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Sizing up the African state

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ABSTRACT

This paper reviews empirical evidence concerning government errors of commission and omission in Africa. Seen in the context of international comparisons, how do African states measure up in the defensive functions of avoiding government excess? And how do they rate in the constructive functions of supplying public goods in response to demands from society? Regarding errors of commission, African states do not stand out as singularly prone to spend large shares of GNP, to employ high ratios of the population in bureaucratic jobs, or to own extensive state-owned enterprises. The data on errors of omission are more equivocal. African states do too little to prevent corruption, to protect civil and political rights, and to secure the legal environment for business. Yet, other developing regions display many of the same deficiencies. Overall, there is little empirical evidence of a *sui generis* African state.

INTRODUCTION

Africanists have put enormous energy into describing, analysing and cataloguing the state in sub-Saharan Africa (hereafter simply Africa). They have variously described these states as 'failed' or 'collapsed', as 'patrimonial' or 'clientelist', as 'predatory' or, even more colourfully, 'vampire-like' (Frimpong-Ansah 1991; see also Englebert 1997; Harsch 1997). Rich and informative as this literature is, it is surprisingly insular when contrasting African political experience with that of other developing regions. Students of African politics also lean towards the use of single country studies, which can further limit the basis for generalisations. A case study is an excellent method for understanding the particular circumstances of one political system; it is less suitable for identifying trends in a wider region.

My goal in this paper is mildly iconoclastic: to challenge casual assumptions about supposedly unique features of states across Africa and how those features affect state economic performance. To gain a

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fuller perspective on the 'African state' than is traditional in African studies, I adopt a global viewpoint. Several new sources of quantitative political data facilitate the cross-regional comparisons. I do not intend to produce a comprehensive typology of states in Africa; I do want to question some long-established beliefs about those states by placing them in an international context.

In taking a broad view, I want to avoid making over-generalisations. The average state in the region is a statistical artifice, and one must be cautious about making inferences from it. Still, many observers argue that African states share significant common features that set them apart from the rest of the Third World (for example, Doornbos 1990). In some versions of this thinking, the continent is so distinctive in political terms that global comparisons are irrelevant or misleading. So it is worth using new empirical information to look for similarities and differences with other areas. But we should beware of pushing this exercise too far. There is too much variation around the mean to talk of a uniform pattern of political institutions and procedures in Africa (Widner 1995). Politically speaking, Botswana or Mauritius are not at all like, say, Nigeria or the former Zaïre. The first two countries score high on most of the indicators presented in this paper. The Nigerian and Zaïrois states score low on the same measures.

The same diversity pertains to the region's economic performance. It is true that Africa has lost ground since 1980 and before. Physical infrastructure has been neglected. Savings are down. Exports have dropped in value. Foreign direct investment is flat. Yet, no blanket description is going to apply to all countries in this heterogeneous area. Five African countries (Equatorial Guinea, Lesotho, Uganda, Mozambique and Mauritius) are among the twenty-five fastest growing national economies recorded by the World Bank for 1990–95. Four others (Angola, Cameroon, Sierra Leone and Rwanda) are among the twenty-five slowest growing countries for the same period. We must be as judicious in generalising about African economic trends as we are about political trends.

TWO TYPES OF GOVERNMENT ERROR

To organise the discussion, I employ the device of government or 'non-market' failures. These are the corollary of market failures in the private sector (situations when the 'invisible hand' of competition does not improve the well being of society as a whole). Non-market failures occur when the 'visible hand' of the state produces a net social cost or

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loss (Wolf 1988: 37). By state, I simply mean an organised legal order within a given geographic territory, one that is recognised by the international community as having the authority to make and enforce public policy.[1] One can easily find examples where state actions (or wilful, sustained inactions) have the effect of making almost everyone worse off.

Accordingly, non-market failure is at the centre of contemporary development strategy. This is appropriate, but the official development community tends to avoid looking at the full range of non-market failure. Rather, the so-called 'Washington consensus' slides over the fact that states can go wrong in two different ways, by sins of commission and of omission. They do things government should not do, and they also omit to do things government ought to do. We should not minimise the latter side of the problem.

The Washington consensus, at least until a recent shift in emphasis, has dwelt on errors of commission (the state overstepping its bounds). Its familiar 'Ten Commandments of Government' is a catalogue of things to be against: 'Thou shalt not' spend too much, impose high taxes, go deeply into debt, have import quotas or tariffs, subsidise business, discourage foreign investment, own public enterprises, have a burdensome civil service, or over-regulate the private sector (Williamson 1993). These are prudent admonishments, but they are, at best, only half the story.

