'satisficing strategies' rather than conform to some 'maximisation of utility function' (Sent 2004:313). But because it is much more difficult to construct such satisficing strategies for separate individuals, the continuing orthodoxy among economists is to model economic decisionmaking as if it were some form of mathematical logic.

According to Ariel Rubinstein, who has adopted Simon's paradigm of bounded rationality, the purpose of economic models are as follows:

'Models of economic theory are meant to establish "linkages" between the concepts and statements that appear in our daily thinking on economic situations' (Rubinstein 1998:191). Rubinstein contrasts this with what he perceives as Simon's idea that economics should aim at creating predictive models founded on testable empirical evidence (Rubinstein 1998:191). Yet as was pointed out above, Simon's more empirically-minded approach would still be at loss to formulate theories of agent decision-making without first establishing some normative framework from which the economist who embraces the satisficing paradigm would operate.

Vanberg's Evolutionary Rationality

Viktor Vanberg (2004) argues that the rationality postulate may be salvaged by regarding it as 'an alternative *evolutionary* outlook at purposeful human action that, as I suppose, captures much of what appears to make the rationality postulate so attractive to economists but allows one to escape the ambiguities that have notoriously plagued the rationality postulate' (Vanberg 2004:2). Vanberg begins his critique with the observation that the rationality idea could be divided into what he refers to as the 'rationality principle' and the 'rationality hypothesis'. The rationality principle for Vanberg merely states that all human action is rational in the sense that it is purposeful. This is the

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definition of rationality that was proposed by Ludwig von Mises (1949) in his praxeological approach to economics. But as Vanberg would state: 'the rationality principle by itself cannot serve as the fundamental behavioural conjecture of an explanatory, empirically contentful theory' (Vanberg 2004:3). In this regard, the rationality principle may be regarded only as 'a definitional statement or as a heuristic device' (Vanberg 2004:3) Thus the rationality principle may be useful but problematic on account of its lacking in empirical content. 'Only by adding additional refutable assumptions can one turn the rationality principle into an empirically contentful hypothesis' (Vanberg 2004:3-4).

According to Vanberg, 'rationality' as applied to empirically refutable hypotheses in the sense of making global and empirical claims about the choices of agents, suffers from a disconnect between theory and empirical results. This is the case with the well known maximisation hypothesis which 'is in such apparent conflict with behavioural reality that it is rarely ever claimed to be descriptive of actual human behaviour' (Vanberg 2004:4).

There have been noteworthy attempts on the part of theorists such as Gary Becker (1976), who attempts to explain all of human behaviour in terms of what seems like a version of the rationality principle but applicable to human behaviour in terms of income and price effects rather than subjective tastes. Vanberg, however, points out that this global approach to human economic agency does not alter the fact that Becker's 'economic or rational choice approach to behaviour' is founded 'on no more than the heuristic rationality principle' (Vanberg 2004:7). Vanberg concludes his commentary on Becker with the observation that Becker's 'assumption of individual rationality...is specified in a way that makes it indistinguishable from the empirically rationality principle' (Vanberg 2004:7).

Given the evident problematic with the orthodox rationality model as an acceptable explanation of human decision-making, neoclassical economists still persist in its application. As Vanberg puts it: 'Even if they are not entirely happy with their rationality, to them there is no really attractive alternative in sight' (Vanberg 2004:10).

Vanberg rejects the idea that there are no viable alternatives and proposes what he refers to as an 'evolutionary outlook at human behaviour' in the form of 'the paradigm of program-based behaviour' adapted from biologist Ernst Mayer's thesis that 'intentional, goal-or-purpose-seeking behaviour can be viewed as guided by programs or instructions *encoded in the agent* for what to do (or not to do) in certain types of situation' (Vanberg 2004:11). What this evolutionary approach achieves is as follows: the paradigm of program-based behaviour appeals to the concept of rationality to explain behaviour that is based on agents engaging in purposeful action that is constantly seeking to adapt to the conditions of the environment. What we

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have here is a kind of rational or purposeful decision-making that proceeds according to the principle of repeated trials when intended goals are not achieved.

Vanberg amplifies his evolutionary theory of adaptive decision-making by further appeal to J.H. Holland's (1992a) theory of rule-based adaptive agents. According to this theory, agents made decisions on a kind of iterative feedback process based on 'rules that anticipate the consequences of certain responses' (Vanberg 2004:13). These rules serve as 'internal models' that may be tacit or overt. Tacit models behave according to the principle of autonomous stimulus and response, as in the case of, say, a 'bacterium that 'moves in the direction of a chemical gradient implicitly predicting that food lies in that direction'' (Vanberg 2004:13). On the other hand, Vanberg informs us, Holland's 'overt internal models inform the kind of deliberative choices on which rational choice accounts tend to focus' (Vanberg 2004:14).

Vanburg further explicates Holland's adaptive learning approach by pointing to his 'bucket brigade algorithm' which appeals to induction that 'makes a task manageable that otherwise would surely be beyond the capacity of boundedly rational agents, namely the task of keeping track of the success record of a complex repertoire of rules that are activated, in varying combinations, as components of internal models of current problem situations' (Vanberg 2004:15). A key point cited by Vanberg that he adopts from Holland is as follows: 'for complex adaptive systems in general and, in particular, for markets that are composed of intelligent, learning human beings "there is no way to predict the overall behaviour by looking at the behaviour of an *average individual*" (Vanberg 2004:16). The solution is to adopt the 'paradigm of program-based' behaviour.

Despite the evidence of what actually occurs, economists still appeal to the principle of perfect rationality because it offers an explanation of how markets ostensibly operate. As Vanburg puts it: 'the assumption of perfect rationality is, from this perspective, not so much a conjecture about the cognitive and calculative capabilities of human beings *per se*, but a conjecture about the working properties of markets as social arrangements' (Vanberg 2004:17).

On this basis those who win in the market game are rational choice makers who have effected choices in conformity with the idea of perfect rationality. Vanberg's response to this is that this limited theory of goal directed decision – making is inadequate even when expressed as the 'rational expectations' theory of R.A. Lucas. The 'rational expectations' theory is evidently then just another form of the feedback-adaptive model of Holland's already discussed by Vanberg. According to Lucas, as cited by Vanburg, economics

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consists of a set of decision rules that are 'steady states of some adaptive process, decision rules that are found to work over a a range of situations and hence are no longer revised appreciably as more experience accumulates' (Vanberg 2004:20-21).

Vanberg, however, does not see this as a solution given the extended range of the rationality principle as it has been adopted by other areas in economics and the other social sciences. Vanberg argues that 'such self limitation would clearly be in conflict not only with the ambition of modern approaches in economics that – like public choice, the new institutional economics, law and economics and others – seek to extend the economic approach beyond the study of market behaviour, it would also conflict with ambitions to understand the innovative creative dynamics of market processes' (Vanberg 2004:21).

The point Vanberg makes is that economic theory ought to adopt a 'more common behavioural paradigm' to handle the general social phenomena and behaviours that the social sciences in general deal with. But Vanberg's more comprehensive goals may be overly optimistic here given the methodological problems that some researchers in areas such as political science encounter. Consider the following from Green and Shapiro (1994:9): 'Furthermore, rational choice hypotheses are too often formulated in ways that are inherently resistant to genuine empirical testing, raising serious questions about whether rational choice scholarship can properly be regarded as social science'. Green and Shapiro are political scientists and their conclusion concerning the relevance of the neoclassical model to social science as a whole is as follows: 'Our central argument in this book has been that empirical applications of rational choice theory in political science since the 1960s have been marred by a syndrome of methodological shortcomings' (Green and Shapiro 1994:202). These shortcomings derive from the attempt to develop a 'universal theory of politics and the belief that anything less cannot aspire to be genuine science' (Green and Shapiro 1994:202). What Green and Shapiro claim to have demonstrated is: 'we have shown in this book, however, that to date no empirically credible universal theory has been developed by proponents of rational choice' (Green and Shapiro 1994:202).

So despite Vanberg's novel sociological approach to the issue of economic decision-making by way of theorists such as Holland, the issue of the scientific status of neoclassical economics still remains. Vanberg does not offer any formulation of what 'a more complex behavioural paradigm' might be. He has proposed a more evolutionary principle of rationality as a way of overcoming the problematic of the testable rationality hypothesis.

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But the old problem of formulating adequate behavioural functions that would describe, explain and predict the individual choices of agents still remains. Given that the ultimate goal of scientific theory is explanation, the neoclassical theorist is faced with a dilemma: two individuals may effect the same choice but for entirely different reasons. The only other alternative, for explanatory reasons, is to assume that human agents are mindless robots.

Vanberg's theory is interesting in that he seeks to broaden the application of rationality to apply to areas other than neoclassical economics. But his 'evolutionary' approach though useful in helping to understand decision-making both in the market and otherwise, ought not to be considered a scientific theory at all but a heuristic that allows the theorist to interpret intra-cultural rules of rationality once the rules of contextually rational behaviour are known. The problem here though is that the intra-contextual rules of rationality are all learned within a cultural context. And they are all prescriptive rules. Such rules, if broken, deliberately or through cognitive error, often lead to penalties imposed by the market. It is for the above reasons that I am inclined to believe that neoclassical economics is essentially a branch of ethical theory.

In what follows I will seek to first to demonstrate that neoclassical microeconomics founded on the postulate of rationality is a special case of welfare economics which is generally recognised as the normative and evaluative side of neoclassical economics. I will then argue that the optimal way to interpret economic theory is to regard it as a system of ethics in the form of rule utilitarianism.

Neoclassical Theory as a Special Case of Welfare Economics

Welfare economics is generally viewed as the normative side of neoclassical economics given that economic decision-making, in this instance, is determined according to its normative implications. But an analysis of the theoretical structure of welfare economics would inform us that its axiomatic and preference relations structure is identically that of positive neoclassical theory. If that is the case then it logically follows that positive neoclassical theory is itself a normative theory whose social welfare function consists of the neoclassical theorist him/herself and all agents.

First, we should note that the social welfare functions of welfare economics satisfy the properties of completeness, transitivity, and reflexivity which are applicable to weak ranking (R), strong ranking (P), and indifference (I). But the problematic concerning the interpersonal comparisons of utility rejected by many theorists was seen to be resolved by Kenneth Arrow's Possibility Theorem (Arrow 1951). Arrow's Possibility Theorem states that

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if interpersonal and dictatorial choices are excluded then no universal social ranking is possible. Arrow's theorem rests on five conditions which are incompatible with any social ranking, R.

It is on the basis of Arrow's theorem that orthodox welfare economics theory derives from the principle of Pareto optimality the following: the equilibrium optimal state of the welfare economy is that at least one agent is better off than in any other state.

What is significant for the present discussion is that neoclassical theory is seen to demonstrate a consistent equivalence between a competitive general equilibrium and Pareto optimality. This amounts to the following: 1) every equilibrium position of the economy is a Pareto optimal state, and 2) any Pareto optimal state of the economy is an equilibrium position of the economy.

The meaning of this is as follows: 1) the axiomatic equivalence of positive neoclassical economics and normative welfare economics means that positive neoclassical economics rests on the same normative foundations as welfare economics. After all, there is the consensus that welfare economics constitutes the normative side of neoclassical economics. We must conclude, therefore, that neoclassical economic theory founded on the postulate of rationality is a special case of normative welfare economic theory.

Neoclassical Economics and Utilitarian Ethics

In this section I want to argue that the most accurate description of neoclassical economic theory in its positive mode, founded as it is on the postulate of rationality, constitutes an aspect of utilitarianism, that is, rule utilitarianism. In the standard literature, it is claimed that although ethical considerations played an important role historically when it was known as political economy, such has not been the case when economics decided to assume scientific status. Thus contemporary theorists speak not of economics possessing ethical content but rather needing a closer relationship with ethics. In this regard, one might consider the works of Sen (1987), Hausman and McPherson (1996) and Groenewegen (1996).

But it should be noted that in the past, economics and ethics were both intertwined, to the extent that economics was seen as a subsection of ethics. As A.W. Coats notes: "Nineteenth century and twentieth century economics was, of course, a direct outgrowth of moral philosophy, and within that framework many authors would move unselfconsciously back and forth between positive (is) and normative (ought) statements without uneasiness and further specification' (Coats 1996:81-82).

The definitive rupture between positive economics and normative economics took place when J.M. Keynes proclaimed that positive economics

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as a positive science deserved to establish itself independently as a genuine science (See Michael V. White 1996:104). The same applies to Alfred Marshall. Michael White writes: 'Like Keynes, Marshall wanted to separate economics from any particular philosophical or ethical system' White 1996:106). I want to demonstrate now that neoclassical economic theory, despite attempts to the contrary, is indeed an aspect of utilitarianism, that is, rule utilitarianism.

Before making the case for neoclassical economics as an instance of rule utilitarianism, it would be instructive to demonstrate how modern neoclassical economics was developed from the assumptions of classic utilitarianism. It was Bentham who first formulated the idea that ethical theory should be founded on the twin sensate principles of pain and pleasure. The idea here is that humans are wont to define the natural language concepts of good and bad in terms of pleasure and pain, both psychological and physical. It is for this reason that explanation of the behaviours of humans is more appropriately arrived at by appeal to utilitarianism rather than to deontology. This idea is echoed in Jeremy Bentham's 1879) observation that human conduct is determined principally by the 'two sovereign masters of pleasure and pain'. This was the basis for Bentham's 'felicific calculus' founded on the principle of 'utility'. But what was quite important for Bentham's thesis and a subsequent quantitative economics was that the utility derived from specific acts was measurable in terms of intensity, duration, propinquity, remoteness, and so on. These considerations were captured by the measurable concept of the util, central to the concept of cardinal utility.

Within the context of post-Benthamite economics, it is instructive to note that the original idea of evaluating human decision-making – strictly moral or otherwise – in terms of pleasure or pain, ultimately to be understood as 'satisfaction', became translated into the measurable metric of 'cardinal utility'. The principle here is that satisfaction could be measured and that it was variable over time. This explains the later introduction of concepts such as 'marginal utility' into the mechanics of a developing neoclassical economics.

But the utilitarian paradigm was stymied by the fact that cardinal utility could not be measured because 'satisfaction' could only be determined subjectively. There was no measuring rod available that could measure comparatively the satisfaction that individuals experienced as they made their decisions. This problem also led to the observation that interpersonal comparisons of utility were not possible. One recalls in this connexion J.S. Mill's quip that the 'dissatisfaction' experienced by a Socrates was of greater utilitarian value qualitatively than 'satisfaction' experienced by a – pig. Well, who knows? The upshot of this was that the utilities that agents derived from their decisions were individual and subjective, thereby raising questions

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as to whether utilitarianism as an ethical theory could ever be established. If the 'the good' was determined by some felicific calculus which in turn was restricted to non-comparable subjective sensations of pleasure and pain then there would be no firm basis for a general theory of utilitarianism. I discuss this on the grounds that the utilitarian principle, which states that the optimal state of affairs for society is one in which the sum of all possible individual welfare (satisfaction) functions is maximal, is central to modern welfare economics.

But the central point I make in the above discussion is that there is a very evident connexion between neoclassical economics and the theory of ethics known as utilitarianism. In fact, it could be argued that neoclassical economics is a direct product of utilitarianism as a system of ethics.

Rule and Act Utilitarianism

Utilitarianism is defined as the ethical theory founded on the principle that preferable acts are those that increase rather than diminish the satisfaction, welfare or sensate well-being of individuals taken singly or collectively. Utilitarianism has also been defined as an instance of the broader ethical theory known as consequentialism whose definitional principle is that the ethical value of an act is to be determined only by its consequences. One might, in this regard, contrast consequentialist theory with deontological theory which argues that the moral worth of a decision or act is determined purely by its intrinsic rightness or wrongness. What is interesting though is that in the realm of public affairs human agents prefer to evaluate the moral worth of a decision or act according to some version of utilitarian consequentialism. The determinant invariably reduces to whether the decision or act enhances agent welfare or not. It is at this point that the connection between utilitarianism and neoclassical economics becomes evident. The question then is as follows: when theorists of neoclassical economics formulate theories according to the fundamental postulate of rationality, which is instantiated as the maximization of expected utility, to what end or consequences should the decision-making neoclassical agent maximize expected utility? The obvious answer is that the maximization of expected utility is expected to increase the welfare of the decision-making agent. In this regard, the neoclassical theorist is in reality formulating ethical dictates according to consequential utilitarianism.

Thus the prescriptive principle of neoclassical theory, according to the postulate of rationality, could be viewed as an instance of rule utilitarianism. Rule utilitarianism is defined as a kind of regulative principle of utilitarian conduct that states that the agent should make choices that enhance his or

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her own welfare. Apply this ethical principle to all agents as is prescribed by neoclassical theory and neoclassical theory logically entails welfare economics, the normative branch of neoclassical economics.

But there are cases where the agent in actual circumstances seeks to maximize utility according to the formal principle of rationality but is constrained because of cognitive limitations with regard to information, cogitating skills and contingent events. Under such circumstances the agent would be required to act according to minimax rules. One recalls in this instance Herbert Simon's theory of bounded rationality according to which agents must act to maximize expected utility in specific situations constrained by available resources and knowledge.

I have argued above that neoclassical economics on account of its reliance on the principle of utility is fundamentally an aspect of the theory of ethics known as utilitarianism. According to ethical theory 'the good' is what is usually defined as an act or thing that is desirable or preferred either in terms of intrinsic or deontological worth or in terms of its sensate consequences. In this regard, neoclassical theory is not more than a formal instance of rule utilitarianism. In fact, the rule utilitarianism of neoclassical microeconomics could best be categorised as an example of 'preference utilitarianism'. Thus the good consequences of any choice would be classified as 'preference satisfaction'. It follows that when the neoclassical agent is required to be consistent in his or her choices so as to maximize expected utility, the theorist is merely formulating an ethical theory founded on the idea of preference utilitarianism.

Excursions into Fantasy: Behavioural Economics and Neuroeconomics

Given the inadequacies of neoclassical theory in terms of its capacity as science to explain and predict in conjunction with its reliance on the problematic postulate of rationality, there have been some new theoretical efforts to deal with its problems. The most influential of these new approaches are behavioural economics and its correlate neuroeconomics. It will be shown that both paradigms are incapable of solving the problematic of neoclassical economics.

Behavioural economics begins with the assumption that economic agents do not always conform to the postulate of rationality according to its optimisation rules. The solution for the behavioural economist is to bring psychology back into economics. According to Colin Camerer: 'In fact, behavioural economics represents a reunification of psychology and economics, rather than a brand new synthesis, because early thinking about economics was shot through with psychological insight' (Camerer 1999:1057). This reunification has its foundations in the earlier research in psychology carried out conjointly by Daniel Kahneman and Amos Tversky (1979.

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Noteworthy contributors to the behavioural paradigm include earlier theorists in game theory such as von Neumann and Morgenstern (1944). More recently, the research efforts of Richard Thaler (1992) and Dan Ariely (2008) are to be noted. As stated above, the impetus behind behavioural economics is the fact that individuals often behave differently from what is prescribed by orthodox neoclassical theory.

Behavioural economics chooses to remedy that problem with an emphasis on laboratory-bound empirical work. It has been variously observed that human behaviour is multifaceted and comes in a multiplicity of dimensions. There are risk takers, risk averters, present bias agents, future bias agents, individuals who deliberately choose not to maximise their utilities in empirical terms, etc. But despite this effort by theorists such as Ariely (2008), behavioural economics is ultimately compromised by its insistence that agents make mistakes when they do not conform to the optimising mechanism as suggested by the postulate of rationality. The fact is that the construction of scientific theory is based on the assumption that nature behaves predictably. This is what allows the formulation of scientific laws and the construction of theories that determine prediction and explanation, crucial for scientific understanding.

In the case of human beings, however, driven as they are by consciously subjective thought, there is little basis to establish universal laws of choice. Were human behaviour driven by instinct, things would be a bit more tractable. The point is that as long as human choice is consciously subjective and at variance and not fully predictable then new approaches as in the case of behavioural economics are bound to be theoretically suspect. Matters are compounded by the fact that it seems impossible to dispense with some postulate of rationality if explanatory theories are going to be constructed. After all, humans make conscious choices founded on consciously engendered reasons and motives. It would be a different matter entirely if human choice did not have that mysterious mental correlate that in turn has its correlate in neuronic activity. The upshot of all this is that given the great complexity and range of human thought in terms of reasons for choices and the choices themselves, the behavioural theorist is confronted with an enormous problem given that any conception or postulate of rationality is just as good as any other. So the only kind of theories that the behavioural economist could formulate would be his or her preferred theories, founded on his or her notions of rationality.

Such notions of rationality employed by the theorist would often be more cognitively robust than those employed by live agents themselves. But it would then be the epistemological responsibility of the theorist to explain the psychological basis for the behavioural phenomena of agent cogitation on

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decisions that include degrees of riskiness (the "prospect theory" of Kahneman and Tversky, 1979) and "framing" (agents prefer the same results expressed positively rather than negatively according to test results of Kahneman and Tversky, 1979). It is on this comparative basis that behavioural economics is able to play off the standard rationality paradigm of neoclassical economics with deviant models founded on empirical behaviour. Thus all we can say in all of this is that in behavioural economics the orthodox rationality-based models still stand and they justify themselves in terms of their being more cognitively robust than the deviant empirical models founded on actual agent decision-making. Similar considerations apply to the research done on animal behaviour as a way of showing that animals do conform to the orthodox postulate of rationality as if to confirm implicitly that humans and animals are hard-wired with the orthodox rationality postulate

But this is not the issue. After all, a robot can be programmed to make rationally optimal moves in any kind of game scenario, whether chess, for example, or otherwise. The issue has to do with explaining the myriad kinds of decisions agents consciously make as they pursue goals by whatever chosen means. But when such decisions are consciously made, explanations require an appeal to particular models of agent rationality. In other words 'rationality' necessarily applies to humans for explanatory purposes but not to animals or robots. Behavioural economics is useful in that it widens the empirical scope of neoclassical economics but that just complicates matters more. Neoclassical economics is thereby committed not just to one model of rationality but to a multiplicity of others.

Given that normal human decision-making is usually effected consciously, empirically-minded behavioural economics deems it necessary to seek ultimate explanation of agent behaviour in terms of the neuronic basis of decisionmaking. This is the basis for the branch of behavioural economics known as neuroeconomics. Research has been done to match behavioural choices according to positive or negative agent appraisals by machine inspection of brain activity (Sanfey et al 2003; Camerer et al 2005). But all this is overly optimistic thinking as researchers in neuroscience and philosophy will note. There seems to be that seemingly impassable gap between subjective mental states and their neuronsic correlates. Behavioural economics hardly has new insights into this matter. The conclusion here is that neoclassical economics has been pursuing a pipe dream in its quest for scientific authenticity and respectability. Based on the analysis above, it is evident that neoclassical economics is not much more than a normative guide to optimal decisionmaking. But a guide that few agents are capable of conforming to either voluntarily or otherwise.

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Neoclassical Economics as Ideology

We have seen that modern economics has been persistent in its attempt to be classified as a positive science, a kind of engineering-like description of human decision-making. This is a point aptly made by Sen (1987:4). It is this engineering approach that has characterised all aspects of neoclassical theory for the last several decades. Even the normative side of welfare economics is assumed by many theorists to be on the same value-free plane as positive economics. This is guaranteed by the equilibrium compatibility between general equilibrium theory and the Paretian welfare principle. In this regard, neoclassical economics is concerned mainly with questions of efficiency and rarely those of equity. And even in those cases where equity considerations enter the picture, such is compromised by the constraints of the Pareto principle. This means that a Paretian welfare economics offers little guidance in situations of extreme disparities in wealth.

The market is the locus of operation for all of neoclassical economics. It is the habitat of rational economic man whose decisions are meaningful only under considerations of efficiency. Thus decisions that seem to affront human well-being and welfare are preferable as long as they yield efficiency results. The trained neoclassical economist is to be seen therefore as the kind of physician who is tied to profit-seeking insurance companies and who seeks first not to offer his patient optimal care but to cut costs – often at the expense of life and limb.

Evidently, neoclassical economics has taken flight from the real world to install itself in a universe of humanoid automatons programmed according to a prescribed postulate of rationality. In this fictitious universe the theoreticians are free to concoct as many models as they fancifully choose. The truth is that we live in the world of real humans whose decision-making abilities are subject to their limitations in knowledge and cognitive dispositions. But the theoretical and applied practitioners in the field of economics all know that the mantra of 'efficiency' rules in both the artificial and the real world. Thus the real world of humans is constantly being assailed with the slogans of 'cost cutting', 'down sizing', 'maximization of profits', and so on. If 'efficiency' requires massive unemployment then so be it. The counterargument usually employed by the theorist is that the economy is best left to operate according to the laws of the market and the rational expectations of agents. But I have shown above that neoclassical economic theory is intrinsically value-laden and an instance of preference utilitarianism.

An ideology is a structured set of beliefs that is in reality value-laden but presents itself as an objective set of ideas and facts about how the world is structured. So it is that the whole structure of neoclassical economics

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represents an ideology. Neoclassical economics is indeed the ideology of the age as argued for by Yanis Varoufakis (1996) in his paper 'O Tempora, O Mores! Economics as the Ethos of Our Times'. Successful ideologies become a pervasive aspect of society despite the fact that they may affect different persons differentially. The foundational ideology of neoclassical economics has been so successful that even those negatively affected by its ethos support it. Its ethos of individual maximization of utility and gain produces unemployment, poverty, exploitation, the fetish of the cash nexus, huge disparities in wealth, and the evaluation of individuals according to their ownership of material objects.

In more sociological terms neoclassical economics serves as the theoretical substructure of the ideological system that promotes neo-liberal market economics in today's world. The structure of the world it promotes is premised on the theory that the market system is founded on the objective laws and principles formulated by neoclassical economics. Individual agency is objective normalcy, hence the sloganeering dictate that the privatization of capital is preferable to government-based spending on the social and welfare needs of society as a whole. In brief, the generic neoclassical economics sees nothing wrong with societies with large Gini coefficient disparities.

Shifting the Paradigm: From Economics to Anthropology

In their attempts to establish economics as an empirical science theorists of economics were required to formulate theories that were both predictive and explanatory. But this goal was unachievable for two main reasons: 1) human behaviour is unpredictable and 2) the sources of human behaviour – necessary for explanatory purposes – are non-empirical mental states. The heuristic solution was to formulate a model founded on the theoretical template of a rational economic man who would be the basis for all of formal and empirical economic theory. But as Herbert Simon pointed out many decades ago, that model proved itself to be both empirically and theoretically unworkable. Simon's replacement model, founded on the principle of bounded rationality itself, proved to be unviable, hence the continuing reliance on the formal analytic model of neoclassical economics. In this regard, 'economic models are viewed as being analogous to models in mathematical logic' (Rubenstein 1998:191).

There are problems with this approach given that the understanding of the empirical decisions that humans make in the context of economics is what is required of any avowedly empirical discipline. One solution to this problem is to apply the same methodology that scientific researchers employ when they study the behaviour of animals and humans from a purely empirical standpoint.

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Ethologists inform us on the behaviours of animals such as mammals that engage in exactly the same kind of behaviours that humans engage in: employing the behavioral mechanisms appropriate for survival within particular ecological environments. Thus one would not be in error to state that ethology offers explanations and predictions concerning the economic life of, say, elephants in some specific ecological environment. Given the fact that the choices that mammals effect are much more instinct-driven than those of humans, the ethologist can offer explanations that are sufficiently cognitively satisfying without recourse to the theoretical machinery of neoclassical economics.

So it is too for the anthropologist who studies the economic decisions of humans in environments that do fall under the sway of neoclassical economics. Empirically descriptive models are all that the anthropologist needs to explain and even predict how economic transactions eventuate in some society. The anthropologist might appeal to concepts such as kinship, ritual, reciprocal friendships, all components of culturally embedded value systems to explain phenomena such as gift giving, barter, conditions of production, and so on – all within a context of decision-making, choice and scarcity. But this is exactly what we have in modern market economies: economic decisions are made within cultural contexts that set the rules of the game. Consider how a non-human observer would describe and explain the behaviour of elephants and humans. It is doubtful whether qualitatively different models would be appealed to in these cases. There would be no need to appeal to the models of neoclassical economics in this instance. No doubt, the reason why the replacing of neoclassical economics with anthropology would not be an attractive alternative is merely human narcissism and self-regarding introspection.

The question concerning the relationship between economics and anthropology has already been explored under the rubric of economic anthropology. Consider, for example, the substantivism of Karl Polanyi that viewed formal neoclassical theory as erroneously applicable to what are regarded as non-market economies. Polanyi argued that it was an error to evaluate what he called 'archaic' or 'primitive' economies with the same tools that were used for the market economies of modern industrialized states. The economic life of such societies was dominated by reciprocal gift-giving among kin and others for the main purpose of maintaining status and individual dignity. Such societies had no notion of the individualist utility maximising economic man of neoclassical economics lore (Polanyi 1944).

Polanyi's critique was directed against the idea that the lives of humans in whatever cultural setting could be subjected to the analytical tools of neoclassical economics. His countervailing thesis was that in those societies

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where economic life was not dominated by the transactions of the market, the application of the explanatory paradigm of neoclassical economics was not appropriate. Polanyi's argument in brief rests on the following assumption: ' instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system' (Polanyi 1968: 70). In other words, market economics with its subordination of society to the alternative twin dictates of starvation or profits has subverted traditional social structures in which human social life was ultimately based on noneconomic factors such as kinship and religion. In all these societies, according to Polanyi, the guiding social ethos was reciprocity and redistribution. For Polanyi, the theories of market economics should properly be restricted to post-Ricardian industrialised society. In other words, a quantified version of utilitarianism with the ascribed name of neoclassical economics was deemed sufficient to account for the behaviour of humans within society. The pretensions here were that this new discipline was sufficient to analyse human behaviour scientifically. But based on the arguments in the discussion made above, this approach has been shown to be problematic.

But if the descriptions and explanations of the economic life of the Trobriand Islanders offered by the economic anthropology of a Malinowski is sufficiently cognitively satisfying then why not the same for the economic life of individuals within market economies? Polanyi's argument would be that the lives of humans within industrial society are directed strictly by the dictates of the market mechanism. In this regard, economic behaviour is not embedded in the prevailing culture, rather it is culture that has been suborned by values of the market subculture. What are these values? They constitute an assumed faith in business and property contracts, a strongly held belief in the sanctity of private property, a firm belief that risk should be rewarded, that humans are ultimately responsible for themselves principally without regard for the general welfare of the social collective, that human empathy extends only to the closest kin, and that humans are naturally hard-wired to seek out gain in their impersonal transactions with each other. But all these beliefs and their accompanying behaviours could be just as easily understood as those of individuals whose anthropologies are those of non-market economies, by appeal to the tools of economic anthropology.

Robinson Crusoe and the Human Challenge

Humans are not driven by instinct as is the case of other mammals. Culture decides the rules of conduct in practically all spheres of decision-making. So the kinds of society that humans choose to establish reduce on the contingencies of culture choice, *pace* the sociobiologists. It is the case that

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the economic behaviour of humans in groups is determined by culture and its attendant ethics.

To illustrate the point being made consider the case of the historical Robinson Crusoe – a metaphor for colonialism and the expansion of capitalism - alone on his island. What kind of economic system would be practice? Crusoe would be self-governing and owner of his own capital, that is, his own tools of production. He would be productive as he saw fit and would share his production with himself only – as hermits have been known to do. But the question is this: what kind of theories would some hypothetical researcher construct to account for the behaviour and activities of Crusoe? Would this hypothetical researcher apply the techniques of the neoclassical economist or appeal to the toolkit of the anthropologist. Of course, the orthodox neoclassical economist would create some sort of hypothetical Crusoe who would supposedly conform to the behavioural rules prescribed by the theorist himself. It is obvious that more would be learned about Crusoe's decision-making by appeal to the techniques of anthropology than to those of the neoclassical economist. The reason is that the anthropologist as scientist would seek first to describe the behaviour of Crusoe without appeal to some concept of rationality which might just be culturally idiosyncratic to Crusoe himself. The anthropologist's description and explanatory analysis would certainly fall within the context of what the anthropology profession describes as cultural relativism. But the neoclassical economist cannot afford to adopt this methodology given that the neoclassical paradigm is firmly wedded to the positivist school of thought which has traditionally argued for a 'unity of science approach' for all objects of empirical inquiry. This would bring us again to the well-worn issue concerning the appropriate methodology for the human or social sciences.

The goal of this paper all along has been to examine whether theorists of neoclassical economics have been successful in establishing a genuine science of economics given the efforts of its most prominent methodologists. I have argued that neoclassical economics is essentially a normative system founded on a generically neoclassical postulate of rationality. Whether Crusoe decides to adopt the choice paths prescribed by the neoclassical theorist can be best described by the anthropologist as an economist. The same approach would be at work when the Crusoe story becomes more interesting with the arrival of Friday. We venture here, of course, into the area of welfare economics where the theorist openly admits that in this instance value judgments hold sway.

So what are possibilities? Crusoe could capture Friday and put him to work as a serf or a semi-free bondsman who must turn over the major portion of the produce from the work imposed on him. Crusoe's argument

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in support of the economic structure set up would be that he ought to be rewarded for the capital that he provided for Friday and the risks incurred by investing in Friday. That is the neoclassical-neoliberal argument. But there are major risks involved for Crusoe when Friday quickly realises that he is producing much more than he is consuming. He is not free and he knows that Crusoe's economic survival depends on him. The Hegelian dialectic between master and bondsman has been activated. Couple that necessary conflict with the capitalist crisis of overproduction where Crusoe hoards the surpluses produced by Friday. Since Crusoe cannot consume all the surpluses and has restricted Friday a bare minimum subsistence quota, Friday must cease work and production. This is the dynamic of neoclassical economics as capitalism.

