

# **Chalk and cheese? Africa and the lessons of Asian development**

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## **ABSTRACT**

The World Bank's 1993 report on *The East Asian Miracle* prompted a wave of comparative research aimed at extracting practical lessons for African countries from the development achievements of large parts of Asia in the late twentieth century. Increasingly, however, researchers questioned the relevance of Asian experience to the African predicament, pointing to systematic contrasts between the two continents with respect to historical circumstances, geographical constraints, and political cultures. This paper briefly surveys the comparative literature, assesses some of the arguments, and discusses the role of ideology in the debate.

By the early 1990s it was evident even to the most sceptical of observers that the old 'Third World', in the sense of an equatorial belt of stagnant, poverty-ridden countries stretching from Latin America through Africa to South and Southeast Asia, was no more. In Southeast Asia Malaysia, Thailand and Indonesia, following the lead of Singapore at the heart of their own region and of Hong Kong, Taiwan and South Korea further north, had all been developing rapidly, according to almost every conceivable (non-political) measure of development, for more than two decades. A whole new vocabulary, in fact, had been invented to characterize them: 'Newly Industrializing Countries', 'Asian Tigers', the 'East Asian Miracle'. The economic rise of neighbouring Vietnam, and of course China, was confidently foreseen. At the same time it was also becoming clear that this miracle had its antithesis in the 'Growth Tragedy' (Easterly and Levine 1995) of Sub-Saharan Africa, where during the 'lost decade' of the 1980s per capita income had actually fallen at a rate of more than one per cent per annum (Stein 1995:1). A negative 'African Dummy' had been identified as a statistical predictor of comparative national economic performance (Barro 1991), and Sub-Saharan African was already being identified as the site of 'underdevelopment's last stand' (Chege 1995).

## **Asia-Africa comparative development studies**

The World Bank's well-known 1993 report on *The East Asian Miracle; Economic growth and public policy* summarized the achievements of East and Southeast Asia, offered a canonical explanation for them, and prompted a wave of further comparative research aimed at extracting practical lessons from the Asian development experience in the late twentieth century. According to this report, the eight 'High Performing Asian Economies' (HPAEs) - Japan, South Korea, Hong Kong, Taiwan, Thailand, Malaysia, Singapore, and Indonesia - had succeeded by a number of common means: by ensuring low inflation and competitive

exchange rates; by creating an effective banking system; by investing in human capital through education; by supporting rather than neglecting agriculture; by insulating civil servants from political pressures; by forging institutionalized alliances between government and business; and - most characteristically - by emphasizing the growth of exports as at once a goal, strategy, and touchstone of development (World Bank 1993:347-68).

Paradoxically, although the decisive export successes had been achieved in manufacturing, in the eyes of the World Bank the most successful state economic interventions (other than the supply of education and infrastructure) had involved the promotion of food production and the control of food prices. The effectiveness of certain 'market-distorting' industrial policies, such as the temporary protection of promising infant industries with export potential, was acknowledged in the cases of Japan, South Korea and Taiwan, but denied as far as Southeast Asia was concerned. This was important in terms of the implications of the study for Africa, since it was Southeast rather than Northeast Asia which the World Bank held out in the first instance as a model for the rest of the developing world (p. 7).

A year later, the first specific policy-oriented comparison between the development histories of Asia and Africa appeared in the form of a collective volume published for the Africa Bureau of USAID by the Harvard Institute for International Development (Lindauer and Roemer 1994). Here too the emphasis was on the newly-industrializing countries of Southeast Asia (excluding Singapore) as the most appropriate comparators, and development models, for Sub-Saharan Africa. Like Africa but unlike East Asia, Southeast Asia is rich in natural resources - minerals, forests, and farmland - but poor (at least until recently) in human capital; commercially dominated by ethnic minorities of foreign origin; and weak in terms of the administrative capacity of its states, which are prone to inefficiency and corruption (p. 6).

The USAID/HIID study echoed that of the World Bank in noting that the successful Southeast Asian economies had followed 'outward-looking, market-friendly policies' on international trade and foreign investment (p. 4); accommodated rather than alienated their entrepreneurial minorities (p. 7); invested heavily in domestic agriculture and infrastructure (p. 9); and 'seldom strayed from balanced macroeconomies' (p. 12). Government budget deficits had been kept low, inflation under control, exchange rates realistic, currencies convertible, and capital flows unrestricted. Weaknesses in the sphere of governance had been circumvented by relying for the purposes of industrial development on the effects of macroeconomic management and market forces, rather than attempting direct state interventions which were bound to be thwarted by 'clientelism and rent-seeking' (p. 8). In all these respects, Lindauer and Roemer argued, Southeast Asia offered realistic policy blueprints for Africa.