Government's proper role goes well beyond simply getting out of the way. Positive things also need doing. Recognising this truth, the old Washington consensus is starting to take a more balanced outlook and also emphasise government errors of omission, a change dating from the World Bank's (1989) *Sub-Saharan Africa: from crisis to sustainable growth*. The modified view implies a different set of commandments, of actions the state should take: 'Thou shalt' provide basic security, curb political corruption, assure property rights, mediate disputes even-handedly, supply infrastructure, guarantee basic education, safeguard public health, protect the environment, listen to citizens. No society can prosper with these basic collective tasks left undone.

The rest of this paper considers empirical evidence of how significant the two types of non-market error are in Africa. Seen in the context of international comparisons, how do African states measure up in the defensive or self-limiting functions of avoiding government excess? And how do they rate in the constructive functions of supplying public goods in response to demands from society? I try to answer these questions by systematically looking for international benchmarks. The

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data do not permit me to say much about the efficiency of state activities; those are qualitative issues better answered through the case method. But I can draw rough lines around the extent and direction of state operations in Africa, and compare the results with other developing regions.

One forewarning should be made. Many of the datasets I use leave out countries gripped by civil war – countries such as Liberia, Sierra Leone or Sudan – or that do not generate a paper trail for other reasons, such as international isolation or small population. The samples are thus biased towards the better-governed, better-known societies. Adding these missing data might change the inter-regional comparisons, perhaps to the disadvantage of Africa due to the large number of internal conflicts there. On the other hand, strife-torn or isolated countries are found in other parts of the developing world. Data are limited on troubled societies ranging from Afghanistan and Cambodia in Asia, to Iraq and Lebanon in the Middle East. So any sampling bias may not have much effect on how the different regions match up against each other. Still, the non-random samples are reason to be conservative about making inferences.

Bearing in mind that regional mean performance is the middle ground between extremes, with no necessary correspondence to any real country, I can try to extract common themes to challenge superficial or unfounded generalisations about non-market failure in Africa. I find that African states appear to adhere to the first Commandments – avoiding the errors of commission – better than might be expected. They have a spottier record on the second commandments, those associated with errors of omission. Most important, I find fewer points of conflict than anticipated with other developing areas, and thus little quantitative evidence from these indicators for a *sui generis* African state.

STATE ERRORS OF COMMISSION

African states have been characterised as 'swollen' and 'bloated' (Diamond 1997; Beyene and Otobo 1994). According to standard neoclassical analysis, excessive size is at the heart of most errors of commission. So, it is worth establishing whether the typical state in Africa is, in fact, unusually large. Let us consider three conventional measures of the size of government. One is simply the share of public spending in GDP. Another indicator is the size of public employment. The third is the proportion of government ownership of business.

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TABLE 1
Central government expenditures, per cent of GDP, developing country regions

	Sub-Saharan Africa	Latin America & Caribbean	Middle East & North Africa	Asia & Pacific
1980	24·5% (n = 26)	21·1% (n = 19)	33·5%[a] (*n* = 10)	20·5% (n = 13)
1995	25·8% (n = 17)	20·8% (n = 18)	30·4% (n = 11)	18·7% (n = 14)

[a] Significantly different from sub-Saharan Africa at the 5 per cent level.
Taken from World Bank (1998).

All governments spend money for public order and safety, for national defence and for economic management. They also provide funds for such social services as education, health and sanitation, and economic services associated with the regulation of business. The mix of spending differs in every country, but African states in the aggregate do not have particularly extravagant spending patterns. As Table 1 shows, the average African central government spent the equivalent of one-quarter of GDP in 1995. That is more than governments spent in Latin America or Asia, and less than they spent in the Middle East. The regional differences, however, are too small to say they are statistically significant.

The 1995 pattern is not a one-year anomaly. Table 1 also shows data for 1980, before 'structural adjustment' programmes became common in the Third World. The inter-regional variations in public spending were similar at the earlier date – no significant differences among regions existed, except for the Middle East, where central government expenditures were a *greater* share of national income compared with Africa. So it is hard to argue from the gross figures that African states stand out as unusually big spenders.