Or Crusoe could choose to share his capital with Friday with both individuals engaging in production – hunting, fishing, planting, building, and so forth – and both sharing the output. But before embarking on such, both would have worked out contractually the duties and obligations that would determine how they would work together. Of course, what all this reduces to are questions concerning issues of welfare economics in the context of the questions raised by Pigou, Pareto and Arrow. Methodologically speaking, these are the same questions that the neoclassical theorist must ask. The plain truth is that all this would not be fully understood outside of the context of anthropological analysis. Only anthropological analysis would inform that neoclassical economic theory and its practice as capitalism should be understood as the particular socio-anthropology of the West.

Conclusion

The purpose of this paper is to demonstrate that despite its forays into revealed preference theory and rationality, neoclassical economic theory remains inescapably value-laden and as an instance of preference utilitarianism. The fact that neoclassical theory is strongly held to represent an objective and scientific economics would mean that its intent is ideological. The question then is whose interests does neoclassical economics serve? The question is an important one in that humans are the only living species that are equipped with the cognitive skills to radically transform nature to satisfy survival needs. Yet we live in a world in which the optimal human decision-making mechanism that could maximize the vast multiplicities of human cognitive skills to attain the ends of maximum human welfare in its myriad dimensions, has been usurped by neoclassical economics whose creative destruction is embodied by the fabled four horsemen of the Apocalypse. The point is that the whole human condition is in dire need of rethinking and it should not be left to the purveyors of neoclassical economics, an ideologically driven discipline that

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has shaped the central ethos of modern times. And what is that ethos but the culture of capitalism, a product of the West. And although the most influential economist of the twentieth century, John Maynard Keynes, saw fit to rescue capitalism from its self-destructive activities that resulted in the economic crash of 1929, he still had little faith in it as an economic system. Consider the following: 'The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and income' (Keynes 1936:372). Those serious faults of capitalism are still with us and causing even more havoc.

The ploy of course is this: if neoclassical economics could be proven to a be a science by way of RPT, then it would be argued that the victims of capitalism and its instantiation as neoliberal economics would just have to live with their victim status.

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An Alternative African Developmentalism: A Critique of Zero-sum Games and Palliative Economics

Yves Ekoue Amaizo*

Abstract

Africa's economic growth and dependence since independence has been characterised by a zero-sum economic interaction with the West. This was no more than a continuation of the Centre-Periphery relationship that existed during colonial times. The result of the zero-sum game interaction between Africa and the West has been to further increase the historic unequal exchange. Economic crises marked by massive unemployment, low wages and high prices have led to dangerous migrations from the discontented continent. The problem is that the post-colonial African nations are still firmly tied to the economic theories and programmes of their erstwhile colonisers. Thus the solutions offered by way of the West are no more than palliatives. The solution is to develop new theories and pragmatic solutions that derive from autonomous Africa-centred positions. This is the significance of an alternative African developmentalism.

Résumé

La croissance et la dépendance de l'Afrique depuis l'indépendance ont été caractérisées par une interaction économique avec l'Occident à somme zéro. Cela n'a fait que perpétuer la relation centre/périphérie qui a existé pendant l'ère coloniale. Le résultat du jeu interactif à somme zéro entre l'Afrique et l'Occident n'a fait qu'accroître le déséquilibre historique des échanges. Les crises économiques marquées par un fort taux de chômage, des bas salaires et des prix élevés ont poussé à l'émigration dangereuse hors du continent mécontent. Le problème qui se pose est que les nations africaines postcoloniales dépendent encore

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^{*} International Business and Project Management; Afrocentricity Think Tank, Vienna, Austria. Email: yeamaizo@amaizo.info

très fortement des théories et des programmes économiques de ceux qui les ont naguère colonisées. Ainsi, les solutions proposées par le biais de l'Occident ne sont que des palliatifs. La vraie solution consiste à développer de nouvelles théories et des solutions pragmatiques dérivées des positions autonomes plaçant l'Afrique au centre des préoccupations. C'est ainsi qu'il faut comprendre le développementalisme alternatif africain.

Introduction

It is now more than fifty years that Africa and its nation states have had independence from the European colonial powers. At the time they achieved independence, there was a fierce ideological struggle between West and the Communist bloc of nations for the political and economic allegiances of the newly independent African nations. At that time too, there were a set of European settler nations that were reluctant to allow similar paths to independence for the nations that they controlled. The nations in question here are Algeria; the ex-Portugese-controlled territories of Angola, Mozambique, Guinea Bissau, and Cape Verde; and South Africa, Namibia and Zimbabwe. These nations had to gain their formal independence through armed struggle. So there has been some progress in this regard. I should mention too the cases of Eritrea and South Sudan, but the circumstances there are somewhat different. But what we have now is a set of fifty-four African nations none of which – except perhaps South Africa, now one of the BRICS – has made an impressive mark on the world's economic scene as, say, Taiwan or South Korea. Human history in this world is essentially about human progress in terms of the usages of different forms of technology. And those peoples with more effective technologies quite often dominate economically those with less effective technologies.

It is on account of its relative deficiencies in technological knowledge that Africa came to be dominated by Europe from the fifteenth century onwards. Colonialism was the penalty that Africa paid for its negative comparative differential with Europe in this regard. Africa's contemporary economic performance is also to be understood from this perspective. Africa's goal under the present circumstances and in the light of the above must be to establish those necessary and sufficient parameters for economic growth and development. That set of parameters would include not only strictly economic variables but also those that are cultural, political, and technological.

At the moment, Africa's populations are seething with discontent on account of serious issues such as inefficient and non-viable infrastructures such as poor road and transport systems, lack of readily available water, lack of regular electricity, poor and inefficient health services, very low third

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world wages that must contend with first world prices, massive unemployment and underemployment, weak workers' rights institutions, weak social welfare structures, poor or non-existent educational structures, urban pollution, ethnic and religious strife, crime, corrupt and voracious comprador classes, political and electoral corruption, financial corruption with impunity, inefficient and usurious banking systems and services, and the list goes on. The task of development is to rectify these negatives.

But the most important of the above are massive unemployment and underemployment, and low wages. This has led to large numbers of Africans of working age looking for solutions to their discontent by seeking to migrate to the Euro-American world, where wages are much higher and the employment opportunities better – even if clandestine. The desperate trek leads from one Western consulate to another, or across the Sahara, or along the West African coast in non-seaworthy vessels. Africa's discontent is a serious one.

Yet at one time there was much optimism. There were a number of East Asian nations whose per capita GDP was less than the African average. For example, in Geary-Khamis dollars (1990 GD\$) the average per capita GDP of twelve West European nations in 1950 was \$5,018. In 2001 it grew to \$20,024. For 16 East Asian countries, the 1950 average per capita GDP was \$662(GD\$). In 2001, that number had grown to \$3,851. But for the bulk of Africa's nations, the comparative amounts for 1950 and 2001 were \$894 and \$1,489 respectively. So it is evident that Africa has been in comparative decline vis à vis other economic areas of the globe. Africa needs structural adjustments of the positive kind. What are they? In brief: political, cultural and economic transformations of a qualitative nature. These considerations will be explored in the rest of the paper. More specifically, we shall first have a discussion on the economic growth and wealth divide between Africa and Europe over the centuries, especially the last 150-200 years. Orthodox growth and development theories will be examined critically, given that theories that comprise a whole library have yielded little in terms of African performance. Developmentalism and the South-originated Centre-Periphery theory will then be examined in the context of the problematic of contemporary development. Finally, solutions will be discussed as a way forward.

It should first be noted that in modern economic development theory Africa was placed at a disadvantage because the earliest theorists were either of Western or socialist bloc (Eastern) origin. Reference is being made here to the period following the end of WW II when the virtues of capitalist market economics and socialist economics were being vigorously promoted on both sides of the ideological divide. of African development has not been left unattended by theorists in economics and political economy. Consider

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the structuralist market theories of Paul Rosenstein-Rodan, Maurice Mandelbaum, Ragnar Nurkse, Hans Singer, W. Arthur Lewis, etc. Then there were the unabashedly pro-market theories of writers such as P.T. Bauer and Hollis Chenery. One text that became quite well known in this area was *The Stages of Economic Growth: A Non-Communist Manifesto*, authored by Walter Rostow (1960). The key idea promoted in this text is that there was no need for socialist revolutions to set underdeveloped nations on the path towards development. Development could take place in linear fashion and in stages, all within the context of capitalist market economics. But such theories have hardly made any impact on the structural issues associated with development.

Such pro-capitalist ideas were in turn countered by the anti-capitalist works of theorists such as Paul Baran (1957) and Rene Dumont (1962). To a large extent, the ideas of these writers were a continuation of the anticapitalist theories of Marx, Lenin and Mao. With the dismantling of the Soviet Union in the 1990s, neoliberal economics coupled with globalization were perceived as the only way forward for economic growth and development. This amounted to African governments being pushed to accept neoliberal notions such as free trade and privatization of the most vital resources. But this approach did not work and as a result a plethora of new theories developed from a variety of national origins. But what was significant was that a number of the critics hailed from the South. These approaches from the South include authors such as Haque (1999), Shafaeddin (2000), Chang (2002, 2003, 2007), Jomo (2005), Mbaye (2009), Amaizo (1998, 2002, 2010), Amin (1977, 2008), Anwar (2003), Traore (2010), De Soto (2003), Oleyaran (2009), Sampath (2009), Raja (2003), Sen (2004), among others. Yet there were critical voices from the North that also made their mark such as Klein (2007), Reinert (2004, 2007, 2010), Collier (2007), Skousen (2007), Kattel (2009, 2010), Kregel (2005), Stiglitz and Sen (2010), Bayard (2010), Petithomme (2009), etc. Such voices were arrayed against the more traditionally neoliberal theories of Sachs (2006), Easterly (2006, 2007), and Moyo (2009).

Economic Wealth Divide: Divergence and Convergence

According to historical statistics of the OCDE: Organisation for Economic Cooperation and Development (Maddison 2003) and using the average GDP per capita, nations and economies were not diverging in terms of prosperity between 1000 and 1870 (see annexes 4 and 5). Eighteen seventy (1870) is considered as the cutting edge of the emergence of wealth bias in the world.¹

Between 1870 and 1950, it appears that Africa, Latin America and Asia (excluding Japan) were unable to boost their GDP per capita. After the geographical segmentation of the world among colonial powers in 1870, the development of the productive structures and the technology advantages

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divide between dependent and independent regions increased. The Centre-Periphery paradigm was on its way being an entrenched feature of the international economic landscape.

Between 1950 and 2001, the economic divergence between Africa and the rest of the world accelerated. Ideally one would have expected that the post-independence years - 1960s onwards - witness not only growth but technological development. It is in this context that List's principle of autarky could have been applied in the nurturing of local import substitution industries. This transition would indeed have been possible given the bountiful natural resources of the continent and the fact that the cost of labour was quite low. The reason this situation did not occur is that post-independence African development is fraught with politics. The goal of the ex-colonial nations was to maintain economic colonialism – often referred to as neocolonialism – while ceding some minimal amount of political control. The cases of Ghana and Guinea come to mind in this instance. Ghana's attempt to establish an independent socialism was stymied by the capitalist West and Guinea's attempt at establishing an independent route was equally militated against by the French. The international political context in which the West was vying strenuously with the Communist bloc for influence in Africa did not help matters to Africa's benefit. Today, the relative growth and developmental divergence between Africa's nations and the rest of the world is stark. In terms of sheer metrics the average African per capita income is less than that for any other continental averages. The same principle applies to the equally important Gini coefficient.

The Problematic of African Growth and Development Theory

One of the cardinal principles of the modern economy is that it must grow if it is to survive. As a consequence, there has been a plethora writings on the issue of economic growth over the years. Even Adam Smith's foundational text, *The Wealth of Nations* (1776 and 1977) was essentially about economic growth and development. It is in this context of extant growth theory that the post-colonial African economy should be studied. This is especially the case for Africa because all the economic growth theories on the African economy have been of Western provenance. These theories all range from the free market type all the way to those of socialist orientation.

Economic growth, as we know it, is based on number factors of which the main one is an increase in output over a specific time period. But increase in output can eventuate only when there is an increase in investment. And in turn, this investment derives from savings that have not been consumed in the last period. At some point in time when there has been sufficient growth, there will be enough savings to employ such in qualitative economic change that would lead to research in new technologies. The eventual application of

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such technologies and the resultant increasing growth is what has been termed economic development. The important question is why didn't this occur in Africa? Answers have been varied, with some arguing that free markets have not be allowed to operate given the obstructing and corrupting powers of the post-colonial statist economy (Bauer 1991). Others argue that in states where there is a shortage of capital, it is only the state that can marshal enough so that vital expenditures be made. This was the basis for the decision made by anti-capitalist communist states such as the Soviet Union and China to opt for the state as the main driver of capital accumulation, economic growth and economic development. In the case of Africa, this approach was also undertaken by Ghana under the leadership Kwame Nkrumah. There was the notable case of what might be called 'village collectivism' undertaken in Tanzania under the presidency of Julius Nyerere. This African version of rural collectivism failed for a number of reasons, one of which was the cultural factor. Opposition from the West was also another reason.

But in general the key question remains: how does economic growth occur? We bear in mind that a necessary condition for economic development is economic growth. The direct answer is Capital. The question then is how does a country deemed technologically underdeveloped acquire adequate amounts of investment capital that would generate sufficient surpluses to reinvest ever-increasing amounts in new capital and other ventures? Those who believe that in a world of large economic units only the state can harness sufficient capital for investment that could yield growth and ultimately development would no doubt see virtue in economic statism. This was the approach undertaken by the Soviet Union under the Communist party led by Lenin. In China, the same statist approach was undertaken under the Communist leadership of Mao-tse-Tung. Others might argue instead for a mixed economy approach according to which the state works in partnership with private equity capital to bring about economic growth. This seems to be the preferred approach these days, given the economic success of countries such as South Korea, Sweden, Germany and Taiwan. China has been following suit and has been registering impressive growth rates of approximately 8-10 per cent over the last decade or so. Success of this nature did not come Africa's way on account of a number of sociological factors exogenous to economic theory.

But the question remains: is it therefore that Africa's economic problems stem more from the application of non-viable economic theories than otherwise? Yet, it is instructive to discuss such theories because they are still being advocated by those who have influence on the growth path of Africa's economies. Reference is made here to institutions such as the IMF and the World Bank, among others.

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Twentieth Century Western Growth Models and Their Impact

The question that was tackled immediately after the independence of Africa's nations in the 1960s was: were the best models of development available for the task at hand? First, there was the assumption that the post-World War II growth models of Harrod (1948) and Domar (1946) were the most appropriate. There was also the Lewis model that was applied to Ghana under the presidency of Nkrumah. The Lewis model developed by Lewis (1954) was founded on the assumption that technologically underdeveloped agrarian nations with excess supplies of rural labour could transform themselves from being mainly agricultural to become developing market economies on the basis of the low costs of labour and the ready availability of capital mainly on account of the low cost of labour.

Lewis's thesis states simply that excess labour in rural areas could be made to enter the urban market economic system to serve as labour inputs in the expanding capitalist nucleus. The incentive for surplus labour to leave the rural areas is that the real wage in those areas are at subsistence level and lower than the wage offered in the capitalist sector. Given that labour is plentiful, the wages in the capitalist sector remain minimal, thereby allowing the capitalist entrepreneur to garner maximal surpluses. These surpluses are then reinvested, thereby leading to an expanding capitalist base. For Lewis, the success of the model depends on the propensity of the capitalist to save and invest. So once the capitalist class expands, chances of growth increase at the same rate. One might note that the Lewis model does not preclude the state playing the role of capitalist in this instance. The key point is to increase the amount of the surpluses being saved then invested. But again, this model proved not to be viable. As mentioned above, Lewis was an economic advisor to Ghana in its early years of independence, but his model proved unviable because there was not just a sufficiently large critical mass of private capital to absorb the excess labour from the rural areas. The point is that the newly independent African nations just did not have sufficiently independent and strong banking systems to nurture the growth of private business initiatives as in the West, which continued to serve as economic centre to the peripheral African economies.

It was on account of this fact that Ghana, under the presidency of Nkrumah, decided to opt for the socialist model of development as being practiced by the Soviet Union and its peripheral states. According to this model, the state operates as the major engine of development given its capacity to harness capital. The result was there was some success in the investment of trade surpluses in the early years of independence, especially in the area of human capital; but the socialist-oriented government was not allowed to develop naturally in a Cold War environment. We can conclude in this regard

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that the Lewis model had little influence on the growth careers of post-independence African nations.

In fact, what usually happened in the post-independence years is that the subjects of the rural exodus migrated into the cities but remained largely unemployed on account of the weak indigenous capitalist base. Unemployment and underemployment necessarily grew to unmanageable proportions producing the inevitable urban poverty manifested by the growing number of *bidonvilles* and their discontents. The status quo derives from the fact that the weak non-statist governments hardly harbour the wherewithal to alleviate the unemployment situation. Such governments function only as protectors of their respective comprador ruling groups under the watchful eye of their Western patrons.

In this context, it should be noted that in the early years of African independence the ideological conflict between the communist Soviet Union and the capitalist West was the central issue of the time. The question was: which developmental path should the newly independent Third World nations follow? Should it be the autarkic statist model or the free-market model of the West? It is in this regard that Walter Rostow gained prominence in the area of economic growth theory with his text, The Stages of Economic Growth: A non-Communist Manifesto (1960), which set out to describe the time path and stages that any non-industrialized economy must experience for economic growth and development to occur. Rostow formulated a model that set down five developmental stages as follows: i) the traditional society, ii) preconditions for take-off, iii) the take-off, iv) the drive to maturity, and v) the age of high mass consumption. The crucial element here is 'the preconditions for take-off'. According to Rostow, these preconditions occur under conditions of contingency with entrepreneurial stimuli being introduced either endogenously or exogenously. These stimuli could be reinforced by novel political and sociological conditions reinforced with new infusions of human capital, etc. The 'take-off' would then be fuelled with new and expanding market conditions and the like. The drive to maturity would entail periods of sustained growth characterized with capital widening and deepening, thereby creating conditions for technological development. The fruition of this economic metamorphosis would be a mature economy with greatly increased consumption of goods and services. Rostow's stage theory of development does seem to have some empirical instantiation in the development of some of the countries of East Asia but the model just did not get traction anywhere in Africa.

What is obvious from the above discussion is that all of the theories of economic growth and development for Africa's nations were in Western research centres, with the sole exception of Ghana's eclectic mix of socialist

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theory and African practice and, later, Nyerere's *Ujamma* rural development theory as a form of African socialism itself proved to be unsuccessful. There was just no encouragement from both statist and free market quarters.

The Neoclassical Growth Model

In this section I examine in abbreviated fashion the progression from classical growth theory to contemporary neoclassical growth theory, always with the recognition that the application of such theories to Africa's just has not worked. The classical theory of growth as advocated by Smith, Ricardo and Malthus was based on the assumption that price of labour could be kept at subsistence levels and that the extent of land was finite. In a closed economy there was bound to be some final point at which capitalist profits would fall to zero on the assumption that landlord rents would increase continuously as available land was increasingly used. The classical solution was international trade according to the Ricardian principle of comparative advantage. Growth in the classical sense would reduce therefore gains from international trade with the cost of labour maintained at the subsistence level.

The capitalist economic crash of 1929 heralded a sea change in capitalist growth theory. A set of new factors entered the picture, such as the instability of capitalist growth in the sense that unless there was adequate investment the economy would eventually fall into recession, and the fact that wages – on account of growing worker power - were 'sticky' downwards. Couple this with the increased unemployment that goes along with declining investment and the basis is therefore set for a new approaches to growth theory. It is in this connection that the neoclassical growth theories of Harrod, Domar, Lewis, and Solow became popular. Following the Keynesian requirement for growth that savings equal investment, growth rates would depend on factors such as worker productivity, capital-output ratios, and savings ratios. But these considerations were highly abstract and not tailored to meet local requirements. The Harrod-Domar model was assumed to be the correct path to growth and development. This model emphasized increased capital formation and a reduction of the capital (K)/output (O) ratio. But this was no proper recipe for success because these imported models did not take into consideration social, institutional, cultural, and political environments. The 'one-size-fitsall' approach has been an obvious flaw in the developmental recommendations offered to the so-called developing nations. The obvious solution should have been to pragmatically implement local solutions as was the case with Japan and the subsequent 'Asian tigers' (Ozay Mehmet 1995:96-97).

But the growth problematic in the case of Africa still remains on account of a number of factors, not the least of which is the hegemonic role that the IMF plays in dispensing capital to African nations. The capital dispensed

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usually comes with political strings attached. The African Development Bank which should be the main capital provider in this instance has been compromised in account of its supine political relationship with the financial institutions of the West. The fact that most of the research on development is conducted in West also makes matters worse in that African nations in their search for capital are beholden to the latest theories that emanate from the developed North (or the West for that matter). Thus the growth theory *a la mode* is the Solow-type growth model which places much stock in technological innovation. But for this to apply to Africa there must be in place dynamic centres for research and development. This is not the case in Africa, except minimally in South Africa, still perceived as a Western outpost in Southern Africa.

In the ongoing discussions about the appropriate growth and development models for Africa, the assumed framework is capitalism. Even the more radical critics of the various growth models such as Stiglitz and Chang assume that market capitalism, despite its flaws, is the best of all possible systems. There is little discussion of the fact that capitalism is a system that is doomed to periodic recessions and depressions. The reason for this is economic growth is driven by profits which must derive from the exploitation of labour. At some point in the growth process, consumer demand will not be equal to the output of products on the market. The production process must then slow down with the laying off of workers, and a falling off of investment. The capitalist mechanism is then saved by the introduction of Keynesiantype solutions involving government investment, etc. But one can extend the argument further by claiming that the paradox of capitalism is that it can be saved only with the implementation of socialist redistribution methods. The reason that capitalism fails periodically is for lack of consumer demand. One of the key principles of socialism is that of the redistribution of income and wealth. It is the redistribution of wealth and income that leads to the increased demand that will eventually encourage business production. It is this kind of analysis as it applies to Africa that the West's theorists of African growth and development hardly engage in.

Developmentalism and the Centre-Periphery Thesis Revisited

It is evident that the growth and development theories espoused by Western theorists regarding Africa have not worked. It would appear that there are a number of structural considerations that could help us explain why growth and development have not taken place in Africa. Developmentalism is the name assigned to theories developed in the West that sought to predict the developmental pattern along the path of the Western model. Examples are the theories embedded in the Bretton Woods institutions such as the IMF and

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the World Bank. In more contemporary times, we also have the highly influential UNDP and other such direct grant institutions. But as was pointed out, Africa's economies have not progressed at all according to the strict meaning of development.

f the explanations offered for the problematic of Africa's economies one, theory that has acquired some traction has been the centre-periphery argument. This theory was developed first by Hans Singer and Raul Prebisch (1949). Other economists, mainly from Latin America further developed the idea which eventually had its supporters on the African continent (Amin 1976). The empirically supported argument is that on account of the unbroken post-colonial relationship between the metropolitan ex-colonial powers and the ex-colonies, the economic advantages of such accrue to the industrialised European centre in most economic interactions. The result of all this is that the role of the peripheral areas is to export cheap raw materials to the centre which would then transform them into finished products. The main constraint of this relationship is that peripheral nations' agriculture suffers technological stagnation on account of cheap selling prices for the commodities produced and sold to the European centre.

Since the surpluses that could lead to industrial investments are not forthcoming, the peripheral nations seem condemned to be producers of raw materials in perpetuity. The economic landscape then is weak industrial development, chronic balance of payment of problems all under the management of a neo-colonial comprador class. This neo-bourgeoisie, unlike the classical capitalist bourgeoisie, does not produce much while it consumes state funds and capital. One glaring case of such is the way the French Treasury controls the reserves of the those ex-colonial nations that use the CFA as their legal tender. A post-colonial pact with France stipulates that members of the Communauté Financière de l'Afrique, i.e. the ex-West African colonies, must deposit 50 per cent (previously 65 %) of their reserves in the French Treasury with an investment liability of 20 per cent paid too. The CFA Central Bank is the BCEAO (Banque Centrale des Etats de l'Afrique d'Ouest) that issues the currency that is not printed locally but in France. There have been some protests here and there but this blatant dependency situation is yet to be seriously tackled. A similar situation exists for the ex-French colonies of Central Africa. Couple this situation with the fact that France has troops stationed in Senegal, Djibouti and Gabon, and that trade links are maintained on the strict priority granted to that nation. Similar dependency considerations apply to the centre-periphery relationships between the ex-Portugese territories and Portugal and the Commonwealth Anglophone nations and Britain. But things are not static in the struggle to control Africa's resources. The United States and China have now fully joined the exploitative

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zero-sum dependency game of the relationship between Africa and the industrialized nations. The result of these inequalities, as discussed, is the continuing inequality in terms of economic growth and development. We have a situation in Africa of third world wages and first world prices, chronic depression level unemployment and underemployment, very cheap prices for commodities exported to the industrialised centre, imbalanced growth, and weak currencies with little exchange value.

The Problematic of Contemporary Developmentalism

Africa came out of the structural adjustment programmes of the 1980s bruised and battered but still standing. The outcome of these IMF initiatives was to accelerate not only the brain drain but also the less skilled from all parts of Africa. The goal of those escaping from the dire economic conditions of the continent was to migrate to those countries where wages were higher and employment opportunities greater. One positive in all this was the sending back of remittances by the diasporic workers to their home countries. Yet this situation is not ideal because it robs a developing country of those workers with the most invested human capital, thereby setting back potential development.

With the dismantling of the Soviet Union the field was now clear for the West to overwhelm Africa with its neoliberal development programmes. What resulted from this new economic hegemony was the flourishing of new elements of the African comprador bourgeoisie. According to Bartholomaus Grill there are now 75,000 millionaires with 700 billion dollars of assets and extra 400 billion dollars controlled by Africans outside of Africa (Hippler and Grill 2007). Yet the continent is still plagued with massive problems of infrastructure such as electricity, water, roads, railways, etc.

It is this structural neglect that is at the root of Africa's problems. What compounds matters is the fact that the advice offered to African governments is mere palliative that is being offered by neoliberal theorists such as Jeffrey Sachs (2006) who focuses on issues such as malaria where bed nets of non-African origin are supposed to help alleviate the malaria problem. The question as to why Sachs never promoted the manufacture of such nets in Africa is not raised. The point is that the problem of Africa is much more than the evidently palliative piecemeal approach of the likes of Sachs. But a similar critique can be made of those researchers who develop a reputation from writing about Africa while they are based in Western universities and research centres. Reference here is made to authors such as Dambisa Moyo (2009) and Easterly (2006) have adopted a rather naïve approach to the issue of African development. The problem is not 'aid' per se but rather a complex set of issues involving local institutions and the political relationships between the West and the African ex-colonies. What is most often involved is the

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direct subsidizing of the corporations of the centre by their governments. The leakages of funds from the allocated amounts is well-known and reflects the price of doing business. Hernando de Soto (2003) is also a single-issue theorist who focuses on the issue of legally enforceable contracts as necessary condition for economic growth and development. The argument here is for a formal system of titled property rights which would facilitate the granting and honoring of capital. But perhaps two of the most perceptive of the new authors who have been tackling the issue of development as it pertains to those nations that have not shown much progress in the last fifty years are Ha-Joon Chang (2007) and Eric Reinert (2008). The case of Chang is particularly interesting given that South Korea's per capita income in 1950 was IGK\$ 770 but increased to IGK\$ 14,673. Korea achieved such, according to Chang(2007), by a judicious mixture of targeted protectionism and importation of specific kinds of technology.

The developmental thesis of both Chang and Reitner runs counter to the prevailing neoliberal mantra that open markets and comparative advantage trade *a la* Ricardo are the best way forward. The counter-thesis is that the most effective policies of growth and development would entail protectionism of certain targeted industries initially in the area of manufacturing. This was the developmental policy first pursued by Germany under the economic guidance of Friedrich List (1841 and 2005). This approach recognized that economics should be about the general welfare of the nation and not the individual unit if development and progress are to take place. As Chang and Reinert would argue, given the technological imbalances between the industrialised world and the developing world, growth and development along the lines of Ricardian comparative advantage would lead to production of primary products with no incentive for technological transformation. The question then is what ought to be the way forward?

But the problem with the critical ideas of Chang and others is that the authors are based mainly at research centres in the West and as a result are not part of the sociological milieu where the practices of neoliberal capitalism and globalisation are directly experienced. The same holds for even theorists such as Joseph Stiglitz (*Globalization and its Discontents*, 2003) who, though critical of the operational procedures of the IMF and other Western financial institutions, approach the problems of African development from the offices and cubicles of Euro-America. The unfortunate stochastic details of unemployment, corruption and poor infrastructure do not really figure prominently in their models. The point is that there is much to be done in terms of infrastructure and just culturally engendered human behaviour before the critical theories of the North could be applied to the African economic environment.

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It is in this context that ideas relating to the collectivist virtues of Pan-Africanism, African intellectual and psychological autonomy, pooling of economic resources, etc., as expressed by eminent researchers such as C.A. Diop in his short but important text Black Africa: The Economic and Cultural Basis for a Federated State (Hartford, Conn.: Lawrence Hill and Co., 1978) do not enter into any theoretical and empirical discourse emanating from Northern research centres. The fact that the African continent is a veritable patchwork of mainly weak and unviable states is not seen as serious problematic by researchers from the North. But for the Africa-centred mind, this is an important problem that must be tackled. The individual African states are so weak that only the formation of continental institutions would save them from external exploitation as neoliberal free market economics advocates. Africa at the moment has no continental news media that presents information from a self-conscious African perspective in much the same way that the Euro-American media such as CNN, BBC, RFI, etc, not for their host nations but for Africa too. In line with the Diop paradigm, the same principle applies to continental institutions such as the military, the judiciary and economic security. The latter is particularly important for refugee care and food deficiencies when the need arises. What is recommended here is that the modalities of genuine economic development are more efficiently explored from the perspective of a continental optic than otherwise. Piecemeal and partial solutions will just not work. But this continental perspective will not be implemented automatically given that the same discredited theories in the form of developmental neo-liberalism will still be vigorously promoted. Thus Africa is assailed with superficial initiatives such as NEPAD and MDGs all supposed to push Africa out of the doldrums of underdevelopment. All of these initiatives are wrapped in packages of 'aid' from the World Bank and other Western financial institutions. But they are no more than palliatives for they cannot and are not meant to solve the problem.

Zero-Sum Games and Palliative Economics

In competitive games of decision-making, the idea of the zero-sum game is a central element. In economic transactions one can easily apply the idea of the zero-sum. In fact, this model sums up well the relationship between colonial and post-colonial Africa. The colonial relationship between Africa and Europe was one in which the gains of Europe were losses or near-losses for Africa. What made this possible was that raw materials were obtained free of charge practically for the industries of Europe. And the workers who were dragooned into the serf-like work structures that exploited the mineral and agricultural resources were themselves exploited to the maximum. The

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economic surpluses that accrued to the European centre were derived from the quasi-free labour provided by African workers. It is these surpluses whose beginnings lie with the trans-Atlantic trade in captive African labour accumulated during the colonial era that led to the rapid growth and development of Western Europe economic centres such as France, Britain, Holland, Germany, etc. In Africa, urban areas on the coasts of Africa sprang up to facilitate the shipment of raw materials to the European metropolises. African life was necessarily transformed negatively with maximal economic losses, in the sense that the workers were exploited in terms of wages and the costs to themselves. The case of South Africa represents the zero-sum game relationship between Europe and Africa in ideal terms. The system of Apartheid was essentially an established system of extreme economic exploitation buttressed by law and extreme violence on the part of the Apartheid state, fully supported by the European centres. South Africa grew wealthy and developed in terms of infrastructure on account of the very minimal costs involved in the exploitation of South African gold, diamonds and agriculture.

This zero-sum game relationship is further more easily understood by recognizing that the unequal exchange of labour and raw materials on the one hand and maximal profits on the other hand is an intrinsic element of capitalism as an economic system. Marx's well-known equation of capitalist dynamics, M-C-M* says it all. In a general way, M represents bank capital with interest costs, which, if successfully invested, must be transformed at the end of the dynamic into M*. For growth to occur, M* must contain not only a profit component but also interest payment to the banks. Capital as machinery cannot be exploited in the same fashion as non-slave or non-indentured labour. In modern times, there are no initial costs for labour except wages for work done. So the more labour is exploited, the greater the profits. This is zero-sum game aspect of capitalism as an economic system. It is this dynamic that explains the growth in wealth and development of the centre colonial nations and the growing poverty of the periphery nations in colonial and post-colonial times.

It was assumed that with political independence from the 1960s onwards the nations of Africa would begin to gain some independent footing. But this was not the case given the fact that almost all the ex-colonial nations chose to remain within the economic sphere of their ex-metropolises. Although the new nations established their own governments as a way of demonstrating independence, they quickly realized that their currencies were not convertible to the European currencies and that their values quickly deteriorated on the basis of the ministrations from the IMF, especially in order to obtain loans.

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According to IMF doctrine, devaluation of currency supposedly boosts exports. What this leads to is further pauperization of populations because the imports they purchase – often manufactured from cheaply acquired African primary products – are sold at the prices higher than those that prevail in the European metropolises. First world prices and third world wages are what prevail in the post-colonial African nations. This applies not only the prices of commodities for consumption but also to real estate. The price of land and the cost of housing construction in Africa approaches first world levels. What keeps this unjust game going is the presence of a small comprador class and expatriates from Europe and West Asia (Lebanon). Thus the Gini coefficients of most African countries are among the highest in the world. This is the source of much discontent.