We reject the pessimism that surrounds so much discussion of African prospects [...]. The continuing successes in Asia provide both help and guidance. It is important to remember that Asia's achievements were neither automatic nor inevitable. Each country had to overcome major barriers to growth, including war, revolution, political instability, ethnic competition, corrupt regimes, and grinding poverty. The policy agenda, although ambitious, has been proven under conditions in Southeast Asia that have important similarities to those in Africa. Most of what can be accomplished in Southeast Asia beginning thirty years ago can be accomplished by several African countries today. (p. 22)

Early policy-oriented comparative studies of specific African and Southeast Asian countries shared this optimism. Chhibber and Leechor (1995), in an article on lessons from Thailand

and Malaysia as applied to Ghana, recommended that Ghana should expand spending on basic education (if necessary at the expense of higher education) and maintain macroeconomic stability to encourage private investment. Harrold, Jayawickrama and Bhattasali (1996), in a World Bank discussion paper on *Practical lessons for Africa from East Asia in industrial and trade policies*, briefly compared Nigeria with Indonesia, Côte d'Ivoire with Malaysia, and Tanzania, Ghana and Thailand with each other. They too confirmed the *East Asian Miracle* conclusion that macroeconomic stability, with low inflation to encourage saving and investment, was an indispensable foundation for economic success that many African states had not yet laid, and that currency exchange rates should be kept low to encourage exports rather than overvalued as African governments had tended to prefer. They also recommended that formal consultation mechanisms should cautiously be developed in Africa to foster a more cooperative relationship between business and state. On the other hand African countries were 'not yet ready for industrial targeting and directed credit' along Northeast Asian lines, because they lacked the 'necessary institutional conditions' to implement such policies (p. 110).

Bevan, Collier and Gunning (1999), in a book-length study on Nigeria and Indonesia likewise sponsored by the World Bank, reached similar conclusions in the sphere of industrial and trade policies while also highlighting major divergences with respect to agriculture, the priority attached to which had 'differed radically and consistently' between the two states (p. 417). In Indonesia much more had been done for farmers, and for the poor in general, than in Nigeria. Agricultural exports, in Nigeria, were heavily taxed through monopolistic marketing boards, and foodcrops largely ignored. In Indonesia, by contrast, there were active state agricultural extension efforts to promote new Green Revolution technologies in rice farming, and 'deliberate manipulation of the rice/fertilizer price' to support rice production and control food prices for the benefit of the poor (p. 405). 'At no time', note the authors, 'did the Nigerian government implement a program focused directly on the poor' (p. 382).

Policy-oriented twin-country studies of this type continue to appear sporadically. A recent example, provocatively entitled *Why is Bangladesh outperforming Kenya?* (Roberts and Fägernas 2004), was produced as a policy resource for the British Department for International Development (DFID). It concludes that the keys to the gradually growing success of Bangladesh are 'restraint in public expenditure, progressive (if tardy) economic liberalisation and trade and exchange policies that maintained external competitiveness', together with political stability and 'progress in human capital development at low cost'. Kenya, by contrast, has suffered from 'inept macroeconomic management, episodes of inflationary instability, mounting public debt, the botched implementation of (extensive) economic liberalisation and institutional reforms, the effects of physical insecurity on tourism', and 'worsening corruption at all levels' (pp. ix-x). Inferred policy lessons include the importance of 'maintaining stable and predictable macroeconomic and enterprise-related policies long enough for investor confidence to build', and of 'fostering those institutions which support competition and competitive market conditions' (p. xii).

Different in its conclusions, but not in its methods and assumptions, is Brian van Arkadie and Do Duc Dinh's recent (2004) comparative commentary on economic reform in Tanzania and Vietnam since the beginning of economic deregulation in those formerly socialist countries in 1986. This study supports the conclusions of the World Bank with respect to the effectiveness of market-oriented economic reforms, the crucial importance of exports, and the need for public investment in agriculture, education (human capital), and rural infrastructure. But it also notes that Vietnam's explicit policy emphasis on industrialization, combined with its

retention of state ownership in some sectors, has produced better results than has the wholesale privatization undertaken in Tanzania. 'When the private sector is weak', Van Arkadie and Do conclude, 'it is wrong to advise a country to virtually abandon its State sector - such advice destroys the leaking house at the very moment it needs maintenance and renovation'.

Despite such exceptions, however, Asia-Africa comparative development studies that conclude with blunt policy recommendations like these have become less common in recent years. Instead the tendency has been to reflect increasingly on the constraints to which African policymakers are subject - consciously or not - when they choose between particular courses of action, and on the impediments to effective implementation of Asian policies under African conditions. Concern for promoting particular policies in the present, in other words, has partly given way to a concern for understanding why in Africa those policies were not adopted, or at least not successfully so, in the past. This has entailed a shift from voluntarism to structuralism, and to a certain extent from optimism to pessimism.