The same is true about public employment. The available data, while sketchy, strongly suggest that Africa does *not* have inordinate public employment by Third World standards (see Goldsmith 1999a; Olowu 1999). In the mid-1990s, Africa actually had fewer government workers per capita than any other developing region (see Table 2). The average Middle Eastern country, for instance, reported 4·0 civilian government workers for every 100 people; the average Latin American country reported 3·5 government workers. For African countries, the

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TABLE 2

Civilian public sector employment, per cent of population, developing country regions

	Sub-Saharan Africa	Latin America & Caribbean	Middle East & North Africa	Asia & Pacific
Circa 1980	1·9% (n = 17)	4·6%[a] (n = 8)	4·9%[a] (n = 3)	3·1% (n = 6)
Mid-1990s	1·9% (n = 22)	3·5%[a] (n = 13)	4·0%[a] (n = 10)	2·4% (n = 15)

[a] Significantly different from sub-Saharan Africa at the 5 per cent level.
Taken from Schiavo-Campo *et al.* (1997) and Heller & Tait (1984). Civilian Public Sector Employment includes workers in all government organisations financed by government budgets (including health and education providers but excluding national defence and state-owned enterprises).

TABLE 3

State-owned enterprises' share of economic activity, per cent of GDP, developing country regions

	Sub-Saharan Africa	Latin America & Caribbean	North Africa & Middle East	Asia & Pacific
1979 or 1980	10·6% (n = 11)	9·7% (n = 17)	29·4% (n = 4)	9·0% (n = 5)
1990 or 1991	11·7% (n = 11)	11·1% (n = 18)	18·3% (n = 3)	8·2% (n = 4)

Taken from World Bank (1995).

average ratio was far less, only 1·9 government workers per 100 population. (These differences are statistically significant at the 5 per cent level.) If we turn back to the late 1970s and early 1980s, the pattern was similar: public sector employment in Africa did not reach the level in other regions.

What is the situation with state-owned enterprises? A state-owned enterprise (generally known in Africa as a parastatal) is a government owned or controlled entity that generates the bulk of its revenue from selling goods or services. Here, Africa fits the profile of the rest of the developing world, except for the Middle East. That region has two to three times *more* output from public enterprises in relation to the economy. Table 3 reports data for two representative periods, 1979–80 and 1990–91. Africa's state-owned sector accounts for an average of 10

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to 12 per cent of GDP – roughly the same proportion as in Latin America and Asia. White elephants these parastatal companies may be, but they do not appear to represent noticeably more economic activity in Africa than anywhere else.

The picture that emerges from this review of the data is not of 'big government' – at least not big by the standards of the Third World. Public spending, public employment, and public enterprise in Africa look fairly typical or even on the low side compared to what we see in other regions. African governments are still stretched beyond their means (as indicated by their dependence on foreign aid, a subject I return to later). African governments also are large relative to the revenue generating capacity of their economies. Public employment, for instance, represents a major share of the jobs in Africa's limited formal sector. Similarly, state-owned enterprises make up much of the region's scant industrial capacity. However, we can rule out the argument that these figures generally go beyond the ordinary size for the developing world.

NON-MARKET ERRORS OF OMISSION

Even if African states were a mythical 'right' size, that fact itself would have little bearing on whether these states commit non-market mistakes of omission. No matter how many resources a government has at its disposal, those resources alone cannot guarantee that the authorities 'do the right thing' to provide the rule of law, health and education services, and other public goods. To what extent have Africa's states not taken the positive actions they need to take? There is little doubt that this kind of non-market failure is widespread in the area lying south of the Sahara (Brautigam 1996; Grindle 1996).

The question for this paper is whether, from the standpoint of the Third World at large, African states are unusually prone to make errors of omission. Does the cross-national evidence show that important public tasks are being shirked to a greater extent than they are elsewhere? Measuring any state's capacity for action is less straightforward than measuring a state's size, as I tried to do in the previous section. We cannot look simply at inputs, such as public spending or employment. We must look instead for indicators of government output and performance. These are more difficult to come by, but recent sources of new political data can help.

Among the public sector's most important jobs, three stand out: to maintain honest and open decision-making procedures, to incorporate

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public opinion in its deliberations, and to provide a sound set of rules for private economic activity. Fortunately, indicators exist of political corruption, democracy, political stability and economic freedom. The data are an aid to determine how successfully African states discharge their constructive duties.

Effective states insist on government integrity. They have procedures in place that prevent bureaucrats and politicians from abusing their power for private ends. Ineffective states are powerless to stop political corruption. Africa is well known for corruption, with the late President Mobutu's regime being probably the region's most notorious example. So it is illuminating to inquire whether regimes like his are especially common in the sub-Saharan region as opposed to other regions. Many analysts apparently believe the answer is yes (see Olivier de Sardan 1999). They may be wrong, according to Transparency International's Corruption Perception Index, reported in Table 4.