The zero-sum game situation that prevails in most African nations eventually leads to great indebtedness. To allay indebtedness, the African governments then appeal to the IMF for relief. The prescriptions offered are the infamous structural adjustment programmes. At this point the Western nations step in with their economic programmes that are not more than palliatives. This is the neocolonial function of institutions and projects such as UNDP, UN Millennium Project, NEPAD, etc. Even the African Union (AU) which is supposedly the framework on which important Pan African institutions are built is funded mainly by Western neoliberal nations. These organizations have all been failures for Africa, but a success for the West in that they represent the conduit whereby economic control is maintained. Donor support, neocolonial NGOs, AID, etc. are all morphed forms of Africa and the zero-sum game in the context of the Centre-Periphery enjeu. It should be noted, parenthetically, that the term 'AID' is a purely euphemistic term which, when unpacked, is not more than third-party contacts for Western businesses with kickbacks for the comprador governing elements.

What is to be Done: Specific Solutions

Some of the major and immediate problems facing Africa today are unemployment and low wages. The problem, it would seem, is structurally sociological. In modern society, individuals must first spend years in schooling situations where they are taught the basics of modern education, i.e. reading, writing and calculation. This is the norm in urban areas. The urban jobs that such individuals seek are usually what are called 'low-skilled' jobs. Here comparative salaries are extremely low and employees at this level never earn enough to save. The lure again is the West where low-skilled jobs pay some twenty-five to forty times as much and even more. The same principle applies to individuals who continue investing in their own human capital at the university level. After many years of study in areas that are no more than

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replicas of the Western university pedagogy, the individual is faced with the same problem of employment. Given the economic deficiencies of African nations in terms business depth the opportunities for employment are quite small. Thus, in such situations where the numbers of university graduates far outnumber available openings, nepotism, jobbery, patronage, and even bribery are the principles that are applied. Again, the lure of the West beckons, where salaries are much higher even for non-skilled employment. For example, what is the point of graduating with degrees in engineering when there are no jobs available? Of course, in all this there are the obvious social benefits of being educated. It makes for a better civil society. But individuals do need employment for obvious reasons.

One solution to this unfortunate situation is that the African pedagogical systems of education should be reformed. There ought to be more emphasis on training the student in a multiplicity of skills that are in constant social demand. And all these skills should be buttressed with basic training in accounting. The same should hold for education at the university level. What would certainly alleviate the problem of unemployment would be formation of work guilds that would help provide basic capital for new university graduates. Thus a graduate in architecture would first become a member of the guild of architects which in turn would guide the new graduate into work situations first as an apprentice, then later as an independent architect with access to bank capital courtesy of the guild itself.

Yet the economic purists would ask about the issue of hiring up to the marginal points where costs equal received revenues. The answer is that such a situation could easily be solved by the reduction of workloads and work hours for company workers on average as the number of employees increases. At some point in time, the new employee would hope to launch his or her own independent business enterprise with the assistance of the profession's guild.

Yet there remains the issue of low wages. To rectify this situation, good governance is required in the sense that workers' rights in all dimensions would be encouraged. Workers, via their guilds would therefore have the right to negotiate for better salaries. Governments by a judicious developmental policy would seek to wean the populace away from purchasing imported items of all types, minimally at least in the area of consumption commodities. These are all non-textbook ideas as to how the serious economic issue of low-wage unemployment could be solved. The solution lies therefore in creative and pragmatic thinking for perhaps the most serious problem facing contemporary Africa. But, again, the most important point I should want to make is that the education systems inherited from Europe are not adequate for post-colonial Africa.

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What is to be Done: A General Solution

The problem of African growth and development is a serious one. I have argued that the attempts at development, exogenously determined for the most part, have not been more ineffective palliatives. Reference here is made to the plethora of poverty reduction and sustainable development programmes. New approaches are needed. First, there are certain structural changes of a political and cultural nature before the foundations could be set for genuine economic development. These structural changes derive essentially from political reorientations. Consider the fact that there are ongoing neocolonial links between the ex-colonial powers and their erstwhile colonies. The French maintained links by way of the French Communaute, the British Commonwealth, and the Lusaphone spheres are obvious instances of such. These neocolonial relations often hinder political and economic relations between even neighbouring African countries. The fact that France has troops stationed in Africa more than fifty years after formal independence should be taken to mean that France's goal is to maintain serious neocolonial links with its African neocolonies. The point is that despite some group initiatives concerning trade on the part of the developing nations adopted at the WTO Doha round in 2001 the economic status quo of dominant Centre and subordinate Periphery still remains the norm.

This impasse could be overcome with the following considerations which require only the effecting of political will. A single currency under the control of a continental Central Bank would be effective in this instance. Such a bank would do much to reduce the present dependency on the exploitative IMF and World Bank. Interregional trade would also extend regional trade areas leading to increased economies of scale and efficiencies. But more than these interregional structural changes there is need for revolutionary changes of a cultural nature within the various nations themselves. The state should cease being the personal preserve of the existing comprador classes who consume state resources with impunity. The revolutionary impulse to institute social welfare governments such as those of the Scandinavian nations must be generated. It is unconscionable that oil-producing states such as Nigeria, Gabon, Angola, Algeria, etc, should not have sought to institute such kinds of government decades ago. Furthermore the cultural stumbling blocks to development such as those associated with religion, ethnicity, region, etc, should be shelved for the goal of development in all its dimensions.

But the most crucial ingredient in this is the requirement of human capital investment in massive proportions, especially in the area of technology. Such should not be undertaken by the nations of Africa separately but collectively for greater research depth. One envisages in this instance new research centres and universities being established. Consider the dire need for research

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in malaria, solar energy, pharmaceuticals, computer technology, etc, all within the context of joint continental efforts.

South Korea and Taiwan: Neoliberal Anomalies

In the modern era of socialist economics, market socialism, neoliberal market economics, mixed Keynesian type economies, etc, there are two non-Western economies that stand out. They are South Korea (population 50 million) and Taiwan (population 23 million). These two countries have been able to progress from mainly agrarian societies in the post-World War II 1960s to modern technologically advanced societies. In the 1960s the per capita GDP of South Korea was approximately on par with those of Senegal, Zimbabwe, Nigeria, Congo, etc., put at approximately \$700 per annum. While these mentioned countries have stagnated in terms of qualitative growth and development, South Korea has become a major player in the world's current economies. South Korea is now one of the leading providers of industrial and technological goods in the world. It is the world's largest ship builder as undertaken by major companies such as Hyundai, Daewoo, Stx (Korea and Europe). It also is major builder of oil drilling platforms by way of the same companies that also produce almost everything from automobiles to household electrical items. South Korea's average GDP is now \$30,000, which puts it on par with most of the countries of Europe.

The same may be said for Taiwan (per capita PPP GDP: \$35,000), which though developing from a different set of circumstances has been transformed from a country of mainland China political migrants who fled to the island during China's communist revolution in 1948. Taiwan is now the world's largest manufacturer of computer chips and other computer appurtenances. Putting it briefly, Taiwan is at approximately the same technological level as South Korea. The question then is: how did they do it? To effect developmental transformation three conditions must hold: 1) motivated governmental leadership, 2) access to cheap capital, and 3) a trained workforce reinforced with adequate amounts of human capital investment (Tien: 1996). Thus it is obvious that development of South Korea and Taiwan did not go along strict neoliberal lines with minimal roles for the government and minimal tariff restrictions. Yet despite that fact, what really got development moving in both South Korea and Taiwan is the fact that both nations were recipients of massive amounts of cheap capital from the United States as it sought to thwart the communist threat as was presented by North Korea and China respectively. The United States was also able to encourage Japan to do the same. The point here is that, with discretion, the Korea and Taiwan experiences can be exploited for genuine African development. After all, countries like Nigeria, Gabon and Angola do have access to capital through their petroleum exports.

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Taking Stock: Some Considerations

We have seen from the above discussion that Africa is nowadays the continent of discontents. This discontent is compounded by humiliation incurred during the colonial era (Traore, 2009). Africa has become the continent of massive unemployment, weak technological base, weak currencies, political corruption and subordination to the economic dictates of the Euro-American centre. Africa is the perennial zero-sum victim of the world's international and political game. In this game engineered by a rampant economic neoliberalism under Euro-American peripheral hegemony, institutions such as the IMF, the World Bank, and the WTO play important roles. The present situation is one of a politically and economically balkanized Africa under the local direction of neocolonial comprador classes that are in turn beholden culturally and economically to a central Euro-America. The political and economic role of Africa's comprador classes is facilitate the economic exploitation of Africa by international capital while receiving in exchange the commodity products of neoliberal capitalism.

When crisis strikes the Euro-American growth and development institutions offer up self-serving palliatives in the form of NGOs, Millenium projects, NEPAD, and the like. These gestures eagerly embraced by Africa's comprador governments just have not worked. Africa's planners need to approach the issue of development from outside the 'box' of neoliberalism and playing the centre-periphery game. Asian development offers a useful precedent: their respective governments did not cut all tariffs, did not allow foreign capital entry without controls, and did not eliminate support for local businesses, etc (Cavanagh et al., 2002). With an annual average income of less than \$100 there is a serious need for reform and bring about a situation that is Africa-centred (often termed as 'Afrocentric') (Asante 1988; Haque 1999; Mbaye 2009). In more practical terms Africa needs to enforce a 'contractual solidarism' (Amaizo 2010) with appropriate collective benchmarks (Amaizo 2002) entailing peer reviewed discipline while organizing on a democratic basis new perspectives of wealth creation and prosperity sharing. A comprehensive social science approach will be helpful in this regard (Bayart 2010).

The Africa-centred approach entailing collective efforts on all fronts – political, economic-financial, infrastructural, military, technological, medical, etc. – would seem to be the most viable option given Africa's competitors in the international arena. Else, we would have to continue to tolerate Africa's present menu of weak, corrupt, and failing states which constitute the majority

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on the continent (Reinert, Amaizo, Kattel, 2010). In short, the recipe ought to be an 'Africa-centred Pan Africanism' according to which the goal will be maximum and autonomous African growth and development in an environment of political and economic federalism funded by African governments. In the context of an Africa-centred autonomy, the embarrassment of having, for example, the African Union funded by the West will not be tolerated.

From the above discussion it is obvious that the way forward for Africa in terms of economic development is neither the neoliberal paradigm nor the new developmentalism, but alternative developmentalism. This alternative developmentalism would be based firmly on foundations of an Africa-centred pan-continental approach on the basis that the vast majority of Africa's states are just not sufficiently robust to compete individually on the world's economically competitive landscape. Investments in human capital and scientific-technological research must all be undertaken collectively if positive results are to be realised.

Conclusion

The economic career of post-colonial Africa, especially for those states that did not experience the destruction wrought by wars of independence, has been disappointing. The key issue of concern in this regard concerns the paramount need for economic growth and development. The problem has been that prescriptions for growth and development have been monopolized by economists of Western provenance whose theories have not helped Africa to build strong, independent, self-sustaining economies. This paper is an attempt to explore the reasons for Africa's poor economic performance as being largely due to: the unbroken links that African nations maintain with their ex-metropolises; non-dynamic cultures; lack of regional and continental cooperation; and an unreflective commitment to Western-engendered development programmes. Prescriptions offered include: greater investments in human capital; changes to the inherited Western-oriented educational systems; and, more intellectual autonomy to solve Africa's pressing problems from an Africa-centred point of view. It is this approach that is encapsulated in the concept of an alternative developmentalism.

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Table 1: Benchmarking selected Economies, 1950-2001, Per Capita Gross Domestic Product (1990 International Geary-Khamis Dollars (IGK \$))

Economies	1950	2001	Retrogression/Progression
	ASIA		
China	439	3,583	□
India	619	1,957	□ □
South Korea	770	14,673	5
	AFRICA		
Côte d'Ivoire	1,041	1,297	\$
Democratic Congo (Zaïre)	570	202	A
Ghana	1,122	1,311	\$
Madagascar	951	731	Ø
Mauritius	2,490	11,318	□ □
Nigeria	753	1,157	\$
Senegal	1,259	1,474	₿
South A frica	2,535	4,208	₿
Togo	574	575	□
Tunisia	1,115	4,710	□
	LATIN AMERICA AN	ID CARIBBEAN	
Brazil	1,672 5,570	5,570	~
Haiti	1,051	785	Ø
	EUROPE	3	
France	11,664	21,092	□
United Kingdom	10,767	20,127	5
	NORTH AMERIC	ERICA	
United States of America	4,091	27,948	8
Canada	7,291	22,302	□
FORMER	FORMER EASTERN EUROPE		
Russia (USSR)	2,841	6,027	\$
Poland	2,447	7,491	5
Romania	1,182	3,168	S

Source: Maddison, A., The World Economy, Volume 1: A Millennial Perspective and Volume 2: Historical Statistics, Paris: OECD.

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Note

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Africa's Growth and Development Strategies: A Critical Review¹

Musibau Adetunji Babatunde*

Abstract

At independence in the late 1950s and early 1960s, there were high hopes about the growth prospects of the new politically independent African states. Economic conditions, such as per capita real income, were comparable to other developing countries like South Korea and Taiwan. By the mid-1970s, the growth profile of most African countries had started to decline and by the mid-1980s, it became obvious that the African continent needed rescue packages which came in the form of Structural Adjustment Programmes. However, countries like Taiwan and South Korea had made tremendous progress such that their per capita real incomes had grown more than tenfold while those of most African countries had declined considerably compared to the immediate postindependence era. What role did the growth strategies adopted by African countries play in this tragedy? How do we rethink Africa's growth strategy? What were the lessons learned and which way forward? These and other related issues are what this article sets out to address. The article identifies three distinct growth phases for the economies of Africa and analyzes critically the various models embedded in those phases. Among other things, the article strongly canvasses for the deepening of regional integration, enhancing productivity and competitiveness through investment in technology and education, and the reinventing of African labour markets to promote productivity and good labour relations.

Résumé

Au moment des indépendances de la fin des années 1950 au début des années 1960, le continent plaçait de grands espoirs sur les perspectives de croissance des Etats africains nouvellement indépendants. Les conditions économiques telles que le revenu réel par habitant, étaient comparables à celles d'autres pays en développement comme la Corée

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^{*} Department of Economics, University of Ibadan, Ibadan, Nigeria. Email: tunjiyusuf19@yahoo.com

du Sud et Taiwan. Dès le milieu des années 1970, le profil de croissance de la plupart des pays africains avait commencé à se dégrader et au milieu des années 1980, il était devenu évident que le continent africain avait besoin de programmes d'aide dont il a effectivement bénéficié sous forme de programmes d'ajustement structurel. Toutefois, des pays comme Taiwan et la Corée du Sud avaient accompli un progrès tel que leurs revenus réels par habitant ont été multipliés tandis que ceux de la plupart des pays africains baissaient sensiblement par rapport aux toutes premières années après les indépendances. Quel rôle ont joué les stratégies de croissance adoptées par les pays africains dans cette tragédie? Comment allons-nous repenser la stratégie de croissance de l'Afrique? Quelles sont les leçons apprises et quelle est la prochaine étape? Cet article se propose donc de s'attaquer à ces questions et à celles qui v sont liées. Cet article identifie trois phases distinctes de croissance pour les économies africaines et procède à une analyse critique des différents modèles inhérents à ces phases. Cet article explore également les voies et moyens de renforcer l'intégration régionale, relever la productivité et la compétition à travers l'investissement dans la technologie et l'éducation et réinventer les marchés de main d'œuvre en Afrique dans le but de promouvoir la productivité et de bonnes relations de travail.

Introduction²

The growth performance of African countries can be described as among the least encouraging economic performances of the twentieth century because of its dismal nature and disastrous socio-economic implications for its approximately one billion people. After gaining independence from the colonial powers in the late 1950s and early 1960s, African countries had high hopes for development; but most of them are substantially poorer now than they were when their nations gained political independence.³ Prior to the 1974 international oil shock, the growth rates were positive. For example, Artadi and Sala-i-Martin (2003) observe that for the whole continent, growth was around three per cent in the early 60s, close to two per cent in the late 60s, and slightly below 1.5 per cent between 1970 and 1974. Things changed dramatically in the second half of the 1970s. The growth rate for the countries became negative 0.5 per cent in the late 70s, negative 1.2 per cent in the second half of the decade, and zero between 1980 and 1985. Growth dropped dramatically to a record negative 1.5 per cent per annum in the first half of the 1990s. The continent seems to have recovered a bit since then with positive, albeit small, growth rates for the second half of the 1990s and the first two years of the new millennium. There were exceptions, of course, with the oil-producing nations such as Nigeria, Libya, Gabon and Algeria;

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but in all these cases, though growth was positive, it did not trickle down. One only has to look at the Gini coefficient numbers for countries like Nigeria and Gabon to appreciate the fact that even when there was growth, it was very uneven; great individual wealth was generated but only for those in command of the post-colonial state. One should also note that from the 1960s to the 1990s, there was much political instability on the African continent – taking the form of the Cold War competition between the West and the Communist bloc, the ideological struggle between Third World socialism (Kwame Nkrumah of Ghana) and neo-colonial capitalism (Houphouet Boigny of Ivory Coast), and the military anti-colonial conflicts in Southern Africa. These political events should be factored into any comprehensive analysis of post-colonial Africa.

Taking the above into consideration, we note that the African growth performance has been very weak in absolute terms, but appeared worse if we take into account that, during this same period the rest of the world has been growing at an annual rate of close to two per cent. The biggest contrast in terms of development has been between Africa and the Asian continent. In the 1960s, most African countries were richer than their Asian counterparts, and their stronger natural resource base led many to believe that Africa's economic potential was superior to overpopulated Asia's. In 1965, for example, incomes and exports per capita were higher in Ghana than in South Korea. But projections proved to be far off the mark. Korea's exports per capita overtook Ghana's in 1972, and its income level surpassed Ghana's four years later. Between 1965 and 1995 Korea's exports increased by a factor of 400 in current dollars. Meanwhile, Ghana's increased only by factor of 4 and real earnings per capita fell to a fraction of their earlier value. The parallels are considerable between Africa today and Asia in the 1960s. Africa's economic and social indicators in 1995 were not much different from those of Korea in 1960 or Indonesia, Malaysia, and Thailand in 1975 – although savings and school enrolment rates were somewhat lower (UNCTAD 1998). In sum, the continent's growth record has fallen well short of expectations.

When expressed in terms of purchasing power parity (PPP) – which takes into account the higher costs and prices in Africa – real income averaged one-third less than in South Asia, making Africa the poorest region in the world. In East Asia and the Pacific, per capita gross domestic product (GDP) growth was over five per cent and Latin America grew at almost two percent per annum (Easterly and Levine, 1997). Unlike other developing regions, Africa's average output per capita in constant prices was lower at the end of the 1990s than 30 years before – and in some countries had fallen by more than 50 per cent. In real terms, fiscal resources per capita were smaller for

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many countries than in the late 1960s. Africa's share of world trade has fallen since the 1960s: it now accounts for a minor portion (Gelb 2000). Three decades ago, African countries were specialised in primary products and highly trade-dependent. But Africa missed out on industrial expansion and now risks being excluded from the global information revolution. In contrast to other regions that have diversified, most countries in Africa are still largely exporters of primary commodities. They are also aid-dependent and, until recently, deeply indebted. Net transfers from foreign assistance average nine per cent of GDP for a typical poor country – equivalent to almost half of public spending and far higher than for typical countries in other regions.

Africa is the only major region to see investment and savings per capita decline after 1970. Averaging about 13 per cent of GDP in the 1990s, the savings rate of the typical African country has been the lowest in the world. Africa's development challenges go deeper than low income, falling trade shares, low savings, and slow growth. They also include high income inequality, uneven access to natural resources, social exclusion, insecurity and severe growth-dampening conflicts. But why have African growth and development been so slow and sometimes reversed? Where there is growth, why have the majority of people been excluded from the growth process and even from the benefits of growth? Why is unemployment-growth pervasive? Why has growth not translated into structural changes? Is it because of the adoption of imposed growth formulae and models irrespective of the structural characteristics of economies in Africa? What role do the prescriptions of the Bretton Woods institutions and the idea of total liberalisation and globalisation play in this respect? Arguments have been put forward in the literature that the suggested economic reforms for Africa by the Bretton Woods institutions have failed to produce the kind of growth they were meant to achieve.⁵ Rather it is believed that they have contributed to the economic stagnation that Africa as a continent has witnessed over the years.

This article sets out to review the growth and development profile of Africa in the context of the neo-liberal growth and development strategies it has adopted over the years. Further, it sets out to propose alternative agenda for African growth and development. The sequence of this paper is as follows. After the introduction, section two presents a review of Africa's growth performance over the years; section three discusses and evaluates the various growth strategies that have been adopted in Africa over the years; section four proposes a viable policy framework for Africa's growth and development; and section five concludes the discussion.

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Review of Africa's Growth Performance

Per Capita Income Growth

Africa's growth performance cannot be said to be encouraging, especially when compared to other regions of the world. National development of countries in the African continent has been stunted.⁶ In terms of annual growth rate of per capita GDP presented in Table 1, evidence reveals that African growth rates of per capita GDP increased from 4.5 per cent over the decade 1970-80 to 4.8 per cent over the period 2000-2005. The average annual growth rate which stood at 5.9 per cent in 2007, however, declined to 4.9 per cent in 2009. This decline is perhaps as a result of the global financial/economic crisis. Nevertheless, the surge in growth recorded in 2007 could be attributed to favourable primary commodity prices fuelled by high demand by emerging economies like China and India.⁷⁷ China is currently receiving about nine per cent of Africa's total export while India sources about 24 percent of its crude oil from the continent (Hanson 2008; Beri 2009).

Between early 2003 and mid-2008, oil prices climbed by 320 per cent in dollar terms, and internationally traded food prices by 138 per cent. The increase in prices of the most sought-after primary commodities was also driven by the high demand for these commodities by emerging economies like China and India.

Africa holds a relatively minor share of the world's proven oil reserves of approximately 10 per cent compared to the Middle East's nearly 62 per cent. It should be noted though that Africa is a vast continent and that oil exploration is still ongoing. China's booming economy, which has averaged an annual nine per cent growth for the last two decades, requires massive levels of energy to sustain its growth. Though China relies on coal for most of its energy needs, it is the second-largest consumer of oil in the world behind the United States. Once the largest oil exporter in Asia, China became a net importer of oil in 1993. China's biggest suppliers in Africa as of 2006 were Angola, the Republic of Congo, Equatorial Guinea, and Sudan. It has also sought supplies from Chad, Nigeria, Algeria, and Gabon. At the same time, currently around 24 per cent of India's crude oil imports are sourced from Africa. Indian national oil companies like the Oil and Natural Gas Corporation Videsh Limited (OVL) have also invested in equity assets in African countries.

However, the recent sharp declines in oil and food prices mark the end of what has been the most historic commodity price boom of the past five years. Following a historic five-year boom during which energy prices, metals and minerals prices, and food prices soared, the prices of those commodities plunged in late 2008. However, when compared to other regions, the African growth rates were lower than those recorded by economies in transition and the developing economies of Asia during the same period (Table 1).

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Table 1: Annual Average Growth Rates of Total and per Capita Real GDP of Regions

Region Total	Real Gi	oss Do	mestic	Produc	t (Perc	entage)		
	1970- 1980	1980- 1990	1990- 2000	2000- 2005	2005	2006	2007	2008
World	3.8	3.2	2.8	2.8	3.4	4.0	3.8	2.1
Developing Economies	5.8	3.9	5.0	5.4	6.7	7.1	7.3	5.5
Economies in Transition	4.9	1.2	-4.8	5.4	6.1	7.2	8.2	5.4
Developed Economies	3.4	3.2	2.5	1.9	2.3	2.8	2.5	0.8
Developing Economies: Africa	4.5	2.3	2.8	4.8	5.7	5.6	5.9	4.9
Developing Economies: America	5.8	1.7	3.2	2.7	4.7	5.4	5.7	4.4
Developing Economies:								
Asia	6.2	5.7	6.3	6.5	7.5	7.9	8.1	5.9

Source: UNCTAD Handbook of Statistics, 2008. Table 8.2.1, and updated with statistics obtained from http://stats.unctad.org/Handbook/TableViewer/tableView.aspx? ReportId=2069

Trade Structure and Performance

The export share of the African continent in the world trade has been experiencing a gradual decline since 1960. This may be due to the fact that the vital commodities that Africa exports have been grossly underpriced over the years. Important export commodities such as oil, diamonds, gold, copper, bauxite, coltan, uranium, coffee, cocoa, tea, rubber, etc, all belie the claim that Africa's share of world trade is minimal. But the fact remains though that Asian output and share of world trade is much higher than that of Africa. The African goal in this regard should be to follow the lead of South Africa and start exporting value-added items. There is also much scope for intracontinental trade that is not presently exploited.

Gross Fixed Capital Formation

The average value of the percentage share of the gross fixed capital formation statistics in Africa has consistently stood below the 25 per cent mark. A continent that is concerned about achieving rapid economic growth should

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strive to record a higher share in its gross fixed capital formation. Rather, general government final consumption expenditure is higher in Africa. Salai-i-Martin and Subramanian (2003) argue that more public spending is bad for economic growth. This is true both for public consumption and public investment, but public consumption turns out to be more robust. This is hardly surprising because public consumption does not tend to have direct positive effects on economic growth. It needs to be financed through added taxes which, according Salai-i-Martin and Subramanian (2003) could have a negative effect on growth (the same argument applies to public investment if it is wasteful, as it is in many African countries).

Once again, Africa does not score well on these grounds: the fraction of GDP devoted to public consumption spending is 0.16. The corresponding numbers are 0.07 for OECD and 0.06 for East Asia. It is suggested that if Africa had had a level of public spending similar to that of the OECD over the last 40 years, its annual growth rate would have been 0.40 percentage points larger (Artadi and Sala-i-Martin 2003). But the problem is that Africa needs to spend maximally on public goods such as universal health and education. Perhaps wasteful spending for personal consumption on the part of politicians should be curtailed as a way of spending publicly but in the right and efficient direction. The Sala-i-Martin and Subramanian thesis is also problematic in the sense that public spending in areas such as human development and health do have long and short-term effects on growth and development in terms of efficiency and productivity. Multiplier effects should also not be discounted.

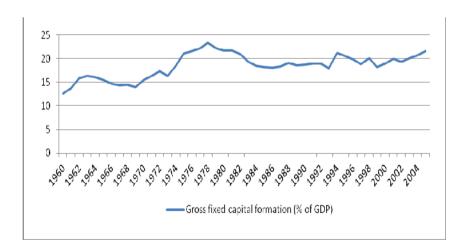


Figure 1: Gross Fixed Capital Formation (% of GDP)

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Figure 1 shows that since the 1960s to late 1970s, gross fixed capital formation (as a percentage of GDP) rose from about 15 per cent to about 23 per cent, before declining throughout the 1980s up to the late 1990s. This trend has been reversed somewhat since the mid-2000s. Figure 2 indicates that similar behavior can be established for general government final consumption.

Primary commodities dominate African exports unlike the Asian countries that have manufactured exports as the bulk of their export. Except for Botswana, Lesotho, South Africa, and Mauritius that had a significant part (over 50 per cent) of their exports being dominated by manufactured goods, virtually all the other African countries have their exports being dominated by basic agricultural produce (Table 2). Nigeria, Cameroon, Gabon, and Angola had a significant part of their exports in petroleum with a low percentage share in the manufactured exports category. Currently, the structure reported in Table 2 has not changed significantly for any of the countries.

Table 2: Export share in World Trade

Region	Perce	entage o	of Export	Share	in Worl	d Trad	e		
	1960	1970	1980	1990	2000	2005	2006	2007	2008
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developing Economies	24.49	19.09	29.40	24.25	31.85	36.04	37.27	37.51	38.67
Economies in Transition	4.75	4.56	4.20	3.41	2.39	3.42	3.71	3.85	3.06
Developed Economies	70.75	76.34	66.39	72.33	65.75	60.52	59.00	58.62	56.57
Developing Economies: Africa	5.52	4.98	5.85	3.07	2.37	2.89	2.97	2.87	3.45
Developing Economies: America	7.48	5.46	5.47	4.13	5.64	5.44	5.65	5.53	5.52
Developing Economies:									
Asia	11.34	8.46	17.96	16.96	23.77	27.64	28.59	29.05	29.64

Source: UNCTAD Handbook of Statistics, 2008 and updated with statistics obtained from http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=2069

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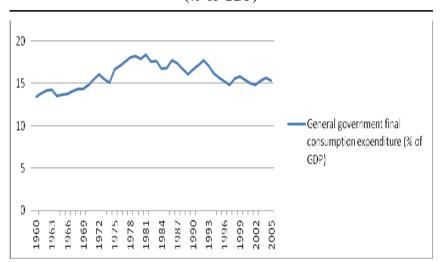


Figure 2: General Government Final Consumption Expenditure (% of GDP)

Human Development

Human development indicators of different regions are presented in Table 3. Although life expectancy has been on the increase in Africa since 1960, the figure is the lowest across other regions. While the 2005 -2010 value in Africa stood at 54.1, the figure is 68.3 for Asia and 73.4 for the developing economies of America. In addition, infant mortality is higher in Africa than any other region of the world. While the figure is 82.3 in Africa, it is 24.15 for transition economies and 42.74 for the Asian region. The population growth rate is also the highest in Africa when compared with other regions of the world. In addition, the enrolment rate in Africa is concentrated on primary schooling while tertiary school enrolment which is expected to spur economic growth is less than 10 per cent on the average. Table 3 suggests that economic growth in Africa has not translated into any significant and meaningful improvement in the wellbeing of the people. Various human development indicators have either deteriorated over time or are worse than what obtain in other parts of the world.

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Table 3: Human Development Indicator across Regions

Region	Human Development	1960-	1970-	1980-	1990-	2000-	2005-
regari	Indicator	1970	1980	1990	2000	2005	2010
Transition economies	Grude birthrate	20.79	18.41	19.05	21.19	12.17	13.57
	Gude death rate	8.82	9.50	10.48	18.35	13.44	13.53
	Infant mortality rate	56.06	44.54	38.75	37.14	28.56	24.15
	Life expectancy at birth	67.45	67.70	67.95	66.05	65.90	67.20
	Population growth rate	1.22	0.90	0.84	-0.318	-0.22	-0.08
Developed economies	Crude birthrate	18.64	15.53	13.78	12.46	11.51	11.46
	Gude death rate	9.65	9.44	9.29	9.318628	8.94	8.99
	Infant mortality rate	28.08	17.95	10.71	7.31	5.57	5.15
	Life expectancy at birth	70.40	72.50	74.75	76.75	78.60	79.60
	Population growth rate	0.98	0.73	0.59	0.68	0.58	0.51
Developing economies: Africa	Grude birthrate	47.84	46.75	44.64	40.17	37.69	36.41
	Gude death rate	21.54	18.26	15.65	14.33	13.44	12.64
	Infant mortality rate	148.05	125.73	108.24	99.40	89.16	82.31
	Life expectancy at birth	43.60	47.55	50.80	51.75	52.70	54.10
	Population growth rate	2.52	273	2811	2.49	2.33	2.29
Developing economies: America	Grude birthrate	40.04	34.64	29.63	24.52	21.40	19.15
	Gude death rate	11.84	9.39	7.53	6.39	6.01	5.96
	Infant mortality rate	96.66	75.90	53.20	35.93	26.55	22.42
	Life expectancy at birth	57.7	61.90	66.05	69.70	72.10	73.40
	Population growth rate	2.67	2.36	1.99	1.64	1.31	1.12
Developing economies: Asia	Grude birthrate	40.34	32.89808	29.68551	24.38494	22.17234	19.56946
	Grude death rate	16.64	10.96466	9.542109	8.196803	7.943284	7.411155
						•	
	Infant mortality rate	123.01	94.56328	71.58419	57.42999	48.42752	42.74166
	Infant mortality rate Life expectancy at birth	123.01 49.95	94.56328 56.95	71.58419 61.1	57.42999 64.35	48.42752 66.9	42.74166 68.3

Source: UNCTAD Handbook of Statistics, http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=2064 (accessed 31 May 2010).

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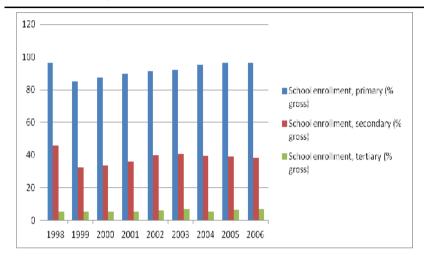


Figure 3: School Enrolment Rate in Africa

Source: World Development Indicator (2008)8

Africa's Growth Strategy: 1960-2009

Africa has adopted a wide range of strategies in order to achieve sustainable and sustained economic growth and development. In most cases, these strategies were usually handed down to the African countries by the advanced capitalist economies through the Bretton Woods Institutions as a way of 'enhancing economic performance' of the continent with little or no input by African countries. Nevertheless, the economic performance of the region in relation to other regions that adopt similar strategies has shown that there is a need for reconsideration of these approaches to achieve economic growth and development. Various phases can be identified in Africa's growth profile since the late 1950s. In this section, we review the various phases that are identified.

Immediate Post-Independence era

Import Substitution Industrialisation (ISI) strategies were at the heart of Africa's growth and development strategies during the immediate post-independence era starting in the late 1950s to the 1970s. The import-substitution strategies adopted were meant to produce consumer goods locally, which had previously been imported from developed countries, so as to promote the diversification of their economies. This strategy was aimed at beginning with the local sale of final goods, and moving gradually towards the production of intermediate goods, then capital goods. The strategy also involved the introduction of restrictive external trade policies and considerable

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protection for emerging infant industries. Complex systems of tariffs and non-tariff protection, exchange control and import licensing were set up to defend local production. Protection was designed to assist emerging industrialists to move up the learning curve during a transitional period when the domestic price of production exceeded international prices.