Transparency International is a non-profit organisation formed in 1993 to help raise ethical standards of government around the world. It compiles an index that assesses the degree to which public officials and politicians are believed to accept bribes, take illicit payment in public procurement, embezzle public funds and commit similar crimes. The index is based on ten international business surveys conducted by several other organisations. Each of these other surveys uses different sampling frames and varying methodologies. The Corruption Perception Index thus is a 'poll of polls', reflecting the impressions held by business people and risk analysts who have been surveyed in a variety of ways. It assumes, perhaps erroneously, that corruption means the same thing in different societies, and that perceptions are a reasonable reflection of 'true' levels of corrupt behaviour.

According to Transparency International's 1998 tally, African countries are seen, on average, to be barely less corrupt than Latin American countries, and somewhat more corrupt than countries in either the Middle East or Asia. None of these differences is great enough, however, to say they are more than a matter of chance. This is disheartening news. However, it does not suggest that African states are, on average, exceptionally venal or dishonest. Corruption is a problem throughout the Third World.

The usual remedy offered to raise the level of probity in public life is 'good governance', to use the development community's jargon. Good governance is much more than an anti-corruption effort, of course. It is a code word for system-wide political reform, which includes reforms to encourage greater popular input to public policy

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TABLE 4
Corruption perception index, mean scores by developing country regions, 1998

	Sub-Saharan Africa	Latin America & Caribbean	North Africa & Middle East	Asia & Pacific
Perceived Corruption (0 = most corrupt, 10 = least)	3·5 (n = 15)	3·4 (n = 17)	3·9 (n = 5)	4·3 (n = 18)

Figures are taken from Transparency International's website (*www.transparency.de*). Political corruption is the misuse of public power for private profit. Transparency International relies on international surveys as the most credible means to rank nations by perceived corruption. No one of these sources combines a sufficiently large sampling frame with a convincing methodology to produce reliable comparative assessments. Hence, Transparency International has opted for a composite index, as the most statistically robust means of measuring perceptions of corruption.

making. The United Nations Development Programme (1997: 2–3), for example, defines governance as the exercise of authority to manage a country's affairs. Good governance, according to the UNDP, is participatory, transparent and accountable. The World Bank's (1994: xiv) definition is similar: the manner in which power is exercised to manage development, which the Bank suggests works best when procedures are clear and decisions are responsive to public demands.[2]

If these principles sound familiar, it is because they are a restatement of traditional liberal political values – the rule of law, freedom of association, and the consent of the governed.[3] During the Cold War, international development agencies were officially agnostic about governance issues. More recently, however, they have been able to admit that a country's closed political structures can impede internationally funded development projects and frustrate changes in national economic policy.

Better governance is meant to discipline how states behave towards their people. The current official position among donors is to encourage citizens to participate in decisions (Sandbrook 1993). Greater participation is expected to make leaders answer for corrupt behaviour, as suggested above. It also is supposed to make the state more responsive to majority demands. Operationally, therefore, governance reforms often entail some degree of democratisation. By building institutions to protect political pluralism and to aggregate social preferences, a state can become more independent of narrow constituencies and better able to promote the wider public interest.[4]

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TABLE 5
Indicators of democratic tendencies, mean scores by developing country regions

		Sub-Saharan Africa	Latin America & Caribbean	North Africa & Middle East	Asia & Pacific
Democracy Index (0 = least openness, 10 = most)	1980	1·5 (n = 39)	3·4 (n = 21)	0·2 (n = 17)	1·7 (n = 22)
	1994	2·9 (n = 37)	7·1[a] (n = 23)	0·8 (n = 17)	5·0 (n = 21)
Political Freedom Index (2 = most freedom, 14 = least)	1980	11·0 (n = 46)	7·0 (n = 35)	10·7 (n= 19)	8·9 (n= 32)
	1997	9·1 (n = 48)	5·2 (n = 33)	11·8[a] (n = 18)	7·7 (n = 35)

[a] Significantly different from sub-Saharan Africa at the 5 per cent level.
Taken from Jaggers & Gurr (1995); and Freedom House (*www.freedomhouse.org*). The Democracy Index is a measure of political openness. The Political Freedom Index is based on two sets of characteristics grouped under political rights (to participate freely in the political process) and civil rights (to develop views and institutions apart from the state).

Africa has been edging towards better governance in this sense since about 1990, though the achievements are plainly fragile (Joseph 1997; Bratton & van de Walle 1997). Too often African political reform is but a veneer, with little grass-roots involvement. Privileged groups continue to exert undue power; the masses remain largely disenfranchised. Yet, the same can be said about Third World democratisation generally. Multipartyism and self-government seldom follow the textbook model. One wonders if Africa's experience is all that different from other developing regions. The comparative data on democracy and political freedom should give us pause before concluding that Africa's experience is unusual.

Table 5 reports two sets of data. The first is the Democracy Index, taken from *Polity III*: *Regime Change and Political Authority*, 1800–1994. This dataset focuses on eight indicators of political authority and regime type for 177 members of the international system. I have selected the variable for democracy, defined as the general openness of the political structure (scored on a 0 to 10 scale). In 1994, the most recent year for which data are available, Africa's mean performance was significantly worse than Latin America's. The Middle East and

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Asia, however, were in a statistical dead heat with Africa. If we turn back a decade and a half, to 1980, the average level of openness was lower everywhere. This is not surprising. The contrast among regions, however, was comparable in 1994. Africa did worse than Latin America, better than Asia or the Middle East, but none of the differences was statistically significant. In all regions and in both periods, we find democratic outliers (for example, Botswana and Mauritius in Africa).

The second indicator of democratisation in Table 5 is the Political Freedom Index. This subjective index is updated annually by Freedom House, a non-profit organisation that monitors political and civil rights around the world. The starting point for its index is a pair of checklists, one for political rights and one for political liberties. Each index is coded on a scale of 1 ('free') to 7 ('not free'). These are combined into the Political Freedom score. I report the findings for two years. In 1997, African countries were rated significantly *more* 'free' on average than Asian countries. They were less 'free' than Latin America and the Middle East, but not significantly so. The divergence among regions was similar in 1980. Africa scored about the same as the Middle East, and somewhat worse than Latin America or Asia. None of the differences in that year was so great it could not have occurred by chance (at the 5 per cent level).

The Polity III and Freedom House surveys suggest a subtle point about the status of competitive politics in Africa. The region hardly exemplifies 'good governance' or political liberalism in any absolute sense. This shows up in the low absolute scores for democratisation. Yet, the area as a whole does not appear to be systematically less democratic than the Third World generally.

The average African state's surprisingly high *relative* democratic properties may shed light on another apparent incongruity in the data. This concerns the social cost of government downsizing. There is a vibrant debate in Africa (and elsewhere) over structural adjustment's adverse effects on the voiceless and powerless. But a quasi-representative regime usually has some interest in protecting its poor, or at least its urban poor, as a way to preserve its political legitimacy and stability. Indeed, such concerns lie behind much of the conflict between African states and the international development institutions over how to implement structural adjustment. To the extent the numbers can be trusted, African states seem to have done more to mitigate the social cost of adjustment than is often imagined (see Table 6).

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TABLE 6
Government social performance in Africa

	1980 (%)	1994 (%)
Public expenditures on health (share of GNP)	4·7	5·8[a]
Public expenditures on education (share of GNP)	1·0	2·5[a]
Per cent of population with access to safe water	34[b]	47
Per cent of population with access to health services	45[c]	53[d]
Calories per day as per cent of requirement	99[b]	97
Gross enrolment ratio (per cent of age 6–23)	39[b]	39
Human Development Index	0·283	0·380

[a] 1993 [b] 1982 [c] 1985–87 [d] 1990–95
Figures taken from Sivard (various years); United Nations Development Programme (various years). The Human Development Index is based on three indicators of the quality of life: life expectancy, education levels and average income. The index runs from 0 to 1, with higher numbers representing greater human development. Due to changes in methods, numbers are not strictly comparable between the two years.

In the aggregate, little evidence exists of net cutbacks in social programmes – perhaps due to the offsetting effects of foreign aid. Taking 1980 and 1993 as the beginning and ending years, we see public spending on education and on health both reportedly *increased* as a share of Africa's combined GNP.[5] This occurred while overall government spending was flat or falling. Probably as a partial result, people's access to water and health care services went up during the period (or the nearest available years). The proportion of the school-aged population in school stayed the same. Africans can expect to live longer now and they are more likely to be literate, so the UNDP's Human Development Index (which is based on these factors, plus real income) also rose over the 1980–94 period. While no one should discount the depth of misery on the continent, it would be inaccurate to say that the average African state has been indifferent or passive about public welfare during the structural adjustment period. These states appear (again on average) to have at least held the line with many of their social programmes.