For example, industries producing final goods, mostly intended for the new urban middle classes developed. The industries included flour milling, industrial bakery, and breweries, as well as raw-material processing enterprises such as oil-mills, sugar refineries, fruit and vegetable canning factories and coffee processing plants. The textile industry also developed rapidly in most African countries. A few iron and steel-making factories opened in some countries, due to the development of small-scale electrical steelworks. Other industries that developed include the manufacture of small agricultural equipment and hardware articles, paint and varnish industries, and mechanical and assembly workshops (Hammouda 2004).

The justification for the ISI strategy was based on the historical development of countries such as France, Germany, United States of America, China and USSR that took advantage of high levels of protectionism to develop manufacturing and technology. Many countries in Africa ventured in this direction to produce consumer goods, mostly intended for the new urban middle classes. The ISI strategy ostensibly was geared to enable African countries begin the modernisation of production structures inherited from the colonial period.

It should be observed that African countries inherited viable agricultural sectors from the colonial period. Though countries produce and export agricultural raw materials mainly to the former colonial powers, favourable terms of trade made the agricultural sector contribute significantly to growth. In many countries, it is the largest employer of labour and main source of foreign exchange. Thus, in the initial period of this growth phase, African countries witnessed positive and relatively stable growth in real per capita income. However, by the early 1970s, socio-economic indicators were already showing signs of poor economic management. Growth had become volatile, positive but declining (Figure 4).

However, after almost two decades of experimenting with ISI strategy, available statistics suggest that the strategy did not produce the desired results in Africa. The results of the ISI model were initially seen in an average annual industrial growth rate of 5.5 per cent during the 1970s but which fell to 2.5 per cent between 1980 and 1984, and 0.4 per cent between 1984 and 1987 respectively. Manufacturing as a proportion of GDP increased rapidly and there was a rise in industrial employment in its share of overall employment (Hammouda 2004).

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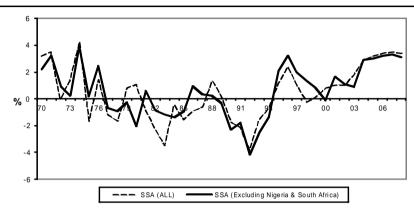


Figure 4: Growth of Per Capita Real GDP

Source: World Bank (2010) World Development Indicators (online)

Nevertheless, this strategy soon ran into problems (Bruton 1998). The development of final goods production led to rapid increase in imports of intermediate and capital goods, leading to worsening trade imbalances and balance-of-payments deficits. Small domestic markets did not generate sufficient demand for the products of emerging industries, industries were prevented from reaping the advantage of economies of scale, and import substitution was biased towards elite urban consumers to maintain political support while focusing on consumer goods for the middle class. It therefore generated rentseeking behaviour by firms, as they took advantage of insulation from international competition to remain inefficient and non-innovative. The disappointing outcome of the import substitution strategy in Africa was seen most starkly in the poor productivity performance of the new enterprises.9 Import substitution delivered very poor results in terms of productivity improvement, innovation, structural transformation of the economy and export diversification. The set of countries that adopted ISI include Nigeria, Ghana, South Africa, Uganda, Botswana, Cameroon, Ethiopia, Kenya, Algeria, Tanzania, Zambia, Zimbabwe, Guinea, and Benin Republic, among others.

Thus, by the late 1970s, socio-economic conditions in most African countries were very much below par. Many countries were experiencing successive trade deficits, worsening term-of-trade, rising level of international indebtedness, huge fiscal deficits, rising subventions to inefficient and unproductive public enterprises, and substantial loss in foreign reserves. Coupled with these were some natural calamities such as drought and famine that made agricultural production almost grind to a halt, thus worsening the international current account position of many countries. One thing that was

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clear here was the fact that African governments had failed woefully in economic management and there was the need to re-examine the role of the state in economic management. The pervasive presence of the state in economic management became challenged and a new growth agenda was about to be set.

Since 1973, the management of macroeconomic policy has been altered due to the high and rising oil prices. By way of illustration, the price of crude oil rose considerably from US\$3.89 per barrel in 1973 to US\$6.87 in 1974 and US\$12.64 in 1979 because of the Iranian revolution and the start of the Iraq-Iran war in 1979. The annual average price of crude oil peaked at US\$31.77 in 1981, before declining to US\$28.52 in 1982 and then to US\$24.09 in 1984 (CBN 2008). The upward movement in prices led to an increase in crude oil exploration and production outside of OPEC. From 1980 to 1986 non-OPEC production increased 10 million barrels per day. OPEC was faced with lower demand and higher supply from outside the organization. Thus, prices continued to decline reaching a low of US\$12.51 in 1986 and US\$15.86 in 1989 (British Petroleum 2007). The Iraqi invasion of Kuwait in 1990 led to a spike in oil prices as a result of the Gulf War that emerged thereafter. They remained steady again at US\$16.54 in 1991 and US\$15.56 in 1999, after a major low of US\$10.87 in 1998. Price recovery began in early 1999 as OPEC reduced production. Nevertheless, by the middle of 1999, OPEC's output dropped by about 3 million barrels per day, which was sufficient to move prices to an average of US\$26.72 per barrel in 2000. However, the 11 September 2001 terrorist attack on the United States caused the price of crude oil to plummet, but production cuts by OPEC and non-OPEC members, particularly Russia, had the effect of pushing the price up again so that by 2002, the average price of crude oil was US\$22.51. It therefore continued to rise thereafter. For the major oil exporting countries in Africa such as Nigeria, Gabon, Egypt and Algeria crude oil became a major player in these economies during the 1970s.

For example, oil was discovered in Gabon in the 1970s and has contributed significantly to the determination of income in the country, and accounted for about 50 per cent of GDP and 80 per cent of exports. The same pattern exists for Nigeria and Algeria. Oil exports account for 90 per cent of total exports in Nigeria and contribute to about 70 per cent of GDP. Although these countries experienced significant inflow of revenues as oil prices increased, as argued by the resource curse literature, there is no evidence of significant growth and development in their economies. In Algeria, the growth rate of output declined from 17.99 percent in 1979 to -2.82 percent in 1981, -0.04 percent in 1985 and -0.22 percent in 1990, before rising marginally through 1.84 percent in 1995 to 2.54 percent in 2002 and 4.71 percent in 2004. During notable

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booms, Nigeria and Egypt recorded different patterns of economic growth. For example, in 1980, GDP growth rate in Nigeria was -7.2 percent, whereas in Egypt it was 9.79 percent. However, by 1981, output growth in Nigeria stood at 5.27 percent while that of Egypt declined to - 0.71 percent. But by the end of the boom period in 1990, Nigeria's economy grew by 4.8 percent while Egypt grew by 3.65 percent due to earnings from oil exports. In 2001, when there was a slight increase in the price of oil, Nigeria's economic growth declined to -0.27 percent while Egypt grew by 1.62 percent (Olomola 2007).

Table 4 highlights some economic and political indicators of economic growth and development in Africa and selected oil exporting developing countries, for comparative analysis. Despite the enormous oil rents to be generated given high daily production and increasing prices of crude oil, available evidence shows that the benefits failed to diffuse to the key sectors of the economy to generate economic growth and development. For example, there is a high incidence of corruption in Nigeria, Algeria and Libya (OPEC members). With the exception of Algeria, these African countries rank lowest on the development scale, with very low per capita income. Nevertheless, Angola and Equatorial Guinea, which belong to non-OPEC oil exporting African countries, recorded per capita income greater than that of Nigeria. Nigeria has the smallest annual per capita health expenditures at about US\$15, while Angola, Nigeria and Equatorial Guinea have the highest infant mortality rate (infant deaths per thousand live births). With the exception of Nigeria that moved back to democracy in 1999, all other oil producing African countries cannot boast of a reasonable experience of civil liberties.

A dilemma faced by most governments was lack of clarity as to whether the oil boom would be permanent or transitory. However, the major challenge facing these African countries has been whether to accumulate more foreign reserves, or expend the windfall. If the decision is to spend, then is it for consumption or investment? Driven by influences of rising powerful political groups, the oil money has always been dissipated, as governments have to adjust their expenditures to higher levels. For example, the share of investment to GDP rose in all the countries between 1973 and 1979, while consumption expenditures fell, except in Nigeria. In Algeria, private consumption as a ratio of GDP declined from 46 percent to 33 percent, while imports fell from 58 percent to 36 percent. Similar development was noted in Tunisia, where the investment ratio rose to 22 percent from 18 percent in 1973, and private consumption fell from 73 percent in 1973 to 71 percent in 1979. In Nigeria, however, private investment fell from 27 percent in 1973 to 22 percent in 1979, while public investment rose to 60 percent from 56 percent in 1973. Public consumption rose from 8 percent to 11 percent in 1979.

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Table 4: Economic and Political Indicators

Country	Daily oil	Corruption	Political	Developm	Average	Annual per	Infant
	production	rankings**	rights***	ent	annual per	capita	Mortality
	,000			ranking*	capita	health	Rate***
	barrels				income	expenses	
Saudi Arabia	9817	71	L/L	73	\$8530	\$375	23
Russia	8543	06	5/5	63	\$2610	\$115	18
Iran	3852	87	9/9	106	\$2000	\$363	35
Venezuela	2987	114	3/4	69	\$3490	\$307	19
Nigeria	2185	144	4/4	152	\$320	\$15	110
Algeria	1857	26	9/9	107	\$1890	\$73	39
Libya	1488	108	L/L	61	N/A	\$143	16
Angola	588	133	5/9	164	\$740	\$31	154
Azerbaijan	313	140	9/2	68	\$810	8\$	74
Eq. Guinea	249	N/A	9/L	116	\$930	92\$	101
U.S.A	7454	17	1/1	7	\$37,610	\$4,887	7

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The positive growth recorded during this period could be due to the considerable increase in exports, from 20 percent of GDP to about 25 percent, more than the growth in imports. Developments within these economies changed thereafter. In the 1980s only Algeria experienced a marginal fall in private consumption from 66 percent in 1983 to 63 percent in 1986, while the investment rate was constant at 25 percent. By the 1990s, however, private investment in Algeria had risen to 67 percent, while capital formation declined to about 16 percent by 1997 (Olomola 2007). A noticeable trend in these developments was that the oil windfalls that should have ushered in sustained economic growth have exacerbated slow growth and engendered poverty. This is what tends to echo the development in resource curse literature, whereby a negative correlation exists between natural resource abundance and economic growth.

The Era of Structural Adjustment

The failure of the ISI to launch Africa into industrialization, the success of the 'export-led' South- and East-Asian growth strategy, and the debt crisis of the early 1980s led to a new consensus on the importance of trade policy reform and exports in growth strategies. This new consensus was the main focus of the reforms recommended to African countries and the developing world in general from the early 1980s, within the framework of IMFengendered Structural Adjustment Programmes (SAPs). 10 As a result, the mid-1980s witnessed the formulation and implementation of wide-ranging trade policy-related economic reforms by most African countries as urged by the International Monetary Fund (IMF) and the World Bank. 1111 According to Oyejide (2004) trade liberalisation implies the transformation of the trade regime from an inward-oriented stance that discriminates in favour of (and thus protects) import-competing activities into a neutral regime whose incentive structure does not distinguish between exportables and importables or into an outward-oriented trade policy regime that discriminates in favour of and thus actively promotes exports. The adoption of trade liberalisation measures should therefore produce either a neutral or an outward oriented trade regime and allows certain productivity enhancing and growth promoting features on the liberalised economy.

The end result was that starting from the mid-1980s, and especially in the 1990s, most African countries were required to liberalize their trade regimes, with many countries reducing trade barriers significantly more than others (especially restrictions on imports). These reforms were aimed at opening up Africa to more imports, by reducing tariffs and non-tariff barriers, and laying the foundations for cheap exports, by eliminating export taxes and providing export incentives. In brief, this was the US-engendered

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'Washington Consensus' in practice. This was meant to open African markets so that the exportation of Western-manufactured commodities could be facilitated and the reciprocal export of raw material agricultural and mineral items at cheap prices to the Western countries. One exception was petroleum which set its own prices according to the group decisions of the OPEC nations.

For example, there was a partial or complete conversion of quantitative restrictions to tariffs (except for moral, health security, and environmental restrictions in some cases) in most African countries. A study by Oyejide, Ndulu and Gunning (1999) revealed that in line with this new strategy, Mauritius abolished import permits in 1991, Ghana in 1989, Tanzania by 1993, Zambia by 1992, Kenya by 1993 and South Africa reduced 85 per cent of restrictions by 1990. Also, Mauritius compressed its tariff structure from 60 to 10 tariff categories, Kenya from 25 to 6, Cote d'Ivoire from 10 to 6, and Zambia and Tanzania compressed their categories to 3. Mostly, this involves a switch from a positive list of permitted imports to a small negative list of mostly prohibited items or items considered to be luxury goods for the country. The sequence was first to levy import surcharges and then to adjust the minimum and maximum tariff prior to abolishing restrictions. Import permits were abolished in Mauritius, Ghana, Tanzania, Zambia and Kenya in the 1990s. In addition, duty rates as part of tariff liberalisation were also lowered in some African countries. Mauritius reduced its rates from 250 per cent to 100 per cent; Tanzania from 200 per cent to 60 per cent; Zambia from 150 per cent to 50 per cent and in Kenya from 170 per cent to 40 per cent. In Zimbabwe and Ghana the rates ranged from 5 per cent to 30 per cent and 10 per cent to 40 per cent respectively. Tariffs are now the main trade policy instruments of most African countries. While the overall variation or spread in tariffs has been reduced, progress varies across Africa's regions.

Exchange rate regimes in most of the African countries were also liberalised. A good number of African countries stopped fixing exchange rates and overvaluing their currencies in order to stimulate exports and make the economy more competitive. Kenya, Uganda, Ghana, Tanzania, Zambia, Nigeria, and Cote d'Ivoire virtually eliminated exchange rate premiums, where buying and selling of foreign exchange is now market-based and abolishing previous restrictions on current transactions. The system of multiple exchange rates was abolished in Burundi. From 1996, the Ethiopian currency, the Birr, was allowed to float, thereby resulting in the convergence of the official, auction and parallel market exchange rates. After liberalising its external sector in 1990, Benin Republic's currency was devalued and its black market premium averaged only two per cent between 1990 and 1999. We can therefore conclude that most African countries witnessed a significant

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relaxation of trade barriers. Import restrictions are now lower and export barriers have been significantly reduced.

For most of the years during this phase, growth in per capital real GDP was negative and highly variable (see Figure 4). However, growth recovered in the mid-1990s after about a decade of adjusting, with average annual rates of 4 per cent in 1996, 2.9 per cent in 1997 and 3.3 per cent in 1998 (Hammouda 2004). The outcome of these reforms fell below expectations if we examine the continent's sectoral performances. The agricultural sector, which employs nearly half of the African population, dropped from 22.3 per cent of GDP in 1980 to 19.4 per cent in 1997. The performance of the industrial sector was no better, with a decline in its contribution to GDP from 39 per cent to 32 per cent during the same period. The sector's productivity also decreased from 3.8 per cent in 1997 to 3.2 per cent in 1998. The proportion of manufactured products in total exports increased from 6.4 per cent to 22 per cent between 1980 and 1995, but the increase was due to the fact that a few countries such as Tunisia, Mauritius, Egypt and Morocco had succeeded in diversifying their industrial structures and negotiating for international integration based on the export of manufactured products (Hammouda 2004). For most other African countries, no significant diversification occurred. Thus, the dismal economic performance of the African continent after the adoption of SAP led to serious questions about the viability of the SAP initiative. Thus, by the end of the 1990s, due to the high socio-political cost of SAP, a new growth agenda was beginning to emerge.

It should be borne in mind in all of this that the SAP conditionalities imposed on debt-ridden African countries incurred great human costs on the populations of the countries in question. The menu was always selling of as many public assets as possible and the severe conditions being placed on public welfare assets such as health services, education at all levels, and retrenchment of government-employed personnel. The publicity given to the public reaction to IMF conditionalities imposed on European Union countries like Greece proves the point.

Post-Adjustment Era: Neo-liberalism, IMF and the World Bank

At the end of the last decade, three main factors forced the World Bank and the IMF to change their attitude and to seek a renewal of their approaches and practices in the developing countries. The first reason was the acute awareness of the increase of the poverty incidence in many parts of the world, particularly Africa. The second one was related to the failure in most countries of structural adjustment policies and the questioning of the Washington Consensus on which they are based. The third factor was the crisis in legitimacy of the Bretton Woods Institutions (BWIs) which had to

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answer the rising criticisms from civil society and various protest movements. As a result, a joint initiative launched by the BWIs at the end of 1999 set the fight against poverty at the heart of growth and development policies. Under this initiative, low-income countries wishing to apply for financial aid from either of the organizations, or for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, were required to draw up poverty reduction programmes known as Poverty Reduction Strategy Papers (PRSPs). Since then, the BWIs have mobilized human and financial resources to implement this initiative (Cling et al 2002). It should be understood, above all, that these initiatives have been undertaken according to the paradigm of neoliberal economics which has affected Africa's economies much more negatively than otherwise. But some details are in order.

The PRSP outlines a national programme for poverty reduction which is the foundation for lending programmes with the IMF and the World Bank, and for debt relief for Heavily Indebted Poor Countries (HIPCs). The Bank and Fund developed the PRSP approach as a way to ensure that debt relief money would go to poverty reduction, and to respond to evident weaknesses in relations between poor countries and the Bretton Woods Institutions – in particular, lack of poverty focus, and no country ownership of reforms. There are five core principles underlying the development of poverty reduction strategies, namely:

- Country-driven involving broad-based participation by civil society and the private sector in all operational steps;
- Results-oriented focusing on outcomes that would benefit the poor;
- Comprehensive in recognising the multidimensional nature of poverty;
- Partnership-oriented involving coordinated participation of development partners (bilateral, multilateral, and nongovernmental);
- Based on a long-term perspective for poverty reduction.

The PRSP preparation involved a two-stage process. Countries must first prepare an interim PRSP (I-PRSP), which is intended as a roadmap for preparation of the full PRSP. The I-PRSP paves the way for the country to qualify for its decision point and interim support (or a loan) from the IMF's Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility). Upon submitting the full PRSP, countries are allowed to jump through the completion point, which qualifies them for full debt stock reduction, but only after one additional year of satisfactory macroeconomic performance.

The Bank's Poverty Reduction Support Credit (PRSC), a lending instrument designed to support implementation of PRSPs, was created to complement traditional adjustment loans. In addition to the PRSP, countries still need a

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Letter of Intent (LOI) and a Country Assistance Strategy (CAS) spelling out their targets and actions to request IMF and World Bank loans.

The government is responsible for writing the PRSP and for commissioning and organizing technical and donor input into it. While there have been examples of innovation in some areas, the macroeconomic framework has remained largely unchanged. There is a contradiction between the rhetoric on ownership and the request for WB/IMF Boards to endorse the PRSP. Many NGOs are concerned that this contradiction means that governments opt for programmes that they know will be accepted even if they conflict with priorities identified through consultative processes.

While the World Bank leads in support for the PRSP process, the United Nations (UN) system is, with the agreement of national governments, actively participating in the millennium development goals (MDG). Targets are set at levels that balance ambition with feasibility. Since the Millennium Declaration in 2000, the MDGs have been touted as adequate tools of monitoring human progress across nations.

Evidently, growth performance has improved in Africa since the early 2000s and was only recently slowed down by the global financial/economic crisis. To suggest that the performance was due to the adoption of PRSP/MDGs will definitely be an overstatement. The observed growth was largely due to favourable external conditions – rising prices and demand for primary commodities – and entrenchment of more business-friendly domestic policies which have attracted foreign investment to Africa. However, despite resumption of growth, human development indicators have not shown signs of improving significantly. In fact Africa is said to be behind in achieving all the MDGs (AfDB 2002). Again, the disproportionate effect of the recent global financial/economic crisis on African countries has called into question the sustainability and reliability of the export-led growth strategy that is embedded in SAPs.

The above has merely outlined Africa's subjection to IMF's conditionalities and its serious impact on the welfare and growth of Africa's economies. I have also highlighted the response of the BWIs to the failure of their initiatives on the African continent. But such solutions being from the top downwards cannot really help in resolving Africa's economic problematic. There needs to be a set of economic reconfigurations that would set the necessary conditions for not only balanced growth but also development. Economic growth is ultimately without significance unless it is eventually transformed into technological development. The economic reconfigurations that must be broached include regional integration at all levels to create larger internal markets, greater economies of scale, greater employment opportunities, increased efficiencies all under the rubric of single regional integrated currencies.

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In sum, based on the trend in human development indicators on the African continent, the unchanging structure of African economies, the increased dependence and vulnerability of various economies on the continent and the level of opposition to it worldwide, one can only come to the conclusion that, despite modest successes, SAPs cannot be described as viable and sustainable growth models. In general, SAPs have come to be regarded as growth models without a 'human face'.

Setting a New Agenda for Africa's Growth and Development

Africa's experience at implementing various prescribed growth models now calls for a rethinking of its growth strategies and charting a new course. Also, recent events such as the global financial/economic crisis suggest that over-reliance on markets in the advanced economies can expose the world to all kinds of international price and demand shocks. Thus, given past and current experiences, certain proposals for sustainable growth and development can be made.

Enhancing and Deepening Regional Integration

For African countries, the issue is not whether to integrate or not. African countries need to and must integrate their economies. More than ever before, African countries need to pay more attention to their regional integration agenda. Regional integration efforts should now move beyond rhetoric into concrete plans and action for effective integration of markets. Africa is the most fragmented continent with about 165 national borders demarcating the region into some 53 countries – 22 of which have a population of 5 million or less, and 11 of which have a population fewer than 1 million. This does not augur well for industrialisation as the national markets are small and fragmented. African governments would need to explore the advantages embedded in sectoral cooperation such as banking, telecommunications, transportation, etc. These have the advantage of speeding up the 'one Africa' agenda. For example, one would wish that calls made from any part of Africa to another should be regarded as a local call. Though there are few African-owned telecom service providers in the telecommunications sector, they should be given license priorities across the continent, and also non-African telecom service providers must be licensed based on agreed terms and conditions that promote regional integration in Africa; Africa should not just be seen as another promising market. Also, one would wish that African entrepreneurs access their bank accounts from any part of the continent. This implies that African countries must take full advantage of all the opportunities and benefits provided by recent advances in information and communications technologies to integrate key sectors such as the financial and telecommunications.

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Furthermore, African political parties (and even civil societies and media) need to bring the issue of regional integration to the fore of their programmes, manifestoes, rallies, and campaigns. In most countries, the issue of regional integration does not feature at all in the development agenda of political parties. The politicians and even the electorates are generally not aware of the issue of regional integration as it is largely driven by the different governments who have different political and selfish agendas for supporting integration. It is by creating this awareness at the party levels that the much needed 'political will' would be generated and sustained. Also, since market integration remains a permanent and abiding component of regional integration in Africa, the private sector must be made the driver of regional integration in Africa. They are the main producers and marketers of goods and services; as such, they must be actively involved in the integration process. An enlarged and integrated market has the advantage of spurring productive investment (local and foreign). Increased intra-African trade would reduce Africa's vulnerability to international price and demand shocks originating outside the continent.

Pan-African development institutions like the African Development Bank (AfDB) should be encouraged and even mandated to commit a sizable proportion of their development financing to trans-national projects. Funding country-specific projects would not hasten the regional integration agenda of the continent. Thus, projects like intra-national roads, rail lines, power plants, and so on should be the new financing focus of such institutions.

Also, African countries need to speed up the issue of monetary union. Having several currencies all around the continent definitely increases the cost of international transactions. Again, as many countries do not have the appropriate capacity to manage exchange rate volatility, monetary cooperation would reduce the risks posed by currency instability. It is worth noting that, as at the beginning of the global financial/economic crisis in late 2008, African countries had combined foreign reserves in excess of US\$340 billion. But unfortunately, this is divided among several national apex banks, making it inaccessible to African countries as there is no standing monetary cooperation amongst most of the central banks. Thus, many African countries have been forced to seek short-term stabilization funds from the usual discredited sources. With a common monetary framework, the reserves would have been available for the use of African countries at more favourable conditions.

It is also important that African countries invest in infrastructure and trade facilitation as a means of enhancing intra-African trade, regional cooperation, and competitiveness. Investment in functional and efficient infrastructure such as transportation, electricity, and ICT have the ability to reduce significantly cost of operations by enterprises which translate to lower

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cost of goods and services. This would enhance the ability of African firms to compete globally. Productive infrastructure is necessary for global competition and market access. Trade facilitation, in terms of improved government services, access to finance and good private solutions for transport and logistics should complement the provision of productive infrastructure. Thus, the trade regulatory environment, trade and customs documentation, procedure and enforcement, and trade finance framework must be business and trade-friendly. African countries have taken some steps in this direction, however much still needs to be done. Custom checks and procedures along most international routes are notoriously inefficient. The Common Market of the East African Community which was implemented in July 2010 is a welcome development. It is hoped that other Regional Economic Communities (RECs) would earnestly tow this line. It is well known that cross-border informal trade is huge in Africa. Thus reducing bottlenecks to intra-African movement of goods would certainly reduce transaction costs and also increase the flow of goods and services.

Thus, it is in this light that the ongoing tripartite discussions between the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC) be encouraged and pursued to a logical conclusion. If this pulls through successfully, then the much talked about Cape-to-Cairo free trade arrangement would be speedily realised. RECs should be encouraged to take concrete actions that will ensure that all types of overlap, confusion, duplication, and so on are urgently corrected. Further mergers should also be encouraged. The various national markets need to be consolidated into one huge internal market - the African market. It is based on this internal market that Africa will anchor its growth, not on some unpredictable and volatile global markets. In the short-term, exportation to earn foreign exchange to finance growth and development and repay foreign loans is still important, but sustained and sustainable growth and development would have to be internally designed, motivated, financed, managed and sustained - this, essentially, is the justification for market integration in Africa.

Enhancing Productivity and Competitiveness

Productivity measures indicate the capacity of a country to harness its human and physical resources to generate economic growth. They are key indicators of economic performance. It should be observed that, among several factors, the inefficiency of public enterprises is one of the key ones that led to the dismal African growth profile of the 1970s and 1980s. These enterprises enjoyed monopoly power and were also being subsidised by the public budget.

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Thus, sheer incompetence and lack of innovation were the order of the day, leading to gross failure of these enterprises. Also, the 1970s and 1980s witnessed a boom in public investment expenditure with little or no return. Most of the public expenditures were made on ill-conceived projects, while a lot of the projects were also not completed. Thus they served no meaningful purpose.

Given the above narration, it is important that African countries start to learn the art of prioritising public investment based on productivity. Rigorous methods of public investment analysis must be applied so that so-called 'white-elephant' projects are not given priority. Rather, investment expenditures should be channelled to projects that enhance productivities of the public service and private sectors. A major challenge to industrialisation in Africa is energy and transportation. Poor provision of these services reduces productivity and also raises the cost of operation and service delivery. Thus, it is important that African governments concentrate on providing uninterrupted energy and efficient transport systems. In most African countries, the rail systems are obsolete, inefficient and unreliable, thus leading to increased degradation of the already unviable road network system. The result of poor transport systems is that the costs of delivering goods to many land-locked countries have increased significantly in recent times.

It is also important that African countries invest significantly in human capacity development through investment in technology and education. If we understand that productivity is determined by the available technology or know-how for converting resources into outputs desired in an economy, then it is important that African countries put in place efficient and effective methods for continually developing and improving their educational systems for productivity enhancement. The world is currently driven by knowledge and African countries cannot afford to be left behind in this regard. Emphasis must shift to the important role of tertiary education in the quest for human capacity development. Technological advancement, research and development, and innovations do not significantly come from primary or secondary education, but from a well-functioning tertiary education system which would have a good interface with other sectors of the economy. Furthermore, since there is a large pool of African professionals outside the continent, African countries should have in place means of using the services of these professionals for the development of the continent. Professional services can be provided without the professionals having to leave their places of work. This suggests the importance of investing significantly in information and communications technology so as to reap the enormous productivity benefits it offers.

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African countries can also identify key sectors of the economy and target them for productivity increases. First, identify sectors that employ significant proportions of the labour force; second, identify sectors that have potential for rapid and significant growth and linkages with the other sectors of the economy. These sectors can be deliberately targeted for productivity increases. It is important to note that when sectors that employ a large percentage of the labour force are productive and growing significantly, poverty and income inequalities tend to reduce significantly. In this connection, the goal would be to encourage the growth of small and medium-sized businesses. The development of the financial system would significantly boost productivity as it eases the constraints involved in effecting transactions. A well-developed and competitive financial system would ensure that business information be accessible and widely distributed. There should also be in place efficient legal systems that would guarantee redress on the enforcement of business and property contracts, etc. All this would translate to higher productivity in the private sector.

Another way the government could intervene to improve productivity is to establish a productivity enhancement fund for the benefit and use of organizations in such areas as training, skill upgrade, consultancy, and so on. Thus, if firms contribute to the fund, they can be given access to such funds in form of grants or subsidies for the purpose of training and upgrading their workforce. Enterprises should also be mandated to have and regularly implement a workforce development programme. This and other related productivity issues can be managed and overseen by a national productivity enhancement authority. Incentive rewards for innovative and productivity enhancement enterprises can be put in place to ensure that enterprises conduct businesses based on best practices. The role of research universities and research centres is crucial here. In the industrialised nations technological research of all kinds is usually carried out by universities and research institutes, both of which are often jointly supported by government and business. In this regard, the maintaining of research centres and research universities of high and reputable quality is crucial here. Proof of Africa's lag here is that its output of research papers in the natural and social sciences plus patents is less than two percent worldwide. The problem is that given the fragmented state of the African continent in terms of scientific and technological research infrastructure, not much can be done in the way of competing with areas such as the West and Asia. This is another reason for initiatives such as regional integration in all dimensions.

Thus, if regional integration is deepened, and there is adequate investment in infrastructure and trade facilitation as earlier discussed, then what African

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countries need to do to enhance (international) competitiveness is to enhance value-addition in export by not only diversifying the range of goods and services available for export, but putting more value and quality into goods and services before they are exported. The recent global financial/economic crisis has made this more imperative than ever. It should be realized that, among other things, value-addition requires innovations, which implies that African government cannot afford to underplay the importance of research and development in expanding value-addition. Again, incentive structures such as 'value-addition' funds, tax rebates, easy credit access, grants, and so on, can be provided by the government to encourage firms to increase value-addition in exports. An important advantage of expanding value-addition in production and export is that, given the presence of flexible and efficient counter-cyclical measures, it would aid in mitigating shocks during export demand or international price contractions. ¹² Thus, expanding value-addition in exports not only boosts growth but can also act as a stabilization instrument.

Reinventing Africa's Labour Markets and Institutions

There is no doubt that when one is looking for the connection between growth, employment, poverty and inequality, the labour market is the place to look. Africa's labour markets, standards and institutions are some of the most rigid, weak and underdeveloped in the world, despite the ratification of several core international labor conventions. A major reason for this is that there are wide gaps between these various commitments and national labour laws on the one hand and between national labour laws and the enforcement of these laws on the other hand. In most countries, labour organizations form unions for the purposes of ensuring that workers' welfare and rights are respected and upheld. In the case of Africa such functioning workers' unions are limited to workers in the urban areas as in industrialising nations such as South Africa.¹³ But with the norm of large informal sector employment, particularly in agriculture and retailing, this would mean that a large proportion of the labour force is not enfranchised for any meaningful bargain or standard. Core neo-liberal economic thinking sees labour unions as constituting market distortions and that income distribution does not matter for growth and development.14 It is worth noting that labour standards in the form of employment laws regulating hiring and firing practices, working hours, and other individual employment relations can be seen by employers as obstacles that reduce economic opportunities. Hence, since formal employment laws and standards are not generally observed in the informal sectors, many enterprises prefer to operate in the more informal sector due to the flexibility it affords. Thus, due to the low rate of unionisation, the impact of labour unions on market outcomes is at best minimal and limited in scope.

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However, unions are a private sector solution to market failure concerning the huge imbalance of power that exists between individual workers and their enterprises. Economic efficiency requires absence of market power, yet real world labour markets are characterized by significant imbalances of power that favour firms over individual workers. This is particularly so in African countries where workers have few rights and social safety nets are lacking. Moreover, employers' power advantage has been increasing owing to technological and capital markets developments that have increased the mobility of businesses. Seen in this light, the development of workers' unions in Africa will signal another step in the right direction of balanced economic growth and development.

Labour standards fit with this new approach. Freedom of association and unions can be viewed as creating the counter-veiling powers that check such practices. The mainstream counter is that open markets can compete away the problem of corruption, yet the reality is that open markets simply get captured by corruption. The logic of capture is reflected in the problem of bribery. Despite the wastefulness and inefficiency of bribery as a way of doing business; left to itself the market will produce a world in which bribery prevails. This is because every private agent has a private incentive to bribe to try to win business. However, the socially optimal outcome involves no bribery, and the only way to achieve this is through legal prohibition of bribery and enforcement of anti-bribery measures. In effect, political action is needed to deal with the problem of bribery. Labour standards and the promotion of the right of freedom of association – which extends beyond just the right to join trade unions – can be viewed as fostering political conditions supportive of such measures.