Perhaps social expenditures are why African states display a surprising degree of political stability. One indicator of stability is executive office turnover. If we look at the average African chief executive's term in office, he has served more years than his Latin American or Asian counterparts (Bienen & van de Walle 1991). In fact, one problem in Africa has been the refusal of 'dinosaur' rulers like Robert Mugabe to step aside. Likewise, illegal challenges to the

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TABLE 7
Indicators of Political Instability, Africa versus other developing regions

	Sub-Saharan Africa	Latin America & Caribbean	North Africa & Middle East	Asia & Pacific
Political instability quotient (1948–82) (lower is more stable)	35·7 (n = 26)	32·5 (n = 22)	41·0 (n = 13)	55·2 (n = 14)
Sociopolitical instability index (1960–85) (lower is more stable)	4·39 (n = 19)	5·54 (n = 17)	−0·72 (n = 6)	5·68 (n = 8)

The political instability quotient is calculated from the number of political demonstrations, riots, political strikes, deaths from political violence, assassinations, armed attack events, political executions, coups (successful and unsuccessful) and the government profile. The sociopolitical instability index is based on the number of politically motivated assassinations, the number of people killed in domestic mass violence, the number of successful and unsuccessful coups, and a dummy variable for democracy.
Taken from Gupta (1990); Alesina & Perotti (1996).

political leadership do not appear to be unusually frequent in the region. They happen, but that is typical of the Third World.

Some scholars have constructed overall indexes of political instability. Two indexes are reported in Table 7. They are based on the number of *coups d'état* and similar illegal or violent incidents, running over many years and ending in the 1980s. Any tally of such events is subject to error, due principally to underreporting in countries of less interest to foreign media. These mistakes in the data may be most severe for Africa. With that caveat in mind, neither index shows Africa's political systems are necessarily shakier than the norm in other broadly defined developing regions. Hard as it may be to believe, lack of stability has not been extraordinarily severe in Africa for the periods that have been reviewed, according to these measures. (Given recent strife in such countries as Congo, Congo-Brazzaville, Guinea-Bissau, Liberia, Sierra Leone, Rwanda and Somalia, updated data might show a changed pattern to the detriment of Africa.)

What about government capacity to nurture the business sector? A capable state in the capitalist sense is one that defends and encourages an environment for private enterprise. Political stability is only part of the picture. Investors also are looking for economic, legal and regulatory services – and assurances that the 'rules of the game' will not change capriciously. Inept capitalist states do not inspire business and consumer confidence, and encourage private capital to flee to safer

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TABLE 8
Indicators of the business environment, Africa versus other developing regions

	Sub-Saharan Africa	Latin America & Caribbean	Middle East & North Africa	Asia & Pacific
Rule of Law (1997) (0 is best, 10 is worst)	6·7 (n = 29)	7·5 (n = 23)	8·1[a] (n = 12)	7·7 (n = 15)
Index of Economic Freedom (1999) (1 is best, 5 is worst)	3·6 (n = 42)	3·0 (n = 27)	3·3 (n = 23)	3·2 (n = 16)
Contract Intensive Money (1969–90) (0 is worst, 1 is best)	0·67 (n = 34)	0·80[a] (n = 22)	0·64 (n = 9)	0·79[a] (n = 13)

[a] Significantly different from sub-Saharan Africa at the 5 per cent level.
The Rule of Law indicator reflects the degree to which a country's citizens are willing to accept the established institutions to make and execute laws, and adjudicate disputes that may ensue. States are given a lower score when there is a tradition of settling claims with illegal means or violence. The Index of Economic Freedom is based on trade policy, taxation government intervention in the economy, monetary policy, capital flows and foreign investment, banking, wage and price controls, property rights, regulation and black market. Contract Intensive Money is the ratio of non-currency money to the total money supply. This indicator reflects the proportion of transactions in a society that rely on third-party enforcement. In well-governed societies, currency is only used for small transactions; in poorly governed societies, the opposite is true.
Figures taken from Economic Freedom Network (*www.freetheworld.com*); Heritage Foundation (*www.heritage.org*); Clague *et al.* (1995)

havens. Africa is believed to be deficient in protecting business conditions (see Sandbrook 1985). What do the numbers say? Two approaches have been used to quantify the character of national economic environments. One approach is subjective, based on the opinions of external experts. The second approach is to find indirect, objective indicators of government capacity.

Table 8 shows the results of a pair of subjective evaluations, comparing Africa with other developing regions. One need not subscribe to the ideology underlying these indexes to think that they accurately reflect private sector perceptions of states' ability to create market-friendly economic conditions. The first index (Rule of Law) is taken from the Economic Freedom Network's annual survey of economic freedom. This survey represents an ongoing effort to measure economic freedom across countries. Africa does significantly worse on the Rule of Law index in 1997 than does the Middle East, but scores about the same as Latin America and Asia. The second subjective

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rating comes from the Heritage Foundation's similar survey of business conditions. This Index of Economic Freedom measures how well countries score on fifty criteria, divided into ten broad factors (see Gwartney & Lawson 1998; Johnson *et al.* 1998). There are no significant differences in economic freedom across regions in 1999. Africa has a generally poor business environment, according to the Heritage Foundation, but so does the rest of the developing world.

The Economic Freedom Network and Heritage Foundation time series both lean heavily on expert opinion, less on objective criteria; so there are grounds to doubt the patterns they show. To get a firmer grip on government capacity to provide sound business environments, researchers at the University of Maryland have come up with a more impersonal measure. They call it Contract Intensive Money. It is the proportion of non-currency money in the money supply. The higher the ratio, the greater the business and consumer confidence in the state. Contract Intensive Money assumes, plausibly, that economic actors increase their cash holdings when they mistrust their government and expect it to act in an arbitrary manner. As Table 8 also shows, Africa comes out near the bottom of the international comparison in Contract Intensive Money over a two-decade period, ending in 1990. It does worse than either Latin America or Asia (with significance at the 95 per cent confidence level), and about the same as the Middle East.

Africans unusual preference for cash indicates, in a roundabout way, that national business climates in Africa are below par for the Third World. These results contradict the Economic Freedom Network and Heritage Foundation, perhaps due to the different method, perhaps to the different period. (The better ratings on the two subjective indexes might reflect 1990s globalisation and pressures from international institutions to liberalise emerging markets.)

CONCLUDING THOUGHTS

Our brief tour of the data on non-market failure suggests that, Africa, *as a region*, is no worse than other regions in matters of government excess. Without passing judgement on the absolute levels of government activity anywhere, African states are not singularly more likely to spend large shares of GNP, to employ high ratios of the population in bureaucratic jobs, or to own extensive state-owned enterprises. To the extent African states make errors of commission, it is in relation to their own skills and resources, not to what governments are doing in other developing areas.

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The data on non-market errors of omission are more equivocal. On some counts, Africa looks similar to Asia or Latin America, and on other counts not. Purely speaking, African states leave many important tasks undone. They do too little to prevent corruption, to protect civil and political rights, and to secure the legal environment for business – just as critics of the African state point out. Yet, other regions display many of the same deficiencies (though none is deficient on all the same indicators). It is difficult to see in these data a unique sub-Saharan pattern of state failure.

This raises the question why Africa lags Third World averages in the level and pace of development. What else about this region explains its poor economic and social performance relative to other developing areas? If not the non-market errors of commission and omission that I have reviewed, what are the reasons?

Two broad explanations suggest themselves. One possibility is that the state is only a secondary factor in development. Thus the fact that the African state looks 'normal' is largely beside the point. There are non-state variables that determine national well being, and these are what stand between Africa and other regions. The second explanation for Africa's laggard performance leaves the state in a key position. The African state *is* different, according to this line of thinking, but the indicators used in this paper fail to pick up the critical non-market failures. Other state-related variables *do* set the region apart, but we need more subtle measures to capture them.

I can only explore these two arguments in this paper. To start with the first possibility, that non-state factors are blocking Africa's way to progress, the recent literature suggests a pair of culprits may be responsible. One is geography, the other is ethnicity. David Bloom and Jeffrey Sachs (1998) forcefully represent the geography argument. They remark on the frequency of land-locked states in Africa and the concentration of African land in the tropics. Their econometric analysis shows that these geographical factors pose a unique burden on development. But does geography account for Africa's poor growth, irrespective of state performance? I am sceptical. For me, the physical limitations in the region serve as a reminder of how important the state is. Effective states find ways to work around geographic hardships, for example by investing in infrastructure or organising trade relationships with neighbouring states. So geography alone is not a compelling argument for Africa's persistent economic backwardness *vis-à-vis* other Third World areas.

The same can be said about the high degree of ethnic diversity in

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Africa. The region does have unusual cultural and linguistic divisions. William Easterly and Ross Levine (1997) find statistical evidence that ethnic diversity is a negative factor in economic growth in the region. But there is another side to the story. A diverse population is not simply a source of conflict; it also can be a source of economic vitality.[6] How ethnicity plays out depends partly on how the state handles ethnic divisions within its territory. Africa is probably a special economic case, not primarily because it has a heterogeneous population, but because heterogeneity has been steered down destructive paths. An effective state will find ways to harness ethnic diversity for positive economic returns.