Another argument in favour of labour standards is that by promoting good governance, they draw on all elements of civil society which in turn facilitates economic crisis management. Furthermore, there is empirical evidence (Palley 2001) that countries with improved labour standards appear to be less susceptible to financial crisis. A possible explanation for this finding is that financial markets recognize the benefits of sound civil society institutions and give economies with such institutions more financial space.

Through all of these channels, labour standards can help put in place the income distribution and political conditions necessary to sustain domestic demand-led growth. But the benefits of labour standards do not end there. Labour standards can also benefit the international economy by helping solve the contradictions of export-led growth. As noted above, trade and exports will remain a vital necessary ingredient of development, but the challenge is to avoid the pitfalls of export-led growth. By improving income distribution

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and increasing the space for domestic consumption, the growing productive capacity of developing countries will be subtly tilted away from world markets. This should help mitigate the problem of declining terms of trade which has so far afflicted African countries, both in their traditional role as primary commodity producers and in their newer role as producers of lowerend manufactured goods.

Labour standards can also help block off the race to the bottom, which has an incentive structure that parallels that of the problem of bribery – which can be viewed as a race to the bottom in corporate business practice. In an export-led growth world every country tries to gain international competitive advantage by exploiting every possible margin. Good competition focuses on productivity and quality; bad competition eats away at workplace safety, the environment, and income distribution. Labour standards can contribute to ruling out the bad competition outcome by blocking countries from gaining competitive advantage by eroding standards.

Thus, Africa governments must, as a matter of urgency, redesign and reorganize labour institutions to eliminate all forms of discrimination in the labour markets, and also to reduce child labour and other forms of abuses. A way of doing this is to follow in the steps of Mauritius, a country that has made quality education free and compulsory, at least at the primary school level. In an attempt to use the labour market and its institutions to reduce poverty, African countries must implement and enforce minimum wage rules across all economic sectors.

At the same time, national labour market institutions like labour advisory councils, labour productivity boards, and so on, should be empowered to effectively enlist the support and cooperation of employers and union members in addressing all issues relating to labour-management relations and productivity in a tripartite manner. Such a tripartite framework would provide the mechanism for reaching good labour relations, increasing productivity, and building consensus on socioeconomic issues. However, there is the tendency in many countries to turn it into a state-controlled mechanism. This would only result in friction and dissent. In sum, while it is necessary to get the microeconomic structure of labour markets right, domestic demand-led growth also requires that countries get the macroeconomic environment right.

Paradigms of Growth and Development

In the above discussion we have looked at the actual empirical state of Africa's post-colonial economies and have seen them wanting in dimensions. But given the enormous influence that Western-generated economic theories have had on the economic life of the continent, it would be useful now to examine

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such theories critically to determine whether or not the African problematic springs from theories that have not been adequate for the task at hand.

There was a time when it was argued that economic socialism or communism was the way to develop non-Western economies. The Soviet Union and China were the models to be followed. But both the Soviet Union and China abandoned the strict socialist model – state control of the means of production – in the 1990s to adopt both market and statist economic initiatives. Well, how have they fared? The Soviet Union that became Russia has not produced the free market paradise as the neoliberal mantra argued for. There is much poverty due to the fact that state welfare institutions have been dismantled. There is much crime and corruption. China experienced much economic growth ever since market structures were adopted. But such growth has been unbalanced growth and the poverty index has been rising. So which model should African nations adopt once regional integration and other restructurings will have been adopted? In practice there have been the experiments of Ghana and Tanzania introduced by Nkrumah and Nyerere respectively. And there have been the writings of Samir Amin, Claude Ake and Bade Onimode. But it has been the neoliberal theories emanating from the West that Africa has been made to comply with.

Perhaps the path of least resistance is to seek to establish welfare-type economic systems that prevail in the Scandinavian countries, countries that always top the annual UN 'quality of life' list in terms of metrics such as general welfare, GINI coefficient, life expectancy, education, health, etc. What stands out above all in these countries is the spirit of communitarianism that is woefully lacking in most African nations. And what characterizes such countries' economic systems is a judicious mix of market economics and welfare economics. But we should pay attention the caveat that welfare economics systems can work only when there is a spirit of social communitarianism. Perhaps one reason for the lack of communitarianism in most African nations is that the level of Civil Society development is quite low. This lack would clearly encourage corruption and influence-peddling all designed to distort efficient economic decision-making and encourage unscrupulous rent-seeking.

I turn my attention now to the economic theories that have determined Africa's growth patterns over the years. In terms of theory, there has been vast theoretical literature on the issue of economic growth as it applies to all economies worldwide. The point is that for an economy not to fall into recession it must continue to grow. In this regard, there has been much research done on what ought to be the necessary and sufficient conditions for growth. The British classical economists (Smith, Ricardo, and Malthus)

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all wrote on the growth trajectory of the modernizing economy. While Smith was optimistic about growth, Ricardo and Malthus were more pessimistic on grounds of the limits to land, increasing wages and population growth. Later came the theories of growth expounded by Keynes (1936), Harrod (1936), Domar (1949), and Lewis (1955), all of which were concerned about establishing the conditions of growth when all savings were invested and full employment guaranteed. The works of Harrod and Domar were combined to form the Harrod-Domar model which stated that an economy's growth rate was determined by its marginal propensity to save (dS/dY) and its marginal productivity of capital.

In the case of Africa and other areas, models such as the Harrod-Domar model and the Lewis model were seen as the way forward. Since there was little savings in post-independence Africa the solution was to borrow from Western institutions such as the IMF and the World Bank to help develop capital infrastructure. This venture invariably led to greater indebtedness which in turn opened up the way for IMF-engendered SAP conditionalities.

With the growing recognition of the importance of technology in productivity and growth, the new theory to be touted was the neoclassical growth theory developed by Robert Solow (1956). Solow's model improved on the Harrod-Domar model by questioning the assumption of fixed capitallabour ratios and positing that over time there should be flexibility in production function in that all factors of production could be subjected to varying degrees of substitution. With the assumption of an added role for technology, the transition from growth to development was established. Today, of course, the mantra is 'sustainable development'. All of this is good in theory, but as we have seen above, the real world is a world of politics, economics, and sociology. The fact is that the touted growth and development theories formulated by Western economists will continue to fail Africa unless there is serious restructuring such as regional integration, stronger and more viable currencies, workers' right, less individual rent-seeking, etc., as was recommended above. Once this has been achieved, then African governments would need to invest greatly in human capital, fund technological research collectively and establish efficient banking systems.

The present state of the economies of Africa is indeed puzzling when one considers the fact that there has been much growth and outside the Western orbit in the last forty years especially in East Asia. Countries like South Korea and Taiwan, following on the heels of Japan, have now effectively attained the status of technologically advanced nations. And China, of course, is now the world's second largest economy. Some authors such as Samir Amin (1976, 1979) invoke the centre-periphery thesis and argue that Africa's

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problems of growth and development stem from the fact that Africa's economies are too firmly embedded in the world's capitalist system for genuine development to take place. As was discussed above, one of the main reasons for the African problematic is the fact of the peculiar configuration of the collective African nation states. There are now 54 nations on the African continent with relatively few of them viable in any conceivable way. It thus becomes absolutely necessary that there be regional integration at all economic levels. This integration must be a complete one, and not in the half-measured way of the European Union, if success is to be expected.

Conclusion

After five decades since the first set of African countries started achieving political independence, the growth profiles of these and others that followed have not been impressive. Growth has continued to be highly variable and volatile. This article observed that the structure of these economies at independence was not designed to ensure sustainable domestic growth, but to service the economies of former colonial powers. However, attempts to re-structure these economies have failed woefully to stimulate growth and, in some cases, have generated growth-dampening conflicts. This article has reviewed the growth profile of African countries and further interrogated the various growth strategies adopted over time. Given the pervasive tendency of African political elites to act in economically and politically irrational ways, the article has pointed out grave faults in relation to the various growth strategies African countries have adopted over time. The article has alluded to the fact that there are hardly any of these growth strategies that are motivated and designed internally. Most are borrowed or imposed models that lead to disastrous economic growth and human development consequences. The recent global economic\financial crisis has further demonstrated how fragile and vulnerable Africa's economies are. The article has suggested that Africa's growth strategy should be based on internal marketled growth through the proper integration of the various narrow national markets. Furthermore, enhancing productivity and competitiveness through investment in technology and education; broadening the range and enhancing value-addition in exports; and, making the necessary investments in production and trade facilitation, are crucial to the resumption and sustainability of growth. The article has canvassed for the reinventing of Africa's labour markets so as to ensure that they are growth-inducing and poverty-reducing. The importance of exports in generating foreign exchange for development financing and debt repayment is acknowledged, but sustained and sustainable long-term growth of African countries would depend on building the 'one

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African' market, as envisaged in the Lagos Plan of Action. In the process of growing the African market, the issues of pervasive and widespread gainful employment, social welfare, and reduced poverty and inequality also need to be taken into consideration. The ultimate goal, of course, is economic development.

Notes

- 1. Dedicated to the memory of the late Dr. Tajudeen Oladipo Busari of UNIDEP, Dakar, Senegal.
- 2. Except otherwise stated, data used in this and subsequent sections are from World Bank's World Development Indicators & Global Development Finance (Online) and Africa Development Indicators (ADI) 2010 (Online).
- 3. In the 1960s, a leading development textbook ranked Africa's growth potential ahead of East Asia's, and the World Bank's chief economist listed seven African countries that 'clearly have the potential to reach or surpass' a 7 per cent growth rate. The seven promising countries identified by the World Bank's chief economist were among those African countries that have suffered negative growth (Easterly and Levine 1997).
- 4. The African Economic Outlook (2009) report specifically mentions that Africa's trade with China has multiplied by 10 since 2001, reaching over USD 100 billion in 2008. The economies of China and India have grown rapidly, while Latin America has also experienced moderate growth, lifting millions above subsistence living.
- 5. Hammouda (2004).
- 6. Bannock et al. (1984) defined national development as the process of growth in total and per-capita income in a country, over time, accompanied by fundamental changes in the structure of the economy of the country. Associated with this economic process are important social and political reforms, such as revision in the system of land tenure, and a greater democratization of the political system. The main objective of national development is to raise the living standard and general well-being of the people in the economy.
- 8. The statistics reported are African averages.
- 9. Mayer (1996) shows that in general, import substitution will lead to a shift of the workforce to formerly imported goods and rapid learning effects will occur. However, this shift represents a one-time stimulus to learning, while thereafter the production mix of the closed economy will change only slowly, i.e., at the pace of the economy's shift in consumption pattern. This means that import substitution may stimulate growth in the short run but will be detrimental to long-term growth. Entering into competition with foreign firms is likely to generate more learning effects than living in autarky, and being active in the world, rather than only in the domestic market, is likely to give rise to more

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- spillover effects. The assumption here is that the foreign firms are not capital-deep multinational corporations.
- 10. Other reasons identified by Oyejide, Ndulu and Gunning (1999) as stimuli for the liberalisation of trade regimes include the conditions imposed for gaining access to external finance, positive external shock, specific country own initiative, and membership in a sub-regional economic integration scheme.
- 12. An example of a flexible counter-cyclical instrument is the current account of the public budget, as it does not require lengthy legislative process and consultations to adjust. It becomes efficient if it minimizes leakages and is well-targeted during recessions.
- Again, much of these formal-urban enterprises have disappeared (closed shop or became informal) due to the impact of liberalization process that started in the 1980s.
- 14. The argument of the neo-liberal economic thinkers is that incessant agitations and strikes of organized labour groups have negative implication for economic growth and development. However, this has been proved otherwise. For example, Irrmen and Wigger (2000) argued that a labour union whose purpose is to raise wages above the competitive level may foster economic growth if it succeeds in shifting income away from the owners of capital to the workers and if the workers' marginal propensity to save exceeds the one of capitalists.

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Africa's Developmental Impasse: Some Perspectives and Recommendations

Demba Moussa Dembele*

Abstract

Africa is among the "poorest" regions of the world. The reality is that Africa is not poor but rather impoverished. This impoverishment dates back to the dawn of capitalism when slavery was one of the key elements of capitalism's "original accumulation", as demonstrated par Karl Marx in *The Capital*.

Colonial administration replaced slavery as from the 19th Century with the occupation of Africa by Western powers. This has led to a systematic looting of its natural resources and the exploitation of its cheap labour which served to industrialise Western countries.

Thus, slavery and colonisation constituted the main causes of Africa's impoverishment. With its accession to independence from the 1960s, one may have thought that looting Africa would have come to an end and its development stepped up. It was the contrary that occurred because in many countries, foreign domination had been reinforced in connivance with the new African leaders.

The failure of the neo-colonial management of African countries was illustrated by the external debt crisis which started from the end of the 1970s and led to the World Bank and IMF's intervention. These institutions forced upon African countries the notoriously sad adjustment programmes which contributed to worsening the crisis in their economies, taking poverty to an unprecedented level.

The international financial crisis that occurred in 2008 illustrated the failure of market fundamentalism of which adjustment programmes are the forerunners. This crisis which has shaken the very bases of the capitalistic system affords African leaders and thinkers the opportunity to break loose of the neoliberal yoke and explore a development path that is more in tune with Africa. The author underscores that such a path should be non-capitalistic because the heavy toll that Africa has paid since the birth of capitalism until now is a proof that the capitalistic development model is bound to fail.

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^{*} ARCADE, Dakar, Senegal. Email: dembuss@hotmail.com

Socialism is the most appropriate development option because it can reconcile economic efficiency, wealth redistribution, social justice and democracy.

Résumé

Le continent africain fait partie des régions les plus « pauvres » du monde. La réalité est que l'Afrique n'est pas pauvre mais appauvrie. Cet appauvrissement remonte à l'aube du capitalisme quand l'esclavage fut un des principaux éléments de « l'accumulation primitive » du capitalisme, comme l'a montré Karl Marx dans *Le Capital*.

La colonisation se substitua à l'esclavage à partir du 19e siècle avec l'occupation du continent par les puissances occidentales. Elle entraîna un pillage systématique des ressources naturelles et l'exploitation de la main d'œuvre à bon marché au service de l'industrialisation des pays occidentaux.

Ainsi donc, l'esclavage et la colonisation constituent-ils les sources principales de l'appauvrissement de l'Afrique. On aurait pu penser que les indépendances à partir des années 1960 mettraient fin au pillage de l'Afrique et la propulseraient sur la voie du développement. Au contraire, dans beaucoup de pays la domination étrangère avait été renforcée avec la complicité des nouveaux dirigeants africains.

L'échec de la gestion néocoloniale des pays africains fut illustré par la crise de la dette extérieure à partir de la fin des années 1970 qui entraina l'intervention de la Banque mondiale et du FMI. Ces institutions imposèrent les programmes d'ajustement de triste mémoire qui ont contribué à aggraver la crise des économies africaines engendrant ainsi un niveau de pauvreté sans précédent.

La crise financière internationale qui a éclaté en 2008 a illustré la faillite du fondamentalisme de marché dont les programmes d'ajustement sont les précurseurs. Cette crise qui a remis en cause les fondements mêmes du système capitaliste offre une occasion aux dirigeants et penseurs africains de sortir du carcan néolibéral et d'explorer une voie de développement qui soit propre à l'Afrique. L'auteur souligne que cette voie doit être non capitaliste car le lourd tribut que l'Afrique a payé depuis la naissance du capitalisme jusqu'à nos jours montre que la voie capitaliste de développement est vouée à l'échec.

Le socialisme est l'alternative de développement la plus appropriée parce qu'il peut allier efficacité économique, redistribution des richesses, justice sociale et démocratie.

Introduction

According to the United Nations Conference on Trade and Development (UNCTAD, 2010), there are 33 African countries classified as Least Developed Countries (LDCs). These countries are characterised by economic

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vulnerability, weak human development, and low income. This, to a large extent, explains why many African countries are at the bottom of the Human Development Index (HDI 2011) developed by the United Nations Development Programme (UNDP).

It is a fact that Africa remains a continent that is developmentally in arrears despite its great amount of resources – minerals, petroleum, arable land, agricultural resources, maritime resources, etc. – and formidable human potential, especially vibrant youth eager to contribute to building a prosperous continent. The present situation is such that, despite its great wealth potential, there is much discontent among the masses on the African continent. In this paper, I propose to analyse the present weak economic performance of Africa, and then make recommendations as to how the present impasse could be overcome. At present, Africa is victim to its recent historical past and to a set of forces both exogenous and endogenous arrayed against it.

Sources of Africa's Economic Underdevelopment

Africa is not poor, as the mainstream discourse tends to stress *ad nauseam*. It has been impoverished through centuries of slavery and colonization. In his monumental work, *Capital*, Marx has shown the heavy price paid by Africa to what he calls the 'primitive accumulation' of capital in the early days of capitalist accumulation (Marx 1977: 915). With the huge amount of economic surpluses garnered from the Atlantic Trade, investments were made in new technologies that increased capitalist productivity. Thus, commercial capitalism eventually gave way to industrial capitalism. But the cost to Africa was the cruel exploitation of African labour. With the falling off of the demand for captive labour and the increased need for raw materials for the quickly developing engine of industrial capitalism, the global colonization of resource-rich lands became the new project for European economic and military powers. Hence the scramble for Africa that culminated with the Berlin Conference of 1885 that divided up Africa.

When formal independence was granted to African countries in the 1960s, hopes were high that with independence, the long period of economic exploitation would come to an end, and Africa would then be on the path towards economic growth and development. Socialism as a model of development was popular in those days, with the Soviet Union, China and Cuba serving as possible models. This was the basis for the socialist experiments in places like Ghana under President Kwame Nkrumah and Tanzania under President Julius Nyerere.

But the withdrawal of the European powers was only strategic. They left behind minefields of problems that were set during colonial times. One of

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these problems was the unbalanced treatment of Africa's ethnic groups. Another was the birth of new classes that were nurtured on the shallow materialism encouraged by capitalist production. Frantz Fanon (1963) noted in his *Wretched of the Earth* that the pitfalls of independence included the birth of greedy comprador classes narrowly founded on the dubious principle of ethnicity that threatened to derail the independence project. Well, they have succeeded so far.

A major reason for Africa's meagre economic progress is that most African countries are run indirectly from the West by way of the willing complicity of Africa's comprador bourgeois classes who facilitate the looting of the continent's resources by Western and other multinationals in exchange for paybacks that are used up mainly in consumption. In this context,, the loans contracted by African governments at high interest rates were mainly used for consumption at the expense of investment that would boost economic growth and development. This led to the external crisis of the 1970s that gave way to the intervention of the International Monetary Fund (IMF) and World Bank that imposed the punishing Structural Adjustment Programmes (SAPs) of the 1980s, all tailor-made for an entrapped continent.

The prescient Fanon, in his *The Wretched of the Earth* (1963), candidly summed up the situation of the new comprador bourgeoisie domination of the nation in the context of a centre-periphery dependency relation between the neo-colonial powers and their ex-colonies. This situation is at the source of the individualistic rent-seeking and corruption that quickly engulfed Africa's new neo-colonial nations. This tenuous situation was held firmly in place by the new armies and police trained to protect the interests of the new bourgeoisie and its metropolitan patrons. This local military power was often reinforced by the ex-colonising power maintaining troops in the new nation. This has been standard practice of France with several of its erstwhile colonies until this very day. On the above topic, Fanon (1963:172) writes:

In these poor underdeveloped countries, where the rule is that the greatest wealth is surrounded by the greatest poverty, the army and the police constitute the pillars of the regime; an army and a police force (another rule which must not be forgotten) which are advised by foreign experts. The strength of the police force and the power of the army are proportionate to the stagnation in which the rest of the nation is sunk. By dint of yearly loans, concessions are snatched up by foreigners; scandals are numerous, ministers grow rich, their wives doll themselves up, the members of parliament feather their nests and there is not a single soul down to the simple policeman or the customs officer who does not join in the great process of corruption....The opposition becomes more aggressive and the people catch on to its propaganda. From now on their hostility to the bourgeoisie is plainly visible.

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Colonization and the Capitalist Division of Labour

The colonization of African countries by European powers in the 19th century sealed the fate of the continent for centuries to come. In addition to the plunder of its resources, its citizens were transformed into cheap labour for colonial companies. The capitalist division of labour, which made Africa a provider of raw materials for industrialized countries, has persisted until today with more than two-thirds of Africa's exports comprising raw materials and semi-processed goods (UNCTAD 2003). This pattern of development has contributed to the continent's impoverishment. It has accentuated African countries' external dependence and led to the debt crisis of the late 1970s and early 1980s, which opened the door to the intervention of the International Monetary Fund (IMF) and the World Bank.

The Perennial Commodity Dependence

It was thought that the independence of the 1960s would spell the end of the commodity dependence model and bring significant economic and social changes for the benefit of the African people. But in most countries, the economic structures and institutions inherited from colonisation were kept intact and the relationships with former colonial powers remained unchanged. As a result, there was little economic transformation that could have improved the lives of Africa's citizens (ECA 2011). The lack of economic transformation means tremendous losses of wealth and employment opportunities for millions of Africans, especially for the young people.

Commodity dependence is one of the main reasons for the economic vulnerability of African countries to external shocks. First, the exports of many countries depend on a few commodities. This dependence is measured by the export concentration index, which increased by 80 per cent between 1995 and 2006 as a result of trade liberalisation imposed by the International Monetary Fund (IMF) and the World Bank (UNCTAD 2008). Second, commodity dependence also means a high degree of dependence on external markets, as measured by the export-to-gross domestic product (GDP) ratio, which doubled from 26 per cent in 1995 to 51 per cent in 2007. For the group of least developed countries, the ratio more than doubled, rising from 17 per cent to 45 per cent over the same period.²

The economic vulnerability to external shocks played an important role in the debt crisis of the 1970s and 1980s, which again led to the intervention of the International Monetary Fund (IMF) and the World Bank.

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The Costs of IMF and World Bank Intervention

This intervention led to the imposition of the now discredited Structural Adjustment Programmes (SAPs), which aggravated the economic and social crisis of African countries. Trade liberalisation has been one of the main features of the international financial institutions (IFIs) prescriptions. It was founded on the assumption that African countries' economies were too inward-looking and laden with protectionist measures, especially for state-owned companies. This explains, as the interventionist argument goes, their lack of competitiveness and the accumulation of deficits that increased the burden on public finances and led to the public debt crisis.

As a way of correction, the IFIs imposed sweeping trade liberalisation based on an export-oriented model, which was reinforced in the mid-1990s when the World Trade Organisation (WTO) was set up. One of the main goals of trade liberalisation was to boost exports in order to gain the foreign exchange needed to repay the external debt. This explains why priority was given to cash crops at the expense of food production for local consumption. As a result, food production continued to fall resulting in rising external food dependence.

One of the features of trade liberalisation was the removal of protection for the domestic industry. This has had devastating effects on African domestic industries, most of which collapsed under unfair competition from heavily subsidised products from OECD (Organisation for Economic Cooperation and Development) countries. As a result, unemployment reached unprecedented levels, contributing to the spread of poverty on a massive scale.

Indeed, the costs of trade policies imposed by the IFIs have been staggering. According to Christian Aid (2005), African countries lost more than 270 billion dollars over two decades of structural adjustment. To illustrate these losses by concrete examples, the report pointed out that a country like Ghana had lost some 10 billion dollars over a 15-year period. This loss was equivalent to a work stoppage by the whole country for 18 months.

Trade liberalisation goes hand-in-hand with financial liberalisation, which exacerbated capital flight and tax evasions, instead of 'attracting' more capital flows in the form of foreign direct investments. Several sources have documented the staggering amount of capital flight since the 1970s. One study indicates that the level of capital flight from Africa had been underestimated. It said that cumulative capital flight over the 1970-2004 period for a group of 40 African countries amounted to 420 billion dollars at 2004 prices. The study added that if one takes into account accumulated interest on this figure, the cumulative capital flight would amount to a huge

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607 billion dollars. This figure was 400 billion dollars higher than these countries' outstanding debt at the end of 2004 (Boyce and Ndikumana 2008).

A study on LDCs commissioned by the UNDP and released during the UN Fourth Conference on LDCs in Istanbul in May 2011, indicates a staggering capital flight from the 'poorest' countries in the world. It shows that between 1990 and 2008 the 48 'poorest' countries lost nearly 200 billion dollars. African countries accounted for about 70 per cent of those outflows.³ Mispricing is the leading factor behind capital flight, accounting for 65 to 70 per cent of all illicit outflows. This is another reason why trade liberalization has been devastating for African countries.

One of the objectives of financial liberalisation is to help African countries attract foreign direct investments (FDIs). To achieve this goal, African countries were advised to provide tax holidays, enact special laws to protect private property, to push for labour market 'flexibility', that is, the possibility for private investors to lay off workers at will, in the name of competitiveness, lower wages, and social standards.

But tax holidays tend to exacerbate capital shortage in African countries. A report by the Tax Justice Network Africa (TJNA)⁴ indicates that for the past 25 years, tax revenues in most African countries have not even achieved the low target of 15 per cent of GDP, compared to developed countries' average of 35 per cent. The report places the blame mostly on the incapacity of African governments to enforce tax collection and on the tax avoidance schemes by foreign investors.

Social and Political Costs of Structural Adjustment

The combined effects of trade and financial liberalisation have been the spread of poverty in many African countries. The Poverty Reduction Strategy Papers(PRSPs) are a recognition of the disastrous impact of these policies. UNCTAD indicates that in African LDCs, 60 per cent of the population live on less than 1.25 dollars a day, while 88 per cent live on less than 2 dollars a day (UNCTAD 2010). The economic impact of this is sheer strangulation for the vast majority of Africa's citizens given that a large proportion of the items consumed in Africa are imported from the West and Asia.

Overall, the economic and social costs of structural adjustment policies (SAPs) are staggering. These policies are responsible for the explosion of poverty, social dislocation, increased gender and social discrimination, weaker states, and so forth (Dembele 2004). As a result, the international financial institutions (IFIs) have now only one agenda for Africa: 'poverty reduction'. The word 'development' has been banned from their vocabulary. The celebration of 'high' growth rates is accompanied by a steady deterioration in human development indicators, illustrated by high levels of unemployment, declining

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incomes, poor educational and health systems, deterioration of public services as a result of lower public investments, and privatisation imposed by the IFIs.

At the political level, vicious attacks against state-led development, the dismantling of the public sector, budget austerity, and civil service downsizing have combined to weaken or even destroy several states. The so-called 'failed states' are a direct outcome of discredited neoliberal policies imposed on African countries for more than three decades.

As a result, democratic institutions have been marginalised in policy formulation and implementation. Democracy has lost its meaning and politics has lost credibility. This explains to a large extent why elections have become an empty shell and a formal exercise for professional politicians who make false promises on economic and social issues they are unable to deliver, due to conditionalities imposed by IFIs. But the comprador national bourgeoisies are comfortable with this unfortunate situation for the reasons that Fanon so tellingly gave: 'Its innermost vocation seems to be to keep in the running and to be part of the racket' (Fanon 1963:150).

Toward A Non-Capitalist Development

All of the above demonstrates that genuine autonomous development for Africa is not possible within the existing neo-colonial capitalist system. The experience of the last 50 years supports this claim. The current crisis of global capitalism and the exacerbation of contradictions between the global South that seeks its own emancipation, and the imperialist Triad,⁵ determined to preserve its monopolies and hegemony through the militarisation of the planet, make it more difficult and even illusory for African countries to contemplate development within the existing capitalist system (Amin 2010).

Therefore, ending Africa's impoverishment and improving the lives of its citizens requires breaking with the dominant paradigm whose main pillars are now being challenged by even some of its erstwhile leading proponents.⁶ This is a reflection of the crisis of legitimacy of global capitalism, 'a crisis of civilization', because it is putting into question all the values promoted by capitalism, such as, democracy, politics, human rights, freedom, and so forth.

So, it is time now for Africa to free itself from the influence of neoliberal thinking and the shackles of the International Monetary Fund (IMF) and World Bank. It is time for African countries to take decisive steps toward an alternative development by moving away from the commodity dependence model and the vicious circle of the international division of labour inherited from colonization.

An interesting work was initiated in this regard in Southern Africa a few years ago (Kanyenze et al 2006). Initiated by the leading trade unions in that region, with the collaboration of leading thinkers and activists, the 'Alternatives to Neoliberalism in Southern Africa' (ANSA) aims to challenge the mainstream

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discourse on development and propose an alternative development framework in Southern Africa. ANSA is an important contribution to the struggle to promote a new discourse on development in Africa, away from the failed and discredited neoliberal paradigm. The proposals below are another contribution to that struggle, which aims to reclaim Africa's sovereignty over its own development.

Reverse Discredited Neoliberal Policies

One of the important steps in that regard is to challenge and reject the failed policies advocated by the IFIs. Thus African countries should restore capital controls and reverse liberalization of their capital accounts, two policies that opened the door to speculative capital flows, tax evasion, and increased capital flight. Several recent reports support capital controls as a policy tool to mitigate the impact of external shocks and strengthen sovereignty over macroeconomic policies. Even the IMF has now acknowledged the usefulness of capital controls under certain circumstances (Ostry et al. 2010).

Another step toward reversing neoliberal policies is to end trade liberalisation as an instrument of the export-led growth model and restore protection for strategic sectors and companies, especially food producers in domestic markets. In the name of 'free trade' and 'comparative advantage' African countries were forced to accept sweeping trade liberalisation that has been very costly in economic and social terms. As shown in previous chapters, trade liberalization has increased Africa's external dependence, destroyed domestic industries and accelerated deindustrialisation. While African countries were requested to accept at face value the virtues of 'free trade', OECD countries were providing huge agricultural subsidies and erecting disguised and open protectionist policies to the detriment of African exports.

Still in the name of 'comparative advantage', African countries were forced to give priority to cash crops at the expense of food production. The food crisis and Africa's great dependence on food imports illustrate once again that the IFIs have successfully cajoled African countries into adopting policies that are detrimental to their fundamental interests. After aggravating Africa's food dependence following the liberaliation of the agricultural sector, the IMF and World Bank are now offering loans to African countries to purchase food from Western countries. As a result, there is increased debt burden and food dependence for many African countries.

The vicious attacks against the state by the same institutions have translated into the destruction of the public sector through the privatisation of state-owned enterprises in the name of 'private sector development' and 'efficiency'. In several countries, there were even 'ministries of privatisation'

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whose main mission was to sell off some of the most profitable public assets with little positive returns for their countries. In fact, privatisation translated into massive job losses and social exclusion. It can be easily argued that there is evident correlation between the aggravation of poverty and the growing foreign control of public assets.

Thus, privatisation can be seen as a form of robbery of the national patrimony—including strategic sectors—through the transfer to foreign control of assets built up throughout years of sacrifices by the people. Therefore, reversing privatisation is necessary in order to restore people's sovereignty over their resources. It is time for African countries to put back into public and collective hands the control of key sectors and natural resources. No genuine development is possible without control of a nation's wealth.

So Africa should learn from the lessons given by developed countries, including the United States, during the financial crisis. They have been nationalising banks and financial institutions in order to save them from collapse. But more importantly, African countries should learn from the examples of other Southern countries, like those of South America, where governments are now taking control of assets and natural resources that were sold off to foreign companies. The defense of public and collective ownership is an important component of the struggle against the neoliberal ideology.

Build Developmental and Democratic States

Reversing privatisation and defending public ownership can be possible only with an active intervention of the state. Proponents of such intervention have been vindicated by the high economic and social costs of *laissez-faire* policies and the resurgence of state intervention in developed countries. In Africa, there is a strong correlation between state retrenchment, poverty and social exclusion. The national security of a country requires a strong and active state. In fragile nations, state intervention is indispensable to the process of nation-building.

African social movements have said that the policy of 'minimal state' advocated by the IFIs was a heresy. Now, some institutions seem to have come to the same conclusion, as illustrated by the 2011 ECA report stressing the indispensable role of the State in economic transformation. In fact, experiences from Asia and Latin America show that the economic and social progress achieved in those regions was made possible by the existence of an active state, often referred to as the developmental state. African countries need to build such states that would combine economic efficiency, social progress, and democracy.

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Promote Industrialisation and Domestic-led Growth

One of the pillars of economic transformation is industrialisation. As indicated earlier, one of the main sources of Africa's impoverishment is its commodity dependence and the low level of economic transformation. So, the critical challenge for Africa is to shift to a different development model, with industrialisation as one of its key components. Africa must transform domestically its raw materials and commodities for two main reasons. First, this would add value and create wealth that would remain on the continent. Second, transforming raw materials domestically would increase job opportunities for Africans, especially for the young people whose high unemployment rate is one of the main sources of social and political unrest.

However, a credible industrialisation strategy should be envisaged at the regional level. Indeed, past experiences have demonstrated that industrialisation within small countries has little chance of succeeding. Small domestic markets were one of the main factors behind the failure of the import-substitution strategies of the 1960s and 1970s. It is even more difficult now to imagine a successful industrialisation at the national level, except for a very few countries.

Economic transformation would create the right conditions for a viable domestic market, which would make it possible to shift to a domestic demandled growth strategy as opposed to the export-led growth strategy advocated by the international financial institutions and which has accentuated Africa's commodity dependence.

Mobilising Resources for its Development

Reclaiming its sovereign right to design its own policies goes with efforts to raise resources internally and shoulder a greater part of the resources needed to finance its development. The AfDB Report (2008) rightly claims that 'The continent needs to boost domestic resource mobilization - through financial and fiscal instruments- to support growth and investment. Addressing these issues require strategic interventions at various levels'.

Financing Africa's development has been one of the most intractable issues since independence. The excessive influence of the IFIs, the dependence on external 'aid' and the external debt crisis are all inked to the inability of African countries to mobilise resources for their development. Structural adjustment programmes have reinforced African countries' dependence on external financing, both on public and private sources. But the financial crisis has accentuated the crisis of external aid as illustrated by the downward trend of 'official development assistance' (ODA). Indeed, real resource transfer from official development assistance had been declining owing to a number of factors, including the gap between commitments and actual

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delivery, the inclusion of 'debt relief' and emergency assistance in the nominal figures announced by 'donors'.

Even the commitment made in July 2005 in Gleneagles with much fanfare to double 'aid' to Africa by 2010 has not been fulfilled. According to the Development Assistance Committee (DAC), the 2005 pledge to bring aid levels to \$48 billion in 2010 fell short by \$21 billion.⁷

In addition, the external debt crisis has had the effect of drying up official lending from traditional lenders. This prompted IFIs to recommend resorting to private capital in the form of foreign direct investments (FDIs). But as indicated in previous chapters, this comes with a high price, by forcing African countries to engage in a race to the bottom by accepting low wages and social standards for their citizens, by providing tax holidays and low income tax rates for corporations, all of which tend to aggravate capital shortage.

So the African experience shows that dependence on external financing is a dead end. After more than half a century, African countries must come to grips with the reality that they should first and foremost count on their own resources to finance their own development. This means that they should pay more attention to measures aimed at mobilising more effectively domestic resources through progressive fiscal and monetary policies. This is among the key recommendations made by the UN Conference on Financing for Development (FfD), held in Mexico in 2002.

To achieve this goal, the role of the state is indispensable. UNCTAD and other institutions have urged African countries to build developmental states. In its report, UNCTAD insists on the need to reorganise African states in order to make them genuine instruments of development, by helping African governments improve tax collection, formalize the informal sector; stop capital flight, make more productive use of remittances from African expatriates, and adopt effective measures to repatriate resources held abroad (UNCTAD 2007).

Improving domestic resource mobilisation implies imposing capital controls to limit tax evasions and capital flight, limiting tax exemptions for corporations and shutting down tax loopholes to limit the siphoning of domestic savings, and enforcing more effectively income taxation on foreign investors. According to a study by Christian Aid (2005), potential losses for lack of enforcement are estimated at \$160 billion a year. In addition, African LDCs should shut down all the loopholes through which resources are siphoned off. More resources should be raised on corporate income and higher taxation should be applied to high-income groups. By contrast, the scope of indirect taxes, like value-added tax (VAT), which penalize low-income groups, should be restricted in order to limit its negative impact.

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Another important instrument for a greater domestic resource mobilization for long-term investments is the restoration of development banks which had been eliminated by the reforms introduced by structural adjustment programmes. Likewise, the creation of regional currencies may be an important instrument for a greater resource mobilisation as they contribute to preventing domestic savings from moving abroad. They also provide a greater autonomy in the formulation and implementation of economic policies.

Still, in trying to mobilise more resources for their development, African countries should demand compensations from Western financial institutions for their complicity in tax evasion and capital flight.

Moreover, Africa must fight for the repatriation of stolen wealth kept in Western banks. The struggle for the repatriation of stolen wealth has gained momentum at the international level and in Africa. In 2007, an initiative for the stolen assets recovery (STAR) was launched by the World Bank and the United Nations. Its mission is to prevent the laundering of products from illicit activities and accelerate the restitution of stolen assets. But so far, its action has had a limited impact.

In Africa, the African Union Commission and the AfDB have now joined civil society organisations in calling for the repatriation of stolen wealth. In 2005, the Commission for Africa, put together by then British Prime Minister Tony Blair, issued a report exposing the complicity of the Western financial system in the illicit transfer of wealth from Africa to Western countries. The Commission estimated that wealth at more than half of the continent's external debt. Therefore, African countries should seek justice by demanding that Western governments and financial institutions cooperate with them in their efforts to retrieve that wealth for their development.

Strengthening South-South Cooperation

South-South cooperation has become a growing source of financing for African and other developing countries. Already, a great number of African countries are turning more and more to leading countries from the South, like China, India, Brazil, Iran, Venezuela, etc, for loans and direct investments. According to figures published by Chinese sources, trade between Africa and China was estimated at \$120 billion for the first eleven months of 2011.

South-South foreign direct investments (FDIs) accounted for 14 per cent of all FDIs in 2008 while South-South trade accounted for 16.4 per cent of the 14 trillion dollars of world trade in 2007. South-South trade rose from \$600 billion in 1995 to \$3.14 trillion in 2008. An increasing part of South-South trade is in manufactured goods. In development finance, more than two-thirds of loans made by other Southern countries are on a concessional basis.⁸

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In its 2010 report on the Least Developed Countries (LDCs), UNCTAD has indicated that emerging southern economies are now the major export markets for LDCs, absorbing more than half of their exports. Since 1996, more than half of LDCs' imports come from the South. In 2007-2008 it was 62 per cent of their imports. Between 1990/1991 and 2007/2008, 66 per cent of the growth expansion in LDCs' external trade was due to countries from the South. South-South relations provide greater opportunities for geographical diversification of trade, investments, financial flows and technology transfer (UNCTAD 2010).

From the above, one can see that South-South cooperation has become a major feature of international economic and financial relations and can play an important role in the paradigm shift. Indeed, closer South-South relations could be an important component of the strategy aimed at challenging the dominant paradigm.

Developing closer economic and financial ties with the rest of the South will help Africa strengthen the policy space it needs to weaken the influence of 'traditional partners', including the international financial institutions.

Exploring Innovative Sources of Financing

African countries should strongly support initiatives aimed at exploring innovative sources of financing for development. Among these sources is the Tobin tax or international currency transaction tax (ICTT). The exploration of 'innovative sources of finance' is explicitly mentioned in the Monterrey Consensus on financing for development and was highlighted in the '2007 Report of the UN Secretary-General on the follow-up to, and implementation of, the outcome of the International Conference on Financing for Development (FfD).

The importance attached to this issue has led the UN Secretary-General to create the new role of *Special Representative on Innovative Finance*, appointing former French Minister of Foreign Affairs, Philippe Douste-Blazy, to the position. Examples of *innovative instruments* include nationally-collected and internationally-disbursed aviation levies, such as those financing UNITAID (United Nations International Taxation for Aid), as well as a range of well-researched initiatives to derive revenue from sectors including off-shore centres, luxury goods, extractive industries, and banking. Various *financial transaction levies*, for example, including stocks, bonds and currency are simple and inexpensive to implement due to the electronic automation of these markets, and would yield billions of dollars annually. According to the United Nations University report published in October 2007, levies on currency transactions alone have the potential of raising \$33 billion annually.

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Guarantee of Free Access to Basic Social Services for Citizens

One of the reasons why privatisation should be reversed and the State should play an active role is to uphold the right of all citizens, especially for the poor, to free access to basic social services. Under international law, states are required to respect, protect and fulfil human rights as a matter of priority in their public and economic policies. This is why over the last few years, several institutions and civil society organisations have increasingly promoted the need to respond to the multiple crises (food, economic, financial, etc.) from a rights-based approach in order to protect vulnerable groups and prevent the imposition of harsh policies, similar to SAPs. They argue that international instruments promoting economic, social and cultural rights should be evoked to protect people's basic rights, such as right to clean water, safe food, health, education, and so forth (*Better Aid* 2010).

The rights-based approach has gained more credibility and international attention after the United Nations adopted in July 2010 a Resolution, with the support of 122 countries, including several Western countries, stating that access to safe drinking water and sanitation should be considered as a 'human right that is essential for the full enjoyment of life and all human rights'.9

Socialism as Alternative

The political dimension of the paradigm shift is a real democratisation of African societies, with the building of truly democratic institutions and the rise of an enlightened and democratic leadership capable to implement policies that reflect the fundamental aspirations of the African people. Sovereignty over development policies means the restitution to the African people of the right to participate in the formulation of economic development policies that affect their lives.

In that regard, African social movements have an important role to play in the design and implementation of public policies. Over the last two decades or so, African social movements, including research institutions, have become among the main actors on all issues relating to Africa's development, both in the African context and at the international level. They have made significant contributions in several areas involving economic and social policies, and democracy and human rights.

Therefore, labour unions, peasant organisations, women's associations, youth organisations, grassroots associations as well as non-governmental organisations (NGOs) should be taken seriously as interlocutors in the debate on the continent's development, including on democracy and human rights. All of this is to be situated within the context of socialism which is, in my opinion, a system that can combine economic efficiency, social progress, individual

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and collective freedom, and democracy. The goal is that the African people democratically control and manage their productive enterprises for maximum welfare for all. Democratically managed economic surpluses will be used for the betterment of all lives in education, health and general welfare. What all this means is that there can be no socialism without genuine democracy for workers and all others. This, of course, is anathema to hegemonic neoliberal capitalism in all its dimensions. The way forward is for the people of Africa to wrest control of their governments from the hands of those politicians and governments that mock democracy as abject servants of international capital for which they receive only crumbs and their people nothing. This zero-sum game for the benefit of the West that fuels Africa's discontent must be reversed.

Conclusion

Africa's dismal economic situation and perennial social and political instability are inextricably linked to its impoverishment since the dawn of capitalism. Africa has paid a heavy price to western industrialisation. Since independence, African countries have experienced a host of models and strategies, most of which were inspired from abroad, the latest being the neoliberal model. All these models, within the capitalist system, have only contributed to a further impoverishment of African countries.

Despite the high costs of their policies and the growing defiance to them across the continent, the international financial institutions are still trying to retain their influence on Africa's development. The latest example is the World Bank's 'new strategy' for Africa (WB 2011). African leaders and policy makers should not be distracted by this 'strategy' that has nothing 'new' but is a recycling and repackaging of old and failed policies that led African countries to the current economic and social impasse. ¹⁰

Now that the capitalist system is in deep crisis and being challenged even in its birthplace, African governments and policy makers should make bold and courageous moves to reclaim their countries' sovereignty over their development. Recovering the control over its own resources, exercising fully its right to development; trusting its own peoples, these are some of the steps toward building a prosperous, democratic and stable Africa.

Given the heavy price paid by Africa and its people for the birth and development of capitalism, it is argued that a prosperous and democratic Africa cannot be envisaged within the capitalist system. Therefore, the above policies should be understood as a transition to an autonomous development outside the capitalist system. In our opinion, the ultimate goal of that transition

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should be socialism, because it is a system that can reconcile economic efficiency, protection of the environment, social justice, democracy, freedom and the defence of human dignity.

Notes

- 1. The number of African LDCs is now 34 following the birth of South Sudan in July 2011.
- 2. Figures given at UNCTAD's Public Symposium on 'The Global Economic Crisis and Development-The Way Forward', Geneva, 18 & 19 May 2009.
- 3. See, 'Illicit Financial Flows from the Least Developed Nations; 1990-2008', in *Global Financial Integrity*, Global Financial Integrity.
- 4. 'Tax Us If You Can Why Africa Should Stand up for Tax Justice'.
- 5. A word coined by Samir Amin, which is composed of the United States, Europe and Japan. The instruments of the imperialist triad include the US Armed Forces, the NATO Alliance, the international financial institutions (IFM & World Bank), the WTO and the Western mainstream media.
- See, in particular World Bank's President, Robert Zoellick, speech at Georgetown University (Washington, DC) in September 2010, titled 'Democratizing Development Economics'.
- 7. *Eurodad*, 'Missing the targets: EU aid falls short of promises', Statement published on February 17, 2010. See www.eurodad.org.
- 8. UN-LDC IV, Harnessing the Positive Contribution of South-South Cooperation for Least Developed Countries' Development. Background Paper, New Delhi (India), 18-19 February 2011.
- 9. United Nations,' Draft Resolution', July 2010.
- 10. The World Bank has always tried to regain some credibility with African policy makers and leaders whenever it feels that its policies are being challenged or rejected in Africa. One remembers the Berg Report in 1981 titled 'Accelerated Development in Sub-Saharan Africa: An Agenda for Action' following the publication of the Lagos Plan of Action (LPA) in 1980 by the ECA and the Organization of African Unity (OAU). Then, when the same ECA published the Alternative Framework to Structural Adjustment Programmes in 1989, which exposed the disastrous effects of SAPs, the World Bank came up that same year with another report titled 'Sub-Saharan Africa: From the Crisis to Sustainable Growth. A Long Term Study'. All these examples show that the World Bank is determined to preserve its influence on Africa's development and prevent autonomous thinking on the part of African economic planners. It is up to the latter to meet the challenge and tell this institution what it really is: an instrument of a failed and discredited paradigm in the service of global capitalism.

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The Economic Situation in Contemporary Africa: Comment on Questions Posed by Lansana Keita

Patrick Bond* and Demba Moussa Dembele**

Abstract

The economic situation in contemporary Africa is highly problematic, creating populations that are in general much discontented with matters as they now stand. Africa's populations are now assailed by negative phenomena such as high unemployment; low wages in an environment of high prices (Third World wages and First World prices); low capital accumulation; banks that cater to expatriates of the wealthy mainly; human capital flight; political instability; questionable democracy; weak and inefficient infrastructures, all now supervised by the IMF and the World Bank.

Résumé

La situation économique de l'Afrique contemporaine est très problématique, avec des populations généralement très mécontentes de l'état actuel des choses. Les populations africaines sont maintenant assaillies par toutes sortes de phénomènes négatifs dont notamment un fort taux de chômage, des bas salaires dans un contexte de prix élevés (salaires du Tiers monde et prix les plus élevés du monde), une faible accumulation de capital, des banques qui se préoccupent des expatriés des principaux pays nantis, la fuite du capital humain, l'instabilité politique, une démocratie contestable, des infrastructures fragiles et inefficaces, et tout cela maintenant placé sous la supervision du FMI et de la Banque Mondiale

The following questions were put to two well-known analysts of the contemporary economic situation in Africa. They are Patrick Bond of the University of KwaZulu-Natal and Demba Mousa Dembele, Director, African Forum for Alternatives, Dakar, Senegal.

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^{*} Department of Development Studies, and Centre for Civil Society, University of KwaZulu-Natal, Durban, South Africa. Email: pbond@mail.ngo.za

^{**} ARCADE, Dakar, Senegal. Email: dembuss@hotmail.com

Patrick Bond: Questions and Comments

Qn 1: On the recently released 2011 UN Human Development Index (key metrics are: i) life expectancy, ii) literacy rates and levels of education, iii) health with emphasis on children, and iv) multi-dimensional poverty levels. According to Mahbub-ul-Haq, 1990, and Amartya Sen who later streamlined ul Haq's model, the lowest rankings [there are four rankings, namely: very high development, high development, medium development, and low development (each being applied in respect of 43 nations], the majority (83%) of the lowest category being African nations. The highest rankings were garnered by Scandinavian nations whose economic systems could be described as versions of 'state socialism' [maximal government expenditures for human welfare as the social base with non-state productive enterprises allowed to operate].

PB: Thanks, it's a good place to start, combining aspirational and materialist analyses. As I read Scandinavian history, through the eyes of critical scholars like Gosta Esping-Andersen and Asbjorn Wahl, the main lesson for winning redistributive social policy within a broadly capitalist framework is to forge cross-class alliances and to transfer values and energy from working-class civil society into state policy, without being co-opted by reforms that in many cases tend to undermine or ossify the social-change movements. When those countries were at relatively low levels of per capita income (lower even than many African countries) a century ago, the Scandinavian labour and peasant movements united through their parliamentary political parties and soon found they had a sufficient majority to start building the welfare state.

That process began after a consolidation of their civil society organisations, especially the labour movements. And the kinds of reforms they posed were not the movement-destroying ideas typified in the United States by the corporatism of big government, big business and big labour after World War II. Instead, the reforms pushed towards de-commodification and destratification, which are the exact opposite of the structural adjustment strategies imposed on Africa by the Bretton Woods Institutions over the past thirty years.

What made the reforms of the Scandinavians work, according to some commentators – specifically, the relatively twentieth century high growth (in contrast to Africa's post-independence era of economic stress and decline) and social homogeneity (not much ethnic differentiation) – are certainly important factors. But the overall strategy remains: linking poor and working class people, women and men, rural and urban, young and old, different ethnicities in an overarching social project. The best hopes in Africa are where recent politicisations and ongoing social protest are moving from democratic to socio-economic terrains, such as in Tunisia, Egypt, South Africa, Nigeria and Senegal (though, of course, in each case democracy itself is up for grabs).

So if I drop the necessary humility and am asked to offer 'recommendations', they would follow examples in which institutions of popular power grow as a result of elite paralysis and worsening socio-economic crisis, and move from the micro protest situations that are so common across Africa towards national alliances of oppressed people, with democratic leadership maintaining progressive principles based on Ubuntu-type social philosophies featuring time-tested demands for economic and environmental justice. As an inspiring example, recall the South African Treatment Action Campaign's victory in getting AIDS medicines to millions of people – about a million in South Africa alone starting in 2004 – which required defeat of intellectual property rights (decommodifying the drugs) in the World Trade Organisation in 2001, and ensuring all who required them could do so without regard to means – testing and other neoliberal methods of stratification. That is an amazing building block – probably the most significant political advance in Africa between the end of apartheid and the North African democratic insurgencies of 2011 – and along with many African citizenries' attack on water privatisation (often successful), I think it suggests that awe-inspiring victories are possible through serious alliance building.

It is such a shame that this kind of progress never gets measured properly, nor appreciated in the statistically-dubious and politically-bankrupt UN HDI or MDG system ,whose aim often seems to be depoliticisation of what they call 'development' but which is better considered, as Samir Amin often says, 'maldevelopment'. If UN or AU bureaucrats could once in a while acknowledge that progress usually is catalysed by progressive critics within their member states, these multilateral and regional bean-counting gimmicks might take on some meaning, finally. But that would be too much to expect, given the dominance of neoliberal thinking in New York and Addis.

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Qn 2: Given that developmentalism in its orthodox sense is usually taken to refer mainly to 'economic developmentalism' with its ideological programme at the forefront, do you think economic developmentalism could be compatible with democratic developmentalism? The latter would require elections in countries that tend to parlay such exercises through the prisms of ethnic and regional affiliations, local clientalism, and pressures from international forces that operate on the amoral principles of *real politik*. Countries such as Botswana and Mauritius have been touted as successfully demonstrating impressive growth in the context of democratic practice. But isn't there a bit of an overreach here given that both nations have negligible populations – Botswana: 1.7million with great income inequality, and Mauritius 1.3 million of mostly guest-worker origins and expatriate investment – and whose tiny

economies – opened to all and sundry – are geared to the export markets respectively of diamonds and tourism? In other words, what would become of a strict developmentalist programme were it to be diffused and fractured into a multiplicity of directions? On the contrary, the most successful efforts at balanced socio-economic development – human welfare and/or technological – to date are countries that have been described as *dirigiste* – authoritarian. Examples are South Korea (highly technologically advanced), Taiwan (highly technologically advanced), and Libya (ex-number one in Africa in terms of the HDI).

PB: It is impossible to make generalisations about democracy and development, and far too many scholars have been seeking correlations without success, for me to stumble in with anything revelatory. What strikes me as a more fruitful method is to generate specific case studies of uneven development in which the operative class forces are specified from the way accumulation takes place. Amin's historical sweep of the types of accumulation that predominated under colonialism is a good starting point. Subsequently, in most of Africa, the neoliberal bloc that took power in the 1980s-90s after the era of post-colonial patrimonial-authoritarianism, had an outward orientation and served as comprador elites, collaborators with international finance and the extractive industries. This followed a period of investment by aid agencies and international financial institutions in what you might call ideological panel-beating of an African cadreship; I've done brief biographies of the men I consider the two most important in this process, Bernard Chidzero and Trevor Manuel, but there are scores of others who took over finance ministries and central banks around three decades ago. The damage they did by importing Washington Consensus ideology is formidable, and those power blocs remain mostly undisturbed, running Africa in the interests of multinational corporations and bankers.

As we have occasionally seen, however, new configurations of class forces sometimes desire a democratic breakthrough against the outmoded power blocs, especially some of the North African neoliberal dictatorships backed by the US. Backed by imperialism, Libya's new leading class forces apparently needed to dislodge the familial accumulation system just as the International Monetary Fund was issuing laudatory statements about its privatisation and state-shrinkage strategies in early 2011, as did Tunisian and Egyptian democrats, though their uprisings were obviously very different. Ironically, as I point out in a recent *Review of African Political Economy* article and in the new Pambazuka Press book *African Awakening*, the IMF was perfectly happy with the way Mubarak, Ben Ali and even Ghaddafi were running their economies, mixing corruption and liberalisation in a way that pleased Washington. Imperialism was caught back-footed by the Arab Spring

and all we can hope for is that this will encourage other progressive democratic movements in Africa to rise up and toss out their elites, because they can do so with far less immediate interference from Washington than we had originally assumed.

Mainly though, the democracy movement that swept out elites in Southern Europe in the 1970s, the Southern Cone of Latin America and East Asia in the mid-late 1980s, Eastern Europe in 1989 and parts of Africa during the early 1990s was too broad an alliance of democrats and neoliberals, with the latter prevailing. The success of the neoliberal agenda of 'low-intensity democracy' – state welfare contraction, privatisation and prevention of macroeconomic policy debate (as Thandika Mkandawire has repeatedly criticized in his writings) – explains why genuine development could not follow.

South Africa's case is instructive, because as documented in the book Elite Transition, when I worked in Mandela's office in the mid-1990s (editing the first policy document - the White Paper on Reconstruction and Development – and later the National Growth and Development Strategy), the influence of neoliberal pressures was palpable. Core decision-makers were Thabo Mbeki (president from 1999-2008), Trevor Manuel (finance minister from 1996-2009), Pravin Gordhan (tax commissioner), Tito Mboweni (Central Bank governor from 1999-2009) and Alec Erwin (trade minister from 1996-2005) at the heart of African National Congress neoliberalism. They were egged on by Afrikaner 'econocrats' like central bank governor Chris Stals who stayed on until 1999, the ratings agencies and financial institution economists, the business media and an international investment advisory council full of the world's greediest men. Earlier, as the transition got underway, the World Bank's various Reconnaissance Missions had enormous influence during the early 1990s, the IMF's \$850 million loan in December 1993 locked in the structural adjustment mentality, and the huge sway of local mining and financial capital made demands for financial deregulation, including exchange control loosening. With this array of force aligned against the traditions of African nationalism and social democracy, it should not be surprising that Mandela was compelled to adopt measures that actually made apartheid class and racial inequality worse by the time he stepped down in 1999. Some call this an enormous sell-out, but while true, the adverse balance of class forces must be kept in mind. The collapse of what so many ANC exiled activists imagined was 'socialism' in the USSR must also have played a role in the movement's failure of analytical nerve.

The central lesson, as South African and so many other half-baked democratic transitions in Africa have demonstrated, is that democratic breakthroughs are rarely sustained when invoked from above. It is only a long, durable struggle for both democracy and economic justice that will generate the conditions for deep-seated change in that ruling bloc, to make it responsive to the needs of the majority. And as the cases of Lumumba and Sankara showed, taking power can be hazardous to your health if too much reliance is placed on a charismatic leader. So the most advanced sites of recent democratic transition in parts of Latin America – especially Bolivia – should be studied with great interest by progressive Africans. There is no formula for success that applies across the board, and no unequivocal ecosocialist breakthrough apparent at this stage, for even Evo Morales disappointed many of his indigenous and environmentalist followers by proposing a highway through a national reserve which created a major Bolivian crisis last September.

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Qn 3: In 1981, the World Bank, by way of its Berg Report, rejected the ECA-engendered Lagos Plan of Action (LPA). The LPA recommended judicious import substitution implementation, protection of infant industries under government guidance by way of tariffs, circumspection with regard to the Ricardo-Heckscher-Ohlin-Samuelson model. The Berg Report, structured as it was on the capitalist neoliberal paradigm, instead recommended the following: open markets, minimal government guidance, emphasis on assumedly comparative advantaged raw materials export, minimal government-driven economic welfare gestures in the areas of, education, etc. The Berg recommendations have not worked. Africa is still plagued with high unemployment, low capital formation, human capital flight, and discouraging metrics in terms of general human development. What initiatives are there to revitalise the LPA in a serious way 30 years after?

PB: What you say is true, but we must be frank: African neocolonial elites have done virtually nothing to contest world neoliberalism aside from the 1989 African Alternative Framework to Structural Adjustment Programmes, which like the LPA was championed by Adebayo Adediji. The handful of more recent contrary actions I can point to are: a temporary retreat from the World Trade Organisation at the 1999 and 2003 summits; a threat of a walkout from the neoliberal Copenhagen Climate Summit in late 2009 (after a trial run a few weeks earlier in Barcelona); the successful challenge to Big Pharma at the WTO's 2001 Doha Summit where exemptions to intellectual property rights were made for AIDS medicines; the various anti-imperialist rhetorical flourishes that sometimes accompanied debt defaults such as in Zimbabwe and Nigeria (though in both cases the elites soon returned to subservient positions, with even Robert Mugabe blowing off \$210 million in fruitless payments in 2005); sporadic resistance to European Union Economic

Partnership Agreements; and the current Nigerian parliament's rejection of the IMF's fuel subsidy cut. Those brief eruptions aside, the elites have acquiesced to Washington since the early 1980s, by adopting neoliberalism and in many cases – led by Pretoria after 1994 – generating 'home-grown' versions even more stringent than required by Washington and Geneva multilateral institutions. So let us sadly conclude that within the corridors of power in Africa – although real power is actually located in cubbyhole offices at 18th and H Streets in Washington DC – there is virtually no hope that the current generation of neocolonial elites will evoke the spirit of Latin American state alternatives, comparable to the LPA or AAF-SAP. New revolutions from below will be needed, but even then, as witnessed in the Tunisian and Egyptian elites' February 2012 re-embracing of the IMF, tough pressure from below is always needed to prevent backsliding.

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Qn 4: There are a number of descriptive and prescriptive models that have been applied to the African developmental landscape over the years. How do you explain the failure of such models supposedly built on viable theoretical assumptions and empirical data? What was/is missing in such models?

PB: My personal view is that the way capitalism combined with pre-capitalist processes has only been taken seriously in sporadic work – the seminal contributions of Amin, Harold Wolpe or Dani Nabudere, for instance – without a unifying theoretical 'model' that works across not just the full continent but the North-South divide more generally. Such a model, in my experience, would have to treat with respect both the 'uneven' nature of capital accumulation and class formation, as well as the 'combined' character of capitalist and non-capitalist societies in interaction.

Any attempt to model this process of 'uneven and combined development' in any formulaic way is futile, of course. One reason is that the data we possess often do more harm than good – so that, for instance, we have been brainwashed to think of GDP as 'Gross Domestic Product' when in reality the extraction of non-renewable resources means the 'Product' is a distortion of wealth, and often actually generates poverty. If we simply add to GDP (as a 'credit') the revenues to a multinational corporation from extraction of minerals; if we neglect to subtract (as a 'debit') the value of the natural assets that have been forever stripped; if the other negative externalities of extraction are never factored in (such as the Johannesburg area's massive Acid Mine Drainage destruction of the water table); if the multinational corporation engages in transfer pricing, tax-dodging, capital flight, assetstripping and all manner of other negative behaviour; and if we ignore evidence of Resource Curse politics that follow most extractive processes, then of

course Africa is 'growing' under conditions of a 2002-08 and 2009-12 commodity boom, as we hear from the World Bank, IMF and African Development Bank.

But it's not.... And if you hear that there is a vast African 'middle class' of several hundred million now prospering through mining services, biofuel development, cellular telephony, microcredit, or some other such unsustainable or faddish activity, please think twice (the African Development Bank measures the middle class at consumption of levels of just \$2/day!). These neoliberal models are based upon rewarmed modernization theory arguments – here in South Africa known as Thabo Mbeki's 'Two Economies Thesis' (endorsed by Jacob Zuma) – which, like earlier versions, fail to properly interrogate the relationship of capitalist to non-capitalist spheres.

Is a more sophisticated model available to explain uneven and combined development? Probably the most powerful to date is the study of 'enclavity' by Guy Mhone, the great Malawian who died in 2005 at age 62 while teaching at the University of the Witwatersrand (where I shared seven wonderful years of conversations). That death was a huge loss, and we are awaiting with great anticipation Codesria's collection of Mhone's work, to be edited by his cousin, Thandika Mkandawire. In Zimbabwe, where Guy worked for years, his influence is felt in the left intelligentsia's adoption of his model when advocating for a new, inclusive growth path following the enormous destruction of capitalist crisis amplified by cronyism.

Can such a model explain the continent's decline? No, not fully, since there are so many contingencies associated with domestic political corruption and international geopolitical whimsy.

Is there a broader political-economic perspective that brings a more enlightened sense of post-colonial underdevelopment and North-South power relations? Yes, I think it emanates from the most nuanced analysis within Marx's *Kapital*, and the tradition continues through Rosa Luxemburg's critique of imperialism a century ago, as capital accumulation via super-exploitation of non-capitalist spheres (these would include women's unpaid work especially in reproducing migrant labour at very low cost to capital, community mutual aid, nature, land grabs, and the like). A half-century ago, Fanon's 'Pitfalls of National Consciousness' in *The Wretched of the Earth* helped to Africanise the political argument associated with the post-colonial ruling class, especially its reliance upon predatory state/party power. Some of the African dependency theorists added more detail, especially Walter Rodney and Amin. In South Africa the 1970s-80s witnessed a resurgent neo-Marxism through debates by independent leftists with both the liberal and communist traditions, which brought a great many false starts (some

from French theorists such as Poulantzas and Aglietta), and finally in the last few years a return to the ideas of uneven and combined development.

The dramatic worsening of long-term world capitalist crisis over the past five years has amplified all the most extreme features of uneven and combined development, so as global capital – including Chinese and Indian firms – skips and hops ever more frantically through African resource enclaves, we should be much more aggressive in describing this process in its negative manifestations as an instance of the overall degeneration of a world mode of production that deserves replacement as soon as possible, as soon as subjectivities and the extreme austerity being imposed upon Third World peoples (like in my native Ireland) are matured to the point of naming the problem as capitalism. Frankly, I hear too few African political economists taking the bull by the horns and joining the spirit of Occupy to question a system that works for the 1% but not the 99% or the planet's ecological survival.

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Qn 5: During the days of 'legal' Apartheid in South Africa, genuine development on all fronts was instituted by the resident European populations (Afrikaaner, English, etc.) for themselves. What are the explanations for the fact that in a post-Apartheid era the restricted South African development model has not been extended in the same fashion to the non-European sectors of the population, still plagued with poor housing, inadequate services, crime, and massive unemployment? Doesn't this demonstrate the inadequacies of the neoliberal model when applied to society as a whole? If so, what alternative developmental model would you consider for Africa's largest economy?

PB: First, I might question whether white South Africa 'developed', since after all the five million whites essentially adopted Western post-War capitalist production and consumption norms brought in through the 'Fordist' (mass-production/mass-consumption) international division of labour. The sanctions era did not change these norms, regrettably. That means 'development' was always based upon a fragile relationship of South Africa to the world economy, and of the white consuming class to the black producing class (which a quarter century ago, some here termed 'racial Fordism') in a terribly exploitative, violent way. The white population's addiction to a consumerist, ecologically-destructive, patriarchal, alienated, individualised lifestyle is, like the West, a parody of what genuine human development might entail. I would take a lower GDP and higher Ubuntu as a measure of genuine development any day.

The failure of the African National Congress government to extend the apartheid-capitalist trajectory of development, in order to incorporate a sufficient proportion of black households, is due to the fact that that accumulation model

was untenable to begin with. By the 1970s, the apartheid-capitalist system had generated an awful set of distortions, and these continue through to today: sustained overcapacity of the production system, excessive credit at unprecedented interest rates (only Greece's have been higher recently), hypedup consumerism, the world's most grotesque real estate bubble (four times higher than the US), a surge of imports that de-industrialised most labour-intensive manufacturers, and a state that panders to foreign investors as if they have any hope of delivering the work opportunities so desperately needed.

So while post-apartheid South Africa can claim 'growth', again, one must strip away the fake minerals prosperity and the speculative financial profiteering – and then one sees the real degeneracy, worsening inequality, rampant unemployment and growing urban poverty. Only the ANC's prestige and a state safety net extension – such that now nearly a third of families receive tokenistic grants and a tiny grant of water and electricity (though overall these benefits are only worth less than a 5 per cent increase in GDP compared to 1994 levels) – allow the lid to stay on this boiling cauldron. With more protests per person than perhaps anywhere in the world, we really are at the point that former President Thabo Mbeki's brother Moeletsi predicts a 'Tunisia moment' (his date 2020 is optimistic, but not unreasonable).

So why did the ANC elites choose to replace racial apartheid with class apartheid? The question is often posed, 'Were they pushed or did they jump?' Having worked in Mandela's office twice and having drafted 15 government policy papers between 1994 and 2000, my gut feeling is that they jumped, but people make history under conditions not of their own choosing, of course. In the structure/agency balance, the major sources of underlying pressure ('capital accumulation') combined with personalities – leading domestic and international capitalists (especially financiers), the business media, loud voices from the white population, the ascending black petit-bourgeoisie, corrupt political figures – to lock in the politics of neoliberal nationalism. I fear such an orientation is very durable, in part because by replacing Mbeki's more austere, intellectual version with a hearty populism, Jacob Zuma has not only revitalized the neoliberal macroeconomic policies, but in the process he delayed by five or even ten years the inevitable split of the trade unions from the ANC.