Geographic and social problems thus lead back to the state. The problems caused by harsh climate, the absence of a sea coast or communal rivalry are not easily separable from shortfalls in governance. So, the question is which contextual factors *do* differentiate African states from their counterparts in other regions. In particular, are the time series that I have used failing to capture subtle historical considerations?

One hard-to-measure concept that merits further exploration is political legitimacy.[7] As is well known, most contemporary states in the sub-Saharan area are the heirs of colonial administrations. Those colonial states were 'artificial', in that bargaining among the metropolitan powers determined their boundaries. They did not emerge through an indigenous process of 'state-building'. Rushed to birth in the 1960s, the typical African state has a questionable right to rule in the eyes of many of its supposed citizens. Low levels of legitimacy, in turn, increase the cost of governing. Any authority that is uncertain of its acceptance and support finds it especially hard to govern in a cost-effective way. Extra resources have to be expended to attain collective goals.

Lack of legitimacy could explain some of the patterns observed in this paper. It implies that African states are less efficient than other Third World states, getting less return per unit of effort. This would make quantitative comparisons across regions deceptive. If we do not make adjustments for their questionable legitimacy, African states may look more productive than they really are.

Their legitimacy is probably under greater dispute now than ever. Mick Moore (1998) points out in a recent paper that states have to learn how to deliver services effectively, thereby earning and maintaining legitimacy. African states have not had time or incentive to master the skill of service delivery. According to Moore's argument,

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the extent and pace at which states learn is partly determined by how much effort states need to expend to raise revenue. Some states are forced to deploy extensive organisations to collect taxes. There is a beneficial by-product: these states acquire expertise that can be applied to other functions of government, from healthcare to police protection. States that have mineral wealth or other sources of 'unearned income', never face the need to develop organisational skills.

African states have significant 'unearned income' in the form of foreign aid (or oil in the case of Nigeria and a few others). The financial incentive is to build links with international donors, not to develop domestic organisational networks. In 1995, aid represented 10 per cent or more GDP in twenty-five African countries. No other region is nearly as dependent on external assistance. Africa's aid dependence has been growing, and that may partly explain the lack of organised capacity – and the questionable legitimacy – of national authorities in the region (Brautigam 1999).[8]

Another by-product of learning how to collect broad-based taxes is that it encourages states to develop reciprocal relationships with their populations. Because it is easier to raise money from people who see they are getting public services back in return, there is an incentive to listen to what those people want and to respond to their interests. This type of state–society reciprocity may be the reason that another recent quantitative study finds that 'good governance' is associated with 'big government' throughout the world. People are willing (if not always enthusiastic) to help pay for public services they think benefit them (La Porta *et al*. 1998). The point is that effective states have learned how to maintain their legitimacy, and their legitimacy helps keep them effective.

The link between political legitimacy and state organisational capacity is a subtle issue and one that merits further research. The bulk of quantitative data I have examined in this paper, however, suggests that few of the conventional types of government errors are distinctly severe in Africa. This observation can help researchers focus on less obvious qualitative factors that do limit state performance in the region.

NOTES

1 Whether African states can actually assert their legal authority is another matter. Many observers contend that, aside from their sovereignty under international law, few of these entities merit the designation 'state'. See, for example, Herbst (1996).

2 The donor community has been criticised for applying a Western blueprint to African political systems. See Kasfir (1998).

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3 Szeftel (1998) claims that democratisation and liberalisation create new conditions under which corruption flourishes. But the data show the opposite, according to cross-national analyses by Goldsmith (1999b).

4 In their review of the literature, Collier & Gunning (1999) argue that African states are captive to special interests and thus have little incentive to pursue national economic growth.

5 Gyimah-Brempong (1998) makes a somewhat different finding, based on an analysis of budget cateogries in thirty-four African countries during the 1970s and 1980s. Education was a protected category, but health was discriminated against in budgeting. The explanation offered is the political pressure brought to bear on decision makers by various interest groups.

6 Rodrik (1997) has reanalysed these data looking only at Africa. He finds that ethno-linguistic fractionalisation is not a significant factor in cross-national growth regressions within the region. Englebert (1998) makes parallel findings. Bates (1999) makes the point in an unpublished paper that ethnic groups can be a form of social capital that supports investment and commerce. On the lack of social capital as a significant economic determinant in Africa, see Temple (1998).

7 Englebert (1998) has made an effort to quantify political legitimacy across nations, creating a dummy variable that tries to capture the historical continuity of state institutions. He finds that African states in comparison to other states significantly lack this political asset.

8 Statistical analysis among countries indicates a statistically significant negative relationship between foreign aid and the quality of governance (Brautigam 1999).

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