Could there have been an alternative? Certainly the Reconstruction and Development Programme of February 1994 – a product mainly of centreleft civil society which Mandela signed onto as his programme of government, before reversing most of the main mandates – had enormous potential because of the redistributive agenda implied in the first three chapters. But with macroeconomics in the hands of Mbeki, Manuel, Mboweni and Erwin, this was not to be. With economic power today still in the Treasury (Gordhan)

and SA Reserve Bank (Gill Marcus whose prior job was chair of ABSA bank), and an apparently impotent or co-opted trade minister (Rob Davies) and economic development minister (Ebrahim Patel), this alignment to exportoriented, extraction-centric, capital-intensive, import-addicted accumulation is only becoming more entrenched. The February 2012 State of the Nation Address and Budget Speech proved that Zuma and Gordhan will continue along this self-destructive path, pushing up the foreign debt – which rose from \$25 billion in 1994 to around \$120 billion today - so as to build more climate-heating coal-based infrastructure willy-nilly. In addition to the world's third- and fourth-largest coal-fired power plants which are now under construction at Medupi and Kusile, a vast port expansion for export of minerals is underway, and another \$40 billion in nuclear power contracts are about to be signed. The company that gets the world's cheapest electricity, at under \$0.02/kiloWatt hour, BHP Billiton, chews up 11 per cent of SA power and has fewer than 2,000 employees at its main SA smelters. And it exports profits to Melbourne. Anglo does the same, to London. This is a travesty, because ordinary working-class electricity consumers have been hit with a 150 per cent increase to pay these construction bills, while a 40year apartheid-era deal keeps BHP Billiton's super-profits intact. Even a mainstream energy periodical, EE News (http://eepublishers.co.za/article/ eskom-bhp-billiton-and-the-secret-electricity-pricing-deals.html) is questioning this sort of crony capitalism. But it just goes to show that the ANC government is merely continuing the Nationalist regime's close ties to the Minerals Energy Complex, with the latest government pronouncements proof of much more degeneracy still to come.

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Qn 6: African university instruction in economics is essentially the same neoclassical theories as those taught in the West. Such theories and their models can be shown not only to be theoretically weak but also scientifically problematic, in the sense that theory hardly ever coincides with empirical practice. The key neoclassical assumption of 'agent rationality' is of minimal empirical usage whether for explanation or prediction. In the area of economic development, despite the high volume churning out of thousands of descriptive and prescriptive books and articles, nothing on the ground hardly changes. Why then does this neoclassical theological charade at Africa's universities continue to the detriment of Africa's populations? And why such little attention paid by departments of economics in Africa to alternative theories of economics such as Marxian economics, institutionalism, heterodox economics as developed by theorists such as Erik Reinert and Ha-Joon Chang, pre-capitalist economics of reciprocity and redistribution, etc?

PB: The simplest explanation is vulgar-Marxist: the ideas of the ruling class predominate during a period in which financial capital's desire for a pure pro-capitalist theory – the efficient market hypothesis – was so extreme that any analysis of market disequilibrium was rejected. In an article for UNCTAD that didn't see the light of day in Geneva, John Weeks put it well: 'The dominant force influencing the economic policies of African countries in the 1990s and 2000s was the International Monetary Fund, with the World Bank playing a secondary and complementary role. Over twenty years, 1990–2009, the governments of 46 African countries sought to manage their economies under IMF programmes during almost half the country years (417 of 920) ... the two international financial institutions played a major if not decisive role in policy making for all but a few countries of the region'.

Ideologically, the Bretton Woods Institutions have been committed to neoliberal thinking and practice since the early 1980s. I tried once to engage in discussion about the merits of exchange controls with the crew that polices South African neoliberal economic dogma. In April 2001, I was rewarded with a rejection letter from the *South African Journal of Economics* that relied upon this reviewer's remarks:

The vulnerability of SA's economy to international financial flows is actually a good thing. The reason is that it imposes constraints on macro and micro policies. Basically, it lowers domestic policy autonomy, because if these policies are bad they will be reflected in capital outflows and a weaker currency ...I strongly disagree that financial market liberalisation imposes inappropriate policy discipline on sovereign states. Rather, it is a blessing in disguise because it dishes out penalty points immediately to failing governments and policies such as is partly the case in SA (especially w.r.t. the labour market, product market and delays over privatisation) ...Following the 'Washington Consensus' has worked extremely well for the USA, Canada, Europe etc... I don't think it is feasible that SA takes a bold global leadership position on restoring domestic financial security ...The present 15 percent restriction of foreign portfolio investment should be seen as another 'tax' on residents. If I could, the larger share of my assets would be in the USA say, not in RSA.

Logic like this, which has been promoted so hard in so many of Africa's think tanks – the Nairobi African Economic Research Consortium, the African Development Bank, the Economic Commission on Africa, the African Capacity-Building Foundation in Harare and so on – is of historical curiosity because it is both so backward and also was such a powerful influence in deregulating world finance with such disastrous effect, as the movie 'Inside Job' documents. Those African parrot institutions are having a hard time relegitimising themselves in the wake of the Washington Consensus collapse, and that is why the debate I had in 2010 with the World Bank chief

economist for Africa, Shanta Devarajan, is so revealing. Here are the main extracts from a Canadian Broadcasting Corporation report.

PB: Africa is suffering neo-colonialism, and that means the basic trend of exporting raw materials, and cash crops, minerals, petroleum, has gotten worse. And that's really left Africa poorer per person in much of the continent, than even at independence. The idea that there's steady growth in Africa is very misleading, and it really represents the abuse of economic concepts by politicians, by economists, who factor out society and the environment. And it's mainly a myth, because, really, the extraction of non-renewable resources – those resources will never be available for future generations. And there's very little reinvestment, and very little broadening of the economy into an industrial project or even a services economy.

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Qn 7: Mr Devarajan, how would you respond to that view?

Shanta Devarajan: First, I just want to correct one of the facts, which is that the continent is not poorer per person. GDP per capita is not lower today than it was ten to fifteen years ago. In fact, it is considerably higher.²

Devarajan here misunderstands African countries' poverty by using the GDP measure, even though seconds earlier, I had warned against doing so. African economies suffer extreme distortions caused by the export of irreplaceable minerals, petroleum and hard-wood timber. Were he honest, Devarajan would confess that GDP calculates such exports as a solely positive process (a credit) without a corresponding debit on the books of a country's natural capital. Yet this correction to GDP – subtracting the value of nonrenewable resource extraction – was made in even the World Bank's own book , Where is the Wealth of Nations? , published in 2006. According to the book's authors: 'Genuine saving provides a much broader indicator of sustainability by valuing changes in natural resources, environmental quality, and human capital, in addition to the traditional measure of changes in produced assets. Negative genuine saving rates imply that total wealth is in decline'.³

The researchers are conservative in their assumptions, but once they factor in society and the environment, Africa's most populous country, Nigeria, fell from a GDP in 2000 of \$297 per person to negative \$210 in genuine savings, mainly because the value of oil extracted was subtracted from its net wealth. Even the most industrialised African country, South Africa, suffers from resource curse: instead of a per person GDP of \$2, 837 in 2000, the more reasonable way to measure wealth results in genuine savings declining to negative \$2 per person that year. From 2001, the problem has become even more acute, thanks to the delisting of the largest corporations

from the JSE, which added not just the outflow of mineral wealth, but profits and dividends that in earlier years would have been retained in South Africa. As commodity prices soared from 2002 to 2008, the outflow of wealth captured in the Where is the Wealth of Nations? study would have been dramatically amplified. In retrospect, considering the independence of so many countries over the past five decades, the story is the same: Africa looted in a manner that even World Bank environmental staff are openly confessing, even if Devarajan (consciously or subconsciously) ignored their research. The only way for Africa's neo-colonial elites to shake off Washington's advice is to delink from the global financial system's most destructive circuits, following the lead of several Latin American countries over the past decade. And a good place to start would be to do as Queen Elizabeth did at the London School of Economics in 2009: ask the economists why they did such a bloody awful job in diagnoses, projections and policy advice. What all this means, of course, is that the neoclassical/neoliberal paradigm, like the Phlogiston theory or Lysenkoism ought to be relegated to archives of pseudo-science.

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Demba Musa Dembele: Questions and Comments

Qn 1: Economic theories and their applications on the issue of African economic development emanate mostly from Western academic institutions, and are then disseminated to Africa's populations via the IMF, the World Bank, and Western NGOs. Matters are compounded with regular guidance gestures such as NEPAD, the Millennium Project, and the like. In the bargaining that supposedly takes place, given the near zero-sum results for Africa, doesn't all this amount to politically enforced so-called Nash equilibria results.

Demba Moussa Dembele (DMD): One of the legacies of foreign domination is the loss of control over economic policies by African countries after 'independence'. In the early years of that 'independence', many African leaders had surrendered the design of their policies to foreign 'experts' dubbed 'technical assistants' sent and paid for by former colonial powers. And over the decades, many paradigms have been imposed on Africa with the result we all know. In the UNECA 2011 Report on Africa, Delgado observed that 'the basic design and mode of implementation of all these paradigms came from outside Africa, even though each undoubtedly has had genuine African adherents. It is hard to think of other significant regions of the world in modern times where outside influences on basic development strategy issues have been so pervasive'.⁴

This remark confirms what the late Mabul-Ul-Haq, the mind behind the UNDP's human development reports in the 1990s, once said: 'Africa has more per capita foreign advisors' than any other continent.

And, of course, needless to say, this is to the detriment of Africa and its development. In fact, the 'advice' of foreign 'experts' led to the crisis of the 1970s and opened the door to the intervention of international financial institutions, namely the International Monetary Fund (IMF) and the World Bank. For more than three decades, these institutions controlled the content of economic and social policies in countries subjected to structural adjustment programmes. African governments and institutions were confined to an implementation role under strict scrutiny from 'experts' from the IFIs who would distribute good marks to those following strictly the tenets of the orthodoxy ('sound policies') to the detriment of their own populations. Those trying to pay more attention to the needs of their citizens get failing grades at the IFIs' University of Structural Adjustment Programmes (SAPs)!

So, the problem in Africa has been that we have let others define who we are, what we should be and where we should go. Governments and institutions have let foreign governments and institutions decide for Africans what is 'best' for them. Even intellectuals, trained in Western schools and universities, have come to accept this situation, abdicating any critical thinking that should have been the characteristic of an intellectual. And what was to be expected from this finally happened: the worsening of the economic crisis and the deterioration of human development indicators. This explains why the IFIs' current discourse on 'development' in Africa is 'poverty reduction'.

With the ongoing crisis of global capitalism and the collapse of market fundamentalism, Africans now have a historic opportunity to shake off that centuries-old intellectual domination and free their minds. In fact, this began a few years ago with institutions like CODESRIA, Samir Amin's Third World Forum and other progressive research institutions and intellectuals who have been challenging the basic hypotheses of neoclassical economics which is the foundation of the neoliberal paradigm. Long ago, Samir Amin and others challenged the mainstream conception of development and contributed to discrediting the neoclassical analysis of economic and social issues in Africa and the rest of the South.

The advent of structural adjustment gave critical African thinkers other opportunities to expose as sheer intellectual fraud the IMF and World Bank prescriptions. Their critique combined with the resistance of social movements led to the discredit of IFIs' policies in Africa and contributed to the crisis of legitimacy of the neoliberal paradigm and global capitalism.

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Qn 2: You have argued in the past that the solution to Africa's economic woes is 'socialism'. What 'socialism' do you have in mind? Is it 'State socialism', 'African socialism', 'market socialism', or all of these forms of socialism?

DMD: To me capitalism has exhausted its usefulness, as a model of production and exchange. As Marx said, capitalism has been useful in showing how productive forces can be developed with speed and at a level never imagined before by all the systems that preceded it. But Marx had warned a long time ago that the mode of accumulation of capitalism would in the end destroy the two sources of profit of capitalism: nature and labour. And this is happening on worldwide scale with the degradation of the environment and the impact of climate change and the high level of unemployment with hundreds of millions out of work and things worsening each day. According to the International Labour Organisation (ILO), more than 200 million people are jobless and this number does not take into account those who are in the informal sector and all the underemployed in countries of the Global South. When capitalists make money out of speculative activities more than out of productive activities this gives what we are witnessing today with less than one per cent of the world population controlling more than half of the world wealth. This is the message sent by all the 'enrages' and discontented of the world. In the U.S., the citadel of capitalism, we have witnessed the impact of the embryonic movement OWS (Occupy Wall Street).

So, since capitalism is irreversibly on its way out, no matter how long its demise would take, what could be the alternative? Not some form of capitalism, either state capitalism or ecological capitalism. There is only one brand of capitalism with its unique logic of accumulation. Therefore, socialism is the only alternative. To me, it is the future of Humanity. Already, there is a debate on the 21st century socialism. One should say socialisms because one cannot impose one brand of socialism. These different brands of socialism should learn from the mistakes and errors, even crimes committed in the past in the name of socialism.

However, we know since time immemorial that human societies have always made progress through trial and error. Mistakes, blunders and setbacks are part of the process that leads to deep economic, social and cultural change. But in the end no force can stand in the way of that change because it is a necessary and desirable outcome. This is how history unfolds.

Africa, which has paid a heavy price for the birth and the rise of capitalism, should be the graveyard of capitalism, as African social movements say.

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Qn 3: Some have argued that a very necessary condition for African development, given its presently balkanised state with its plethora of nonviable mini-states, is the implementation of the Pan-African model as advocated

by Kwame Nkrumah in his various texts such as *Africa Must Unite* and C.A. Diop in his *Black Africa: The Economics and Cultural Basis for a Federated State*. Such would require as the theory demands initiatives along the following lines: i) regional economic integration with the free flow of populations, goods and services, etc. ii) no more than two or three strong convertible currencies, iii) collective security, iv) continental economic development plans and projects, v) autonomous and capital-rich regional central banks, vi) Africafunded research institutes in the sciences(natural and social) and medicine, etc. How do you see this?

DMD: I couldn't agree more with this vision. When one looks at what is happening in the world, we see the formation of large economic and political blocs. And most of these blocs are formed by powerful nations and states. We have the North American Free Trade Agreement (NAFTA) with Canada, Mexico and the United States; the European Union, with 27 countries and others on the way. In Asia, we have the Association of South East Asian Nations (ASEAN) now cooperating closely with China, South Korea and Japan. In South America, we have MERCOSUR, ALBA and now CELAC. And, of course, the new international bloc formed by Brazil, Russia, India, China and South Africa (BRICS), which is transforming world geopolitics.

All these blocs have a common objective: either to reinforce the economic and political strength of member countries or enable them to resist more effectively foreign domination. Some of them, like ALBA, aim to join forces against neoliberal capitalism and imperialism.

More than any other continent, African needs unity and solidarity to overcome the extraordinary challenges it faces. This is what African visionary leaders, like Nkrumah and others, and some of leading thinkers like Cheikh Anta Diop, Amilcar Cabral, and others, had understood. In the face of powerful enemies, African countries needed to unite if they were to become really independent from foreign domination. They needed to speak with one voice. This means transcending colonial legacies and pooling their resources together.

On the eve of the birth of the Organization of the African Unity (OAU) in 1963 in Addis Ababa, President Nkrumah had said: 'Africa must unite or perish'. The birth of the OAU showed that the idea of unity had a strong resonance in independent Africa. But what is lacking is the political will to make unity an effective instrument against economic and political domination. This is why regional integration has had mixed results, while at the continental level, the birth of the African Union has made only modest progress compared to the OAU.

However, world events and the apparent disappointment with their traditional bilateral and multilateral 'development partners', seem to have awakened some African leaders. The debate on the United States of Africa and some recent decisions on the economic front are an expression of that awakening. African

leaders may have come to realize that Africa needs to speed up its integration. Its balkanization, its vast natural resources and its structural weaknesses inherited from colonisation make it more vulnerable than any other continent.

The current state of the continent, under the threat of re-colonization, especially in the light of the NATO-led imperialist aggression against Libya, the United States' project called Africa Command (AFRICOM) seems to have largely vindicated President Nkrumah's foresight. After being mishandled by the IMF, the World Bank and other Western-dominated institutions, African leaders may have realized that salvation lies in integration at the regional and continental levels.

So, I am of the opinion that the road to Africa's independence, autonomous development and sovereignty goes through genuine regional and continental unity, with one African citizenship and one Africa without borders, as President Nkrumah had dreamed of. Africa must build its own democratic institutions, pool together its resources, trust its own people, design policies aimed at promoting autonomous development and build strong and democratic developmental states.

Some of the decisions made in recent years, notably about the creation of a Central Bank (Nigeria); Monetary Fund (Cameroon) and Investment Bank (Libya before its destruction by NATO) are decisions in the right direction. African leaders and people must come to grips with the reality that no one will come to 'develop' them. And the best way to achieve that is by coming together through integration. If one takes the example of the Economic Partnership Agreements (EPAs), African countries have been able to resist as a collective force against the pressures, blackmail and threats from the European Union. No one single country could have done it alone.

So, if African leaders are serious about following the path of autonomous development, they should pay attention to Nkrumah's vision and teachings, which inspired other prominent leaders, such as Amilcar Cabral, Patrice Lumumba, Thomas Sankara, just to name a few. They should also pay more attention to the ideas put forth by Cheikh Anta Diop, Samir Amin and many other prominent African thinkers. Indeed, there is a wealth of ideas for Africa's path to self-reliant development. What is lacking is a strong and bold leadership imbued with a Panafricanist ideology and vision.

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Qn 4: Western discussion of Africa in terms of economics and geopolitics invariably truncates Africa into sub-Saharan Africa (SSA) and North Africa – hinged on to what is called the Middle East (MENA). Is this a meaningful analytical categorisation given that there really are no geographical or significant cultural divisions between African countries North of the Equator?

DMD: This artificial division is part of the old imperialist rule of 'divide and conquer'. For ideological, political and geostrategic reasons, the West has always denied the unity of Africa. In this case, they have one Africa – North of the Sahara – linked to the Middle East, including Mauritania, which is closer to Senegal than it is to Morocco or Algeria! Then, there is another Africa, so-called 'black Africa', now euphemistically referred to as 'sub-Saharan Africa'. Both terms are racist. Why do they do this? I have several explanations.

One explanation may lie in the fact that in the racist minds of imperialist ideologues, Africa North of the Sahara is not really 'Africa' since a significant portion of the population there is tawny or brown-yellowish in pigmentation. Yet to reply to the racist game of the West, a significant portion of the North African population bears the imprints of African genetics. The original populations of North Africa were bona fide Africans, and they were the majority. But it is a fact that Arabs later invaded North Africa and opened the door for large numbers of migrants from West Asia, and that a portion of North Africans descend partially from European slaves captured by pirates on the Mediterranean coast. Furthermore, on account of the fact that the population in the main speaks Arabic as a result of the West Asian invasions and colonisation, it is assumed erroneously that North Africa is more tied to West Asia (the so-called 'Middle East' formulated by imperialist diktat) than to Africa. But the evident error here is that none of the North African countries borders any West Asian country, yet they all border other African nations who share ethnic populations with their North African neighbours.

In addition, by separating the two parts of Africa, some European countries may be more comfortable in claiming some African countries as part of their own countries. This was the case of Algeria which was considered 'French territory' before the Algerian War of Independence forced the French to give up on such claims. Another reason for this separation may lie in the discomfort with the late Cheikh Anta Diop's thesis about the Ancient Egyptian connection to African history and cultures. Some in the West still cannot accept the fact that the origins of Egyptian civilization are black and African and that the rest of Africa shares in this significant historical civilization, on account of evidenced cultural commonalities and the fact that the origins of that impressive technological civilization were from inner Africa.

And some leaders in North Africa, the settlers mainly, play into Western hands, all victims of false colonial consciousness. For instance, some of them went along with the constitution of the Union of the Mediterranean a few years ago, which under the leadership of France aims to separate the North African countries from the rest of Africa. One of the objectives of that Union is to make North Africa the Southern boundary of some fancied Mediterranean commonwealth. With the kind of discourse we hear now

during the French presidential election, in which Sarkozy is contending with Marine Le Pen for the far-right vote, we understand better why the neocolonial Union of the Mediterranean was set up. The Western destruction of Libya in the year 2011 with anti-African neocolonial elements ushered into power is an obvious element of the West's geopolitical strategies.

But North Africa is indelibly part of Africa both archeologically, historically and economically. The Sahara Desert, historically, was simply a desert to be crossed for trade and travel. Recall Mansa Musa's pilgrimage to Mecca across the Sahara. It is on this basis that the racist geopolitical shenanigans of the West must be rejected with its spurious talk of MENA. And this irritating habit of the Western international agencies compiling statistics only for the so-called 'sub-Saharan' Africa must come to a halt.

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Qn 5: Human existence and survivability are premised on the availability and access to resources. Africa is home to a large percentage of such resources. This would mean that Africans should rightfully consume the larger proportion of such resources. Yet, for the last 500 years this has not been the case. Direct access to and usage of such resources would certainly improve the human welfare situation for Africans in general. Self and group preservation would seem to be a basic human disposition, so why haven't African governments over the years recognised this fact and acted to ensure that Africans uncompromisingly consume a fair share of their own resources either directly or in exchange?

DMD: We know what Marx said about the role of Africa in the 'primitive accumulation' phase of capitalism. But it is not limited to that period. Africa and its resources have played a leading role in the development of Western countries through colonisation. They still continue to serve the interests of the West through domination by myriad schemes. One of the reasons for this is Africa's poor leadership. Unfortunately, many African leaders are not up to the job. They feel more accountable to Western countries and multilateral institutions than to their own people. In many countries, the legacy of colonialism is still alive and well, in economic and financial terms. For instance, the use of the CFA franc as a currency by former French colonies like Senegal, Cote d'Ivoire, etc, more than 50 years after 'independence' is one good example of this. It shows not only a lack of vision but also a lack of courage to undertake the right economic, social and political transformations that are indispensable to break the chains of dependence and set in motion policies that can improve the lives of their citizens. Instead, all the symbols of foreign domination, including military bases, are still pervasive in all sectors in several African countries, particularly in the former French colonies.

Another very sensitive area in which foreign symbols and influence remain strong is culture, including education. It is in this area that the struggle is more complex, most difficult and protracted. In fact, the emancipation from 'mental slavery', as celebrated singer Bob Marley put it, has a very long way to go. It is a protracted struggle to uproot all the negative epithets that have been instilled in our minds by generations and generations of ideologues of slavery, colonisation, 'white supremacy', and capitalist globalisation.

So, African countries kept the old capitalist division of labour by which they export raw materials to the West and import manufactured goods from it. Structural adjustment programmes reinforced this raw material-based export orientation. The Economic Partnership Agreements (EPAs), if signed as proposed by the European Union, will further make Africa an eternal exporter of raw materials. In reality the EPAs are a 'free trade' agreement through which the European Union seeks to control African markets and natural resources.

For this pattern of 'development' to change, African countries need to engage in economic transformation by putting in place viable industrial policies. The latest United Nations Economic Commission for Africa (UNECA) Report on Africa, already quoted, has emphasized this need. To make this transformation a reality, the Report calls for the active involvement of development States on the model of Asian States that are behind the economic performance of the 'Chinese Dragon' and the so-called 'Asian Tigers', or behind the rise of China, Brazil, India, the driving forces of the BRICs.

But in my opinion, policies of economic and social transformation can be possible only within large spaces. This underscores the importance of regional integration and the need to create regional currencies. Successful economic transformation requires a total control over Africa's resources. This means that African countries must reverse all the privatization schemes imposed by the international financial institutions (IFIs) and Western countries during the 1980s and 1990s. Genuine economic transformation for the benefit of the African people also requires their full participation through democratic and transparent mechanisms. Peoples' organisations and movements are a force of transformation to be reckoned with. The old paradigm of government 'experts' deciding behind closed doors can no longer work. If there is development, it must be with and for the African people.

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Qn 6: In post-colonial times, African governments are now controlled by colonialism-groomed elements of what are variously called 'the post-colonial African comprador bourgeois classes'. Their willing compliance with the neoliberal dictates of the capitalist West's governments and financial institutions is

much responsible for Africa's economic morass. What role do the African masses – trade unions, workers, students, intellectuals, etc., have to play in order to effect the necessary political and economic changes that would produce genuine economic development and economic equity on the African continent?

DMD: Frantz Fanon, in one of the most often quoted paragraphs in his famous *The Wretched of the Earth*, had warned about the betrayal by the African 'national bourgeoisie'. Unfortunately, his warnings have been vindicated by the experience of the last 50 years or so. In many countries, the bourgeoisie has replaced the old colonial rule but is still in tandem with it in the exploitation of the African masses. This is why the African governments don't want to initiate genuine economic transformation that would penalize the economic interests of the Western bourgeoisie. Unfortunately, they do this dirty job with the complicity and even help of a certain brand of African 'intellectuals' who have abdicated their role as a force of critique against the powers that be, against the dominant system, against exploitation and plunder.

So, in order to effect those fundamental changes, we cannot trust the African bourgeoisie and its 'intellectuals'. We need to bring in a combination of social movements and radical intellectuals and thinkers. Through the World Social Forum (WSF), the African Social Forum (ASF), regional, national, and local forums, African social movements have shown the possibilities of transformation in all areas. The struggle for food sovereignty by agricultural producers and organisations is gaining wider currency in several regions and countries. The international and regional food crises have underlined the dangers of food dependency. Africa needs to feed itself. One key requirement is to stop the land grabbing by foreign countries and companies.

The role of African radical intellectuals is to expose the bankruptcy of mainstream ideology of domination, especially the bankruptcy of mainstream economics and the need for Africa to look at its reality through its own lenses. In other words, they should carry a strong message: Africa must think and act by itself and for itself. Such a message was largely developed at the Forum of South intellectuals held under the leadership of Samir Amin during the World Social Forum in February 2011 in Dakar. So, radical African intellectuals should help to frame an alternative development paradigm based on Africa's own vision of its future, of its place in the world, on its priorities, and on the fundamental interests of its people. African intellectuals should contribute to promoting a genuine Panafricanist ideology and leadership. They should contribute to laying a solid ground for democracy, respect for the rule of law, to building democratic and competent states that could be effective instruments of a self-reliant development.

So, social movements, radical intellectuals, and thinkers should take and enlarge the space that would enable them to play that indispensable role of gearing Africa toward an autonomous development by and for its people.

Notes

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African Elites and their Post-colonial Legacy: Cultural, Political and Economic Discontent – by Way of Literature

Samba Diop*

Abstract

In this article, I propose to discuss the way in which the issues of postcolonial modernism in the context of neoliberal capitalism has impacted on the traditional cultures and economic life of Africa's new classes. These include the bureaucratic and professional classes and the materially less fortunate members of the other post-colonial classes. In this regard I choose to examine, specifically, the way in which cultural traditions and modernity exist in an uneasy symbiosis under the powerful influences of contemporary political economy. Normally, when one speaks of the economics of Africa, it is usually done at a distance, with numbers and charts reflecting GDPs, growth rates, per capita incomes, etc., all in the context of ministrations from institutions such as the IMF and the World Bank. Unless one were directly involved it would be difficult to grasp the impact of the structural adjustments imposed on Africa's peoples as they struggle to partake of the material life engendered by modern capitalism. The struggle is about maintaining statuses of economic materiality within a cultural context of eroding traditions. In this struggle to partake of modernity, as determined by the dictates of modern capitalism, the sociological results are a minority of economically well-off individuals, but with the masses of the people increasingly impoverished in a continent rich in natural resources and development potential. In sum, the theme of this is Africa's cultural and economc discontent in an age of an essentially unchallenged neoliberal capitalism.

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^{*} Department of French and Francophone Studies, Kwara State University, Nigeria. Email: sbkdiop@yahoo.co.uk

Résumé

Dans cet article, mon propos est d'analyser comment les questions relatives au modernisme post-colonial dans le contexte du capitalisme néolibéral a influencé les cultures traditionnelles et la vie économique des nouvelles classes africaines. Parmi celles-ci, il y a les classes bureaucratiques et professionnelles et les membres moins fortunés matériellement des autres classes postcoloniales. J'ai donc choisi d'examiner, en particulier, comment les traditions culturelles et la modernité coexistent dans une espèce de symbiose mal assurée sous les influences de l'économie politique contemporaine. Normalement, lorsque l'on évoque l'économie en Afrique, c'est en général avec une certaine distance, à grands renforts de chiffres et de diagrammes reflétant les taux de croissance du PIB par revenus individuels, etc.; tout cela se déroulant dans un contexte où les institutions comme le FMI et la Banque Mondiale agissent en pompiers pour apporter l'aide et les soins nécessaires. A moins d'être directement impliqué, il est difficile d'apprécier l'impact des ajustements structurels imposés aux peuples africains alors qu'ils se battent pour partager la vie faite de confort matériel généré par le capitalisme moderne. A travers cette lutte, il s'agit de maintenir les statuts de la matérialité économique dans un contexte culturel où les traditions se perdent. Dans cette lutte pour partager la modernité, telle que définie par le diktat du capitalisme moderne, les résultats sociologiques qui en découlent sont une minorité d'individus riches économiquement mais avec des masses de populations de plus en plus pauvres sur un continent riche en ressources naturelles avec un fort potentiel de développement.

En somme, le thème qui nous occupe est celui du mécontentement culturel et économique de l'Afrique dans une ère où le capitalisme néolibéral n'a jamais vraiment été remis en question.

Introduction

The major theme of this article is a discussion of the complex relation that Africa's post-colonial classes have with the question of tradition as they struggle to keep pace with the dictates of modern neo-liberal capitalism. Capitalism produces wealth, but it is unbalanced wealth. As a result, most of Africa's populations are disillusioned with their contemporary economic life as dictated by the international institutions that hold sway over their lives within the context of changing traditions and the growing embrace of modern material culture. This article then is about the intersection between contemporary African cultural and material life and the old traditions. What is more, is that this article seeks to interpret contemporary African material life in its individual experiences, thereby adding a human face to the abstractions of economic history and economics. In order to infuse life into such abstractions, I make a number of references to the lived lives of Africans

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as expressed in the literatures produced by African authors. I also include the voices of the discontented themselves.

It is often assumed that Africa is in a transitional phase, i.e., moving from a traditional or semi-traditional way of life to a modern one. The latter assertion makes sense only when we take into account the history of European colonization in Africa, which event, in turn, sheds light on the very fact that the Western brand of modernity was brought into Africa through the conduit of colonization from the 19th century onwards. Along the same lines, tradition is often equated with the past which is not necessarily – not always and not entirely – the case as I will demonstrate further in this article. Tradition clearly permeates the present and our lives are affected by it. However, I must add that tradition also encompasses a set of beliefs, customs, knowhow, attitudes, psychological mindsets, etc., that have been passed down from generation to generation. Some components of the set of traditions could be *sui generis*, that is, they were generated from within the culture whereas others are adopted from elsewhere.

We are thus in the presence of a mixture of diverse elements that comprise the contemporary African world vision. In order to have a better understanding of the economic predicament of the continent, it is essential to look at the relationship that the African elites have with tradition. Better yet, my aim is to show that there is a whole cultural substratum that undergirds the subconsciousnesses of the elites, which fact, in turn, is partly conditioned by the inherited set of beliefs. It is also important to point out that the concept of tradition in the context of a strongly materialist modernity can be perceived as being at once about the individual and the collective. Needless to say that the translation of the concept of tradition may vary from individual to individual, even though each individual belongs to the collective. It is in this collective that the strands of tradition are to be found.

The reader must have noticed that the word 'elites' is in the plural. In so doing I want to express the idea that all elites are concerned here: intellectual, political, cultural, and those of the business world. The reason is that each particular elite group is necessarily imbued with the cultural tokens of tradition. But what creates the cultural antinomies is the fact that – for the most part – they willingly allow themselves to succumb to the temptations and blandishments of neoliberal capitalism. And in spite of the communitarian principles of their traditional cultures, the dictates of neoliberalism force them to satisfy their own individual wants and needs and not extend such privileges beyond their neo-class boundaries. A classic example is that of the socialist communitarian-minded intellectual or academic who on being appointed to an important ministerial position in government is transformed

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from living the life of the mind to living the superficial life of exaggerated material wealth, openly on display with its expected posturing and pomposity.

A major theme of this article is articulated around the idea that the modern Africa bourgeois classes find themselves in a sociological and economic situation not of their own historical making. They have been placed in the positions they now hold as a result of the departure of the metropolitan servants of Empire. The metropolitan servants of Empire in Africa worked hand-in-hand with their entrepreneurial business counterparts to ensure that the exploited proceeds of empire were efficiently harvested before being shipped back to the metropolis. The metropolitan servants of Empire were merely Europeans working within the matrix of Empire, all sharing the same culture and traditions with their homologues in the European headquarters. They worked as competently as most civil servants do while watching the calendar until retirement with full pension. They just did the books for their governments and mostly staved within the boundaries of their European cultures. They were hardly stirred by the comprador spirit. But the vast profit-making enterprise known as empire needed much help in its efforts. Thus apart from the recruited and often forced labour needed to build infrastructural systems that would facilitate transporting agricultural and mineral resources to the coast, there was also need for assistant workers for the colonial bureaucracy. First, the locals had to undergo some training, hence the introduction of the mission and colonial schools.

The result of this was the creation of a new class of individuals exposed to aspects of European culture that were super-imposed on the local ethnic cultures. In the case of Senegal, this was indeed the experience of colonial and post-colonial personalities such as Senghor, Birago Diop, and Habib Thiam. In areas that were already Islamised the coloniser simply added another cultural layer to what existed before. The product was a multi-acculturated African. The economics of all this fell under the rubric of colonial capitalism. It became the task of the new African intellectual to work out this confusingly new cultural situation. But colonial condescension and racism eventually provoked the negritude movement. And it was the forced labour of capitalism and its inequities that served as the impetus for the idea of socialism of the orthodox (Nkrumah) or African (Senghor) variety. But the bureaucratic class that was nurtured during the colonial era was naturally promoted as the new instrument of exploitation as the era of neocolonialism took hold. This was the genesis of Africa's comprador bourgeoisie. It was the function of the members of this new class to facilitate the continuing exploitation of Africa's resources in partnership with the already entrenched neocolonial enterprise, while partaking of the new Euro-African syncretised culture.

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The new post-colonial African was African in the traditional culture but a modern bureaucrat in the service of Western capital. The pay-off was to be parasitical on state resources, thereby hindering the possibility of the state accumulation of capital, and permission to use those same state resources in pure consumption of the goods and baubles of Western capitalism. This is the major contradiction and betrayal foisted on Africa's peoples by the post-colonial African comprador classes. The result, of course, is a maximal Gini coefficient for Africa's post-colonial populations. Africa's governmental ministers and those others appendaged to the all-poweful state apparatus – bankers, military commanders, etc. – all enjoy a quality of life that rivals the wealthiest individuals in the West. This pillaging of the resources of the state by the neocolonial bougeoisie leaves nothing for the toiling masses who are victimised by the lowest salaries in the world. Under these circumstances, whatever communitarian elements existed in traditional Africa have all fallen by the wayside in the ongoing worship of the products of neo-liberal capitalism.

All of this is captured in vivid terms by the vast literature produced by Africa's intellectuals and writers in the ongoing post-colonial era. Thus, starting in the early 1970s, a new body of creative writings began appearing with a slew of African writers publishing works that highlighted the disillusionment with the aftermath of the political independences of the late 1950s and early 1960s. This new situation was presaged by the insights of Fanon (1963) in his Wretched of the Earth and Rene Dumont's (1962) L'Afrique noire est mal partie (translated in English as: False Start in Africa). But it is the genre of the novel that truly heralded the wrong direction that the new independent African nations embarked upon. Thus, Suns of Independences (1968, French edition) by Ahmadou Kourouma, Ayi Kwei Armah's The Beautyful Ones Are Not Yet Born (1968) and Yambo Ouologuem's Bound to Violence (1968, French edition) were critical in no uncertain terms, albeit in a fictional manner, the bad choices made by the new African elites and very often under the direct influence of the former colonial power. In these narratives, greed, graft, corruption, nepotism, and ethnocentrism, etc, were shown as being some of the cultural culprits responsible for destroying the people's postcolonial hopes.

Ouologuem and Kourouma, for example, each in his own way, untied the knots around life and culture in Africa. First, Kourouma paints the realities of daily life in urban and rural post-colonial Africa by showing how tradition survives in the city and also how that tradition is fading away or, at least, being slowly replaced by the culture and economics of the neo-colonial state. For most, it is a life of material penury, unemployment, and blocked aspirations mainly because of lack of modern education. As for Ouologuem, his theme

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fits this paper in that it alerts the modernising African classes that there is always the risk that post-colonial Africa could be once again undergoing the cultural and sociological malaise that it experienced in pre-colonial times.

Finally, I end this paper by looking at the impact that neoliberal capitalism has had on the way the material products of this economic system have become almost like fetishes for the economic elites of Africa. One reason for this, perhaps, is that such material goods are not manufactured or produced on the African continent. Is there a psychological, historical or cultural explanation for this state of affairs? Is it just plain greed? Is it a mimetic behavioural condition? Is it, perhaps, due to the unbalancing act between the new Western/European intellectual dispensation, on the one hand, and the inherited African customs and values on the other? Or is it a combination of all of the above?

Historical Prelude to Post-Colonial Africa

It is often posited that the entry door to any culture or civilization is its imaginative and creative literature. If we pursue that line of reasoning, modern African literature, in particular the novel, provides us with crucial and insightful pointers in our attempt at understanding the dilemma posed by the conceptualisation of tradition by the African elites as well as its translation into concrete proposals for behaviour. Thus, it is fair to say that modern African literature offers the best insights into the ills which bedevil Africa. It is writers such as Armah, Ouologuem and Sembene who started warning that after all the hopes brought about by the political independence of the early 1960s, these were being dashed because of the wrong orientation that the elites had given to the new nations. These novelists did so through fiction which often mirrors reality.

What would be helpful for the analysis of the new African cultures developing synthetically out of a post-Enlightenment Europe's encounter with Africa is a statement on the historical forces that produced this encounter. The European Enlightenment is characterised by a qualitative transformation from the past in that it ushered in the age of secular reason that manifested itself in new scientific and technological expression. This eventually meant new forms of production under the rubric of the developing economic system now known as capitalism. Adam Smith became the totemic god of this new system. Under such new circumstances ethical systems were also bound to change. The pursuit of wealth and the accumulation of material goods became the new measure of a person. The Christian religion whose worldly function was to prepare souls for the afterlife now saw itself falling under the sway of science, technology and capitalism. The goal humans were to pursue was

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to seek a material paradise on earth rather than a spiritual paradise in heaven. The new Europe armed with the trio of science, technology and capitalism set out to conquer the world in the 15th century and on the way encountered the African. The West Europeans had the capital and the technology. All they needed now was the labour. So they created the circumstances where the African was made to oblige them. The result was the infamous Atlantic slave trade and the development of the Americas along European lines. Capitalist accumulation with its increasingly effective technological innovations eventually led to Europe's second encounter with Africa. This time the Europeans came as colonials and settlers. The goal was access to more resources in the form of minerals, agricultural produce, and land. The Africans were inveighed against and they eventually yielded. The result was that new structures and institutions of European provenance were imposed with the result being novel hybridized cultures in the form of African tradition and European modernity. This invariably led to the schizoid personality of the African: on the one hand modernising but on the other hand culturally beholden to tradition. Is it that the two modes of the modern African personality are incompatible?

Given the psychological assault on the African psyche by cultural Eurocentrism, the African mind in the form of its writers sought to defend itself by appealing to concepts such as Negritude and 'the African Personality'. But the lived lives of the modernising African bourgeoisie increasingly got captured and enraptured by capitalism and its products. If a genuinely modernising Africa were to follow the model of capitalism, would develop a productive capital-owning class that would in turn consume its own products and sell the rest. This is the case of countries like Japan, Korea, Taiwan, etc. Instead we have an African bourgeoisie that consumes excessively but does not produce. It serves at the pleasure of a neo-colonising Euro-America.

The results are that practically all of modernizing and culturally hybridised Africa lives a life of discontentment at being victims of modern-day capitalism. The African bourgeoisie seeks to soothe its psychic discontentment through the obsessively compulsive behaviour of accumulating the products of market capitalism. The truth is that this form of 'cargo cultism' is just an illusion. In the following section I propose to show how the lived lives of the post-colonial African bougeoisie or economic elites are reflected effectively in literature.

The Literature of Disillusionment in Contemporary Africa

Yambo Ouologuem's *Le devoir de violence* is one of the earlier literary works that examines the African past in terms of its connection to the post-colonial present. It is a controversial literary work – there is also the cloud of plagiarism

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hanging over it and it was banned in France for some thirty years – because it does not portray pre-colonial society as mainly idyllic until the advent of the colonial era with its economic exploitation and cultural dislocations. This Malian writer makes a strong – some would say hyperbolic – critique of the African past as he seeks to deromanticise it. Some argue that it was Ouologuem's intent to counter the *Negritude* idea that was propounded by Senghor and Cesaire. In the novel, the roles played by the Saifs, the Bishop Henry and Raymond Kassoumi all symbolise the schlerosed economic and cultural state of post-colonial Africa. The descendants of Raymond now control the neo-colonial states of most of Africa in alliance with certain traditional (the Saifs) and newer elements (the Lebanese), etc. And most of the indigenous cultural elements are now under the sway of the culturally dominant Islam and Christianity.

In his chapter entitled, 'Images of Working People in Two African Novels: Ouloguem and Iyayi', contained in the edited book (*Marxism and African Literature*, 1985), Tunde Fatunde (1985) shows that Ouloguem's aim is to show how the following elements have greatly contributed to the regression of Africa:

- Religion (both Arab Islamic and European Christian) plays an oppressive role;
- Sexuality as, both in colonial and neo-colonial societies, patriarchy dominates and oppresses women (even though the matrilineal foundation of African societies is an established fact);
- The exploited classes constitute a structured element of African feudal society.

According to Fatunde, Ouloguem portrays the working people as passive and dormant victims who hardly protest against their living conditions. Thus, the pre-colonial African peasants, workers, serfs, etc, are presented as a passive, amorphous mass belonging to a single exploited class in society. This would seem to run counter to the image of the revolutionary colonised African as portrayed by Fanon in his *Wretched of the Earth*.

In effect, in his sharp critique of the past, Ouologuem is also implying that the same ills that afflicted the past are still affecting the Africa of today. The masses are still caught in the nets of religious fervour and obscurantism while the political elites are behaving as if their countries are their personal fiefdoms. Furthermore, there are few organised acts of rebellion that have some some kind of coherent theme, notwithstanding those that recently took place in North Africa. For if it is true that Africans have resisted European colonization and have not been all decimated and debiliated by the trans-Atlantic slave trade and colonialism, it is clear that in the post-colonial era the

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spirit of resistance has waned. In sum, Ouologuem's point is to show that the problematic of Africa just did not begin with the colonial or post-colonial era but stems from a rather deep-seated psychic malaise. This approach would then seem to imply that the problematic of Africa does not fully depend on the economic, cultural and political configurations of post-colonial Africa.

Ahmadou Kourouma's novel *The Suns of Independence* describes a nominally independent Africa wrestling with the toxic brew of Western economic neoliberalism, its baubles, unemployment, and cultural anomie. With the West African Mande culture as background, Kourouma weaves together a depressing yet beautiful tapestry of post-colonial rural and urban life. The people of rural origin, like the central character of the novel, Fama, have left the village to settle in the capital, a city that grew out of the colonial project. He has no skills which would allow him to work, given his level of modern education. Fama and his wife,

Salimata, live in a the city's *bidonville* in a locale inhabited by their own ethnic group – all migrants from the same rural area. Thus we have a recreation of the home-village inside the city. Kourouma's point is to show that the post-colonial massess have been relegated to the urban reservations of the bidonville as the post-colonial bourgeoisie stakes out its claims in the new post-colonial order. They have been fitted for their role by the education and acculturations bequeathed to them by their respective metropoles. For example, the baccalaureat is the norm for the so-called Francophones while the Anglophones and the Lusaphones have their own versions. In the Muslim acculturated areas, the Koranic schools have been put on the back foot because this Arab pedagogical transplant is just not adequate for the post-colonial African to win the bureaucratic positions left vacant by the departing colonials. Thus we witness too the psychological conflict as played out by Samba Diallo in his *L'Aventure ambigue*.

But this is the catch: though the members of new African bourgeoisie are not state functionaries of the the old colonial empire they have become its new functionaries as agents of the new neocolonial structures. Their rewards include easy access to the products of commodity capitalism, which they flamboyantly display. This is the new cultural and economic landscape that destroys the African soul.

In the case of Kourouma's novel, Fama is a social parasite. He roams the city, attends weddings, naming ceremonies, and funerals. Even though he is of royal lineage – meaning that back in his village he is much repected on account of his being a member of the royal aristocratic clan of the Doumbouya, the rulers and chiefs – in the city, that noble lineage and its attendant traditions are of no use to him. He is anonymous, does not stand

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out in the crowd, and is part and parcel of the sometimes restive urban masses. *The Suns of Independence*, in addition to showing the spiritual void and material poverty of the various characters that inhabit the novel, makes apparent the many ways in which even nature and the landscape are part of the plot of betrayal toward the new Africa. Though supposedly free, 'independent', Africa is still trapped in the neocolonial net, set up by the departing colonials but maintained and serviced by Africa's new comprador bourgeoisie. With the death of Fama at the end of the novel, Kourouma seems to inform us that a traditional way of life with its institutions are slowly being eroded, creating the psychic dislocations that blanket the African continent.

Such psychic dislocations, it would seem, have also affected the minds of those who were at the vanguard of the struggle against colonialism. According to Ghanian novelist, Ayi Kwei Armah, such was the case with the decision of Kwame Nkrumah, Ghana's first president, to place the seat of his presidency at the Osu Castle, previously known as Fort Christiansborg. The Fort Christiansborg castle was erected by Danish slavers in the 17th century and represents, according to Armah, the utter humiliation and degradation of the African, given the role that these structures played in the Atlantic slave trade. This was the point made by Armah in a public lecture in which he criticised Nkrumah's decision to place the seat of his government at Fort Christiansborg. It was as if the spirit of the erstwhile colonial enterprise had entered Nkrumah given his decision on Fort Christianborg and his increasingly autocratic fashion of governance.

It is this ethos of a post-colonial Africa that Armah captures in his well-known novel *The Beautyful Ones are Not Yet Born*. The corruption of the African soul by the autocratic ethos of the colonial era together with the corrupting lure of the baubles of capitalist production are what are so masterfully captured by Armah in his novels. It was this corrupting lure of capitalism that militated against a more optimal implementation of the socialist idea as expounded by Nkrumah. The implementation of the idea of socialism requiries a spirit of communitarianism which certainly militates against the individualism and accumulative spirit that pervade the economic spaces of full-blown market capitalism. It is this psychic conflict in the soul of the post-colonial African that pitted the animal spirits of capitalism against the African version of a communitarian socialism that determined the future of the socialist idea in Africa. Capitalist greed won and expressed its victory by way of the military coup that removed Nkrumah from his presidency.

The same principle is at work in the writings and films of the late Ousmane Sembene. His well known text and film, *Xala*, employs a motif and style that

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has the virtue of being understood as the impotence the new national bourgeoisies experience as they seek to come to terms with their appointed post-colonial role as an inefficient bureaucratic class that has stepped into the shoes of the coloniser. The result is a place-holder comprador bourgeoisie that is parasitical on the wealth of the neocolonial state, while the industrialised ex-colonial powers, by way of their multinationals, continue to exploit the natural resources of the neocolony. The central personnage of the film, El Hadj Abdou Karim Beye, is the personification of this post-colonial malady. The central theme of the film concerning Beye's taking of a third wife is to be understood as the new post-colonial 'elites' consuming more than is necessary. In this instance, needs are morphed into wants. The solution to the economic impotence of the post-colonial bourgeoisie requires modern technological solutions not the age-old superstitions as suggested by Beye's solution to his impotence.

One can understand Sembene as stating that the post-colonial African bourgeoisie is in reality a neocolonial bourgeoisie whose function is to exploit the masses while maintaining the colonial exploitative economic links with the erstwhile metropolis. This bourgeoisie is corrupt in that it appropriates the economic wealth of the nation for its own material benefits. The masses are the miners and the agriculturalists but their rewards are minimal. And yet there is little salvation in invoking the old cultures because the lived economic life of the post-colonial African remains the same. New ways have to be worked out within the old cultural contexts, or does it have to be otherwise? These were the issues that presidents such as Nkrumah and Senghor had to grapple with. These issues take the form of questions such as: how to come to terms with metropolitan neocolonialism? Does one work with it (Senghor), or does one reject it (Nkrumah and Sekou Toure)? While these are fundamental questions of politics and economics, they manifest themselves at the social and political planes as issues of culture.

Neoliberal capitalism and the Face of Africa

I mentioned above that the ongoing plight of Africa is often lost in the antiseptic language of modern economics. We are often assailed with IMF and World Bank metrics. We have heard of the 'structural adjustment' ministrations of the IMF; but unless one were the victim of such, one rarely gets any empathic sense of the lived lives of today's Africans. In other words, what is lacking is a phenomenology of the ongoing lived experiences in Africa.

Consider an African worker who works as a driver for a multinational company. His monthly salary is no more than \$100 a month in an African country where most goods – apart from local foodstuffs – are imported.

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Our driver has to support a family which includes not only his children but also members of his extended family. Now think of the economic disaster that occurs when, perchance, our driver loses his employment. The ensuing misery becomes palpable. This kind of event occurs daily in Africa. In the case of 'structural adjustment' initiatives the lived experience is equally negative. The African neocolony is required to reduce state expenditures and to privatise recommended government institutions. Prices of life's necessities such as water, electricity, schooling, health and general welfare rise preciptiously. These are the real-life casualities of Western neoliberal economics. When one couples this permanent crisis in the lives of contemporary Africans with massive unemployment, then Fanon's celebrated book title, *The Wretched of the Earth*, is most apt.

One solution to this desperate situation sought by Africans is migration to the ex-colonial metropolis and elsewhere in the Western world. This migration is rarely for direct political reasons and its participants are viewed as economic refugees by Western authorities. Treks across the Sahara or dangerous boat journeys along the West African coast are the normal routes as the African seeks to recapture some of the surpluses expropriated from his or her home continent.

When one lifts the masks of the antiseptic ministrations of the IMF, the World Bank, the WTO, the BIS (Bank of International Settlements), the Paris Club, etc, one becomes witness to the human destruction wrought. Let us put a human face on all those bare statistics so bloodlessly put out by the above-mentioned instutions to get some idea of the abuse caused by the unholy alliance between the neo-colonial bourgeoisie and the Western financial institutions that make such possible. Take the case of Cape Verde, a nation that since 2008 has been promoted by the Word Bank to a second-tier developing nation, one of only five in Africa. Traditionally, this nation depended on tourism and expatriate remittances from its emigre populations in North America and Europe. Its relatively small resident population of some 500,000 people makes it easy to manage in terms of the impact of financial inputs, etc. Social anthropologist, Kesha Fikes (2010) travelled to the capital of Cape Verde, Praia, to survey the economic situation in this supposedly secondtier African developing nation. Fikes interviewed some women who make a living as vendors. But first consider the following: 'This[2008] is an important period because it is marked by the steady disappearance of women from loal market scenes.... So, many just stopped selling altogether with the hope of rationing the little they had and then seeking some form of public assistance - a request that reinforces the idea of the poor as a community beyond the state's modernising agenda and hence justifies the presence of the new foreign entrepreneur' (Fikes 2010:60). One of the interviewees said: 'But today selling

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is changing. It used to be that if you had the product you sold it. Now, not any more. It's as if *buying and selling have nothing to do with each other*. It doesn't make sense...' (Fikes 2010:60). Another relative interviewee said: 'I know for a fact that people aren't making money and that children aren't eating. I see them' (Fikes 2010:60). One of the interviewees claimed: 'Look! The Chinese have run us out of business! We pay import taxes on our products, they don't. We sell in much smaller volumes so our products are more expensive. I know this because I used to buy products in Dakar. Then there was no competition and I had lots of money in the bank. Today, I don't even buy food and stuff on the street any more....All I know is that we the poor – us! We used to have more money, *even though we were poor*. I know I did...Somehow money was always coming in. It's all dried up!' (Fikes 2010:62).

On the same theme, there were more responses from the three relatives, like the following: 'And it's harder to migrate....Today those that migrate become over-modern (sarcastically stated), they're ingrates; they neglect their families and traditions....I want to migrate, but I've been denied three times, once at the American embassy and twice at the Portugese embassy. They're stingy with visas these days...They don't refund you for the application. But I am not making any money. I love work, I love going to work, working hard. I LOVE IT. But here I am starting to feel useless, like lazy, like useless you know...It's the Chinese! They've run us out of business....I don't know....It's the government! They say they support us but they don't....Whatever it is, it's complicated. It's like...it tries to take your will, to crush you, you know? It sounds strange but it does...it takes something from you, from inside....It really does' (Fikes 2010:63).

Fikes explains this situation – which is normalised throughout the length and breadth of Africa – with the following: 'Generally, deregulation and privatisation are celebrated as guarantors of freedom, personal creativity, and the promotion of the entrepreneurial spirit. But the sentiments stressed above convey something that contradicts these ideals' (Fikes 2010:65). But who has allowed this situation to develop, if not the post-colonial Cape Verdian bourgeoisie that has gone ahead to ignore the communitarian and socialist ideas of Amilcar Cabral, the revolutionary fighter and intellectual. The post-colonial bourgeoisie prefers the following situation: 'By contrast, the finance capital supporting new European and Chinese businesses drips slowly, if not along a unidirectional path that leads to non-local sources. In the end, street and market sales become obsolete as the life course of the remittance is terminated or exchanged with "new" foreign enterprises' (Fikes 2010:65). And Cape Verde has become a 'middle-developing' nation!

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Conclusion

In this article I have discussed the problematic of Africa and its governing classes whose duty was to set Africa firmly on the path towards development within the syntheteic context of the appropriate economic policies, effective political structures, and optimal cultural traditions. The immediate post-colonial period was one of optimism in which the new African modernising classes had the opportunity to pick and choose the optimal modalities for development. But they failed to deliver, mesmerised as they were by the material dazzle of the products of modern market capitalism. But modern market capitalism needs and wants those products which in their raw forms serve as the basis for the production of those goods coveted by the post-colonial African bourgeoisie. The result of this class egotism is the open face of an Africa plagued by cultural collapse in key areas such as its vaunted communitarianism , only to be replaced by the false consciousness of corrosive self-interest, consumer greed, eruptive xenophobia – as in the cases of South Africa and Ivory Coast – and political corruption. My references to the post-colonial literature of Africa were meant to present a human face to the real damage done to Africa in the post-colonial era. This approach is certainly more enlightening than the lifeless statistics offered by the punitive neoliberal ministrations of the octopus-like tentacles of the IMF, the World Bank and other kindred Western institutions.

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Book Review

Ha-Joon Chang, Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism, New York: Bloomsbury Press, 2008, 287 pp.

Lansana Keita

Ever since the development of modern economics from the days of Adam Smith onwards, one of the central questions of economics has been what are the necessary and sufficient criteria for economic growth and ultimately economic development. Smith argued that economic growth is best encouraged with unrestricted markets and free trade. These two considerations became central to what became known as capitalism. In economic history the received doctrine has been that what made Britain wealthy was its commitment to free markets and free trade. A corollary of that argument has been that the role of government in the operation of the free market should be reduced to a minimum. But over time, free markets in practice did not consistently yield economic growth. The maturing capitalist system was often prone to recession and capital losses after periods of growth. The social impact of these recessions was invariably made manifest by lack of effective demand, increased unemployment, and loss of productive capacity. This became the basis for Marx's analytical critique of capitalism.

The Marxian critique of capitalism was so effective that a whole research school of Marxism developed with one of its most prominent members being the Russian revolutionary, Lenin. The main argument here was that free market capitalism was not sufficiently reliable to foster economic growth and development. Accordingly, the major role in the growth and development of an economy was assigned to government under the rubric of communism. Private capital would no longer be allowed to play the central role it plays in free market economies. The state would own and marshal most productive capital in the areas both of individual and collective consumption. In the case of the Soviet Union, this alternative to capitalism did produce much growth and development in the areas of heavy industry and infrastructure but was much less efficient in the area of individual

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consumption where state monopolies proved to be not so efficient in the central economic area of supply and demand.

But with the transformation that took place in the Soviet Union twenty years ago with the replacement of the state as the major production unit by the market system, the new belief was that there was no alternative to free market capitalism. This theory was generalised into what is called 'neo-liberal economics' which advocated minimal government intervention in a country's economy and untrammelled free and open trade in the international economy. This was the dawn of the new era of 'globalisation'. So for countries whose goals were economic growth and development, the confident prescription was free markets, free trade, and minimal government intervention in the economy.

The truth is that this prescription has not worked for the vast majority of the world's developing nations, and much more so for those of Africa. For example, the United Nations tabulated Human Development Index for 2011 places most of Africa' nations in the 'low development' category, despite the fact that these nations have been serenaded non-stop about the virtues of the neoliberal paradigm. This problematic situation has been increasingly addressed by heterodox economists such as Erik Reinert (How Rich Nations Became Rich and How Poor Nations Stay Poor, 2006), Joseph Stiglitz (Globalisation and its Discontents, 2002) and Ha-Joon Chang. Their approach is strongly critical in that it rejects the neoliberal open-markets approach with its touting of the Ricardian and Hecksher-Ohlin approach to global trade interaction. In short, what the heterodox economists are demonstrating is that the empirical evidence falsifies the neoliberal model. Their work is to be understood as an effective counterpoint to the neoliberal works of economists such as Jagdish Bhagwati, Deepak Lal, Paul Collier, William Easterly, Dambisa Movo, et al.

A recent example of the mentioned heterodoxy is Ha-Joon Chang's Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism. Its importance derives from the heterodox thesis that the prescription of free markets and free trade in a context of minimal government is not necessarily the best recipe for growth and development. He proves this point simply by demonstrating that the major industrial nations did not practice what they now advocate. Chang produces instances of historical evidence that demonstrate that the nations that now tout the free market neoliberal model as optimal for growth and development were strict protectionists in those areas where they sought to improve their productive capacity. Chang offers the example of how England under the reign of Henry VII was eventually able to capture the wool manufacturing market by first imposing high tariffs (45% in 1820) on English wool exports then hiring skilled workers from the

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Low Countries (Chang:41). According to Chang, the United States also developed its industrial base along such lines, under the recommendation of its finance minister, Alexander Hamilton, who in 1791 argued for the protection of 'industries in their infancy' so that that they could grow and develop without competition from established competitors. Chang makes similar arguments with respect to the path chosen by South Korea and Taiwan as they sought to modernise their technological base in the 1970s. South Korea engaged in international trade during that period in the form of the judicious import of modern technology but not actually engaged in free trade (Chang:82). As Chang puts it: 'As South Korea shows, active participation in international trade does not require free trade. Indeed, had South Korea pursued free trade and not promoted infant industries, it would not have become a major trading nation. It would still be exporting raw materials (e.g., tungsten ore, fish, seaweed) or low-technology, low-price products (e.g., textiles, garments, wigs made with human hair) that used to be its main exports in the 1960s' (Chang:82).

In fact, what Chang succeeds in doing is to overturn the key elements of the received neoliberal doctrine. Another important case in point is the neoliberal argument that that free markets coupled with 'democratic' government is the best synthetic combination for growth and development. His argument here is that the periods of greatest growth and technological development for modernising nations like South Korea and Taiwan were during times of what many regard as 'authoritarian' government. Chang states, in this regard, that 'there are cases like South Korea , Taiwan, Singapore and Brazil in the 1960s and 1970s or today's China that have done very well economically under dictatorship'. But there are cases in the West for which increased democracy went hand-in-hand with economic growth (Chang:178). Although this would make the impact of democracy on development ambiguous (Chang:179), it would seem that the impact of development on democracy is more straightforward (Chang:179). Chang: 'it seems fairly safe to say that, in the long run, economic development brings democracy' (Chang:179).

But this is not all in Chang's critique of the neoliberal thesis. He also points out that the neoliberal mantra that the most efficient firms are necessarily those that are privately owned and subject to the laws of the market, is also not necessarily the case. In this connection, there is the interesting paradox that there are state-run enterprises that have been so successful that they are eventually totally or partially privatised (Chang:111). By way of examples of efficient well-run state enterprises, Chang offers the cases of Singapore Airlines, Renault (France), Petrobras (Brazil), and POSCO (Korea).

The question now is: given the lack of clear-cut answers as to how a nation should develop, there are those theorists who have argued that the

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deciding variable is the cultural matrix from which individuals operate, in terms of their daily outlook and decision-making. Yet, here again, Chang shows that 'culture' as an explanatory variable is just as unreliable. In contemporary times the Germans and Japanese are noted for their very serious work ethic founded on 'rational' approaches to important economic variables such as time and productivity. According to Chang, at one time the Japanese were seen as indolent and lazy while the Germans were seen as dishonest (Chang:197), which is the opposite of how they are seen today. Chang writes: 'In other words, many of the "negative" forms of behaviour of the Japanese and Germans in the past were largely the outcomes of economic conditions common to all economically underdeveloped cultures, rather than their specific cultures' (Chang:195-196).

Given Chang's argument that the neoliberal model is not the best for developing nations, what specific paths to development does he advocate. His key argument here is that developing nations should seek to target specific manufacturing industries and attempt to nurture and protect them from competition over the long run. Chang points out that 'it took the electronics division of Nokia 17 years to make any profit, but that is just the beginning. It took Toyota more than 30 years of protection and subsidies to become competitive in the international car market, even at the lower end of it' (Chang:212). Chang sums it all up with the following: 'Despite what the free trade economists recommend (concentrating on agriculture) or the prophets of post-industrial economy tout (developing services), manufacturing is the most important, though not the only route to prosperity. There are good theoretical reasons for this, and an abundance of historical examples to prove the point' (Chang:215). In terms of present-day examples, Chang points to the manufacturing success stories of Switzerland and Singapore (Chang:215).

So what does all this mean for Africa's nations now carrying up the rear in terms of developmental indices world-wide? The very first necessity is access to adequate capital for the goals at hand. Korea and Taiwan were fortunate in that they were able to obtain capital from the West – mainly the US – to stave off what was perceived as a communist threat from North Korea and China respectively. If the IMF and the World Bank are bypassed, then what are the possibilities? Well, Libya bypassed both BWIs and was still able to develop to the extent of topping the African Human Development Index list (2011). Given that Africa is very resource-rich area it is certainly possible that with the establishing of a stronger banking system real development could be a possibility. There would need to be the creation of viable economic zones of regional proportions. Such zones would operate with single common currencies and with the free flow of labour, goods, and

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services. This is what follows logically from Chang's critique of the neoliberal paradigm now being sold to Africa's myriad and economically problematic nation states.

Chang's thesis should be seen therefore as one side of the developmental equation especially for the nations of Africa. That side states clearly that the neoliberal advice offered by the West's economic pundits at its research universities or the Bretton Woods institutions is not in the best interests of those nations that are seeking to develop. The other side of the equation – not offered by Chang – as it applies to Africa would require a fundamental overhaul of Africa's basic economic structures. This side of the equation – already intimated above – would involve initiatives such as regional integration with free movement of goods, services, etc., single currencies, strongly capitalised central banks, efficient bureaucracies, etc. Add to all of this massive and coordinated investment in human capital which would serve as the catalyst and base for the autonomous investment argument. The truth is that infant industries in manufacturing would require a steady flow of engineers, technologists, business managers, etc. Only heavy investment in human capital could achieve this.

Yet in all of this the important question remains: why is it that only a very few non-Western nations have been able to make the transition from growth to development to yield the kinds of results that one now notes in countries such as Taiwan, South Korea, and China in more recent times, and Japan in an earlier period? What did they do right? What is interesting in any analysis of the East Asian developmental state is that although the historical circumstances of the different nations were different, there does seem to be among them the common feature of strategic planning undertaken by government. The governments in question invested in particular enterprises either totally or in partnership with local businesses. In the case of Japan, its leadership recognised soon after Commodore Perry's threatening naval incursion into Japanese territory (1854) that Japan had to undergo a technological revolution in order to guard against conquest by the West. The Meiji restoration (1868) set the foundations for foreign firms initially being granted investment concessions on Japanese soil. The Japanese, in due course, were able to replicate the modern manufacturing and industrial processes on Japanese terms. One key advantage they enjoyed when compared to present circumstances is that Western capitalism and military power had not attained its current level as in contemporary times. Japan's transformation from a feudal society into a rapidly industrialising one was made possible, in the final analysis, by a creative and goal-directed government. Japan demonstrated its newly acquired heft by its defeat of Russia in the war of 1905.

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Parenthetically, it is this war that helped Russian Marxists to adopt the policy of a totalising state capitalism to embark on rapid industrialisation under the political leadership of Lenin. China's embrace of Leninist state capitalism under Mao was also undertaken for precisely the same reasons: how to rapidly narrow the technological gap between the West and a militarily weak and economically vulnerable nation.

In the cases of South Korea and Taiwan, land reform and industrialisation were encouraged by the United States in its fierce competition with the Communist bloc for ideological and geopolitical supremacy. Taiwan was the foil for the People's Republic of China while South Korea played the same role with regard to North Korea. There were regular infusions of capital that were deployed by the authoritarian governments of South Korea and Taiwan. Strategic usages of such eventually led to the qualitative transformations that have put South Korea and Taiwan on the short list of non-Western nations that have successfully industrialised to high levels of technological achievement. But the industrialisation project in East Asia was not only one of just growth and capital accumulation; there were also massive investments in education and human capital development. The real results of this approach were first world wages, low Gini coefficients and human welfare payoffs in the sense of much increased life expectancies, low infant mortality, and improved gender equity. Without such investments Taiwan and South Korea would not have developed in any genuine sense.

The lesson here for Africa is strategic planning with both government and private investments, not to the mostly tiny, capital-poor countries of Africa but to whole regions without regard to the self-serving boundaries drawn up to serve the needs of the colonial enterprise. The Cold War is now over, which means that capital from the West would be obtained only at great cost and with political strings attached. But Africa's trump card is its great amount of natural resources as the Chinese government has already discovered. The problem here though is that Africa's resources are not spread around evenly, hence the pragmatic need for regional integration and the strategic pooling of resources.

In sum, Chang's Bad Samaritans is a must read for Africa's economists and economic planners. It is a refreshing change from the mantras of neoclassical and neoliberal economics that are invariably urged on African economic planners and governments by Western financial institutions such as the IMF and the World Bank, whose ultimate goal is to maintain Western economic and financial control of Africa's resources to the detriment of its populations. I must, however, question Chang's stated belief that the industrialized nations of the world – the West especially – could be persuaded

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to welcome the industrialisation of those nations that are seeking to move away from being just raw materials producers, because it would be to the advantage of all parties (Chang:220-222). He claims that there is at least one instance when the rich countries did not behave as bad Samaritans. He is referring here to the Marshall Plan of 1947 that helped rebuild a destroyed and economically weak Europe after WWII. But this is a seeming altruism; the Marshall Plan was motivated mainly by fear of Communist expansion into the heart of Western Europe. The plain fact is that the Western industrialised nations gain greatly from the uneven economic playing field that is this world. They see economic competition between the West and the rest of the world as a zero-sum game. Moral persuasion even with gains for all will not budge them from their consciously or subconsciously assumed belief that the West should stay supreme at all costs. African governments and economic planners would be naïve to see things otherwise.

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