### **From choices to constraints**

In part, this shift had to do simply with the fact that Asia-Africa comparative studies were becoming more academic, deeper but at the same time less practical, in flavour and intent. At the turn of the century, the growing pessimism regarding the usefulness of Southeast Asian policy lessons for Africa was also reinforced by the East Asian economic crisis of 1997, which in Indonesia and Thailand, the worst affected countries, wiped out at a blow five years of growth. Subsequently, growth immediately resumed at almost exactly its previous rates: Singapore's GDP regained its pre-crisis level as early as 1999, Malaysia's in 2001, Thailand's in 2002, and Indonesia's by 2003 (WDI Online). But at the time, many commentators instinctively felt that the crisis had exposed the Asian Miracle a mere bubble of ill-advised investment in countries with institutions too fragile and corrupt to support sustained growth.

Nevertheless there were also more concrete reasons to question the optimism behind the *East Asian Miracle* report and the policy-oriented comparative studies which it inspired. The idea that economic development depends simply on governments choosing a set of policies that can be adopted or rejected at will is open to two major empirical objections in the African context. First: if choosing the right policies is the key, and by the 1980s many Asian governments had already done so, why did so many African governments continue for so long to choose the wrong ones? The considerable consistency of the contrast between the two regions in this respect makes it hard to accept the claim by Bevan, Collier and Gunning (1999:1, 425), in their comparative study of Nigeria and Indonesia, that Nigeria's failure to capitalize on oil wealth 'reflected temporary and chance conjunctions of circumstances', while conversely 'a few chance events' were sufficient to transform Indonesian policy in the right direction. Second: since the 1990s the economic policies of many African countries have at last moved significantly in the directions recommended by the World Bank. Yet the results, on the whole, have been disappointing: even successful reformers like Ghana and Uganda have not been able to generate economic dynamism or attract much foreign investment (Soludo 2003:276). Measured against this lack of progress, the 'failure' of Africa's old inward-looking development strategies is in retrospect less dramatic than the contrast with Asia would suggest.

Nicholas and Scott Thompson (2000), in a witty and anecdotal Africa-Asia comparison entitled *The baobab and the mango tree* and looking mainly (but not exclusively) at Ghana

and Thailand, focus on the personal characters and qualities of political leaders: bombastic, bellicose and just downright bad in most African cases, prudent, pragmatic, and unpretentious in the case of their Thai counterparts. Bad policies were sometimes pushed upon governments by circumstance, or as inheritances from the past: examples include export crop marketing boards, which, 'like smallpox, were introduced into Africa by the colonialists' (p. 114). But whereas Asian leaders had the courage to reject them even in the face of vested interests, Africans did not. The Thompsons' concluding message is that history must hold bad leaders personally responsible for their choices, and conversely that good choices have made and still can make a difference: 'Little of this happened by chance. The decisions that made it so were made at identifiable times by real people with names which need to be remembered, for better and for worse.' (p. 184.) Once again, however, this highly voluntaristic argument begs the question of why so many more bad leaders should come to power in Africa than in Asia.

In 1996 the African Economic Research Consortium (AERC), an international nonprofit organization based in Nairobi, instituted a research programme on *Comparative Development Experiences in Asia and Africa*. In the resulting publications the emphasis is on constraints rather than choices, and on the fact that those constraints are tighter in Africa than in Southeast Asia. For ecological reasons, note Nissanke and Aryeetey (2003), Africa's agriculture did not benefit as much as Asia's from the Green Revolution of the 1960s in farming technology, which mainly affected irrigated rice cultivation (p. 51). In the 1970s and 80s, African countries accumulated too much debt, rescheduling of which was made conditional on programmes of 'structural adjustment' that starved them of public investment, destroying their institutions and infrastructure (p. 52). Africa inherited from the colonial state 'a distorted set of economic structures that blocked indigenous opportunities for autonomous growth'. Africa suffers from a 'cumulative institutional impoverishment' which makes even good policies impossible to implement effectively (p. 53). African economies are 'continuously exposed to large aggregate external and policy generated shocks as well as to high political instability, civil strife and natural calamity' (p. 57). Africa, add Elbadawi, Ndulu and Ndung'u in the same volume (2003), lacks regional 'growth poles' to stimulate development (and good policy choices) via 'spillover' effects; and despite their cumulative problems, most African countries have never faced the acute threats of revolution or invasion, or even the episodes of hyperinflation, which scared many Asian governments into making prosperity, unity and stability their overriding aims.

In a second volume produced under the auspices of the same AERC programme (Aryeetey, Court, Nissanke and Weber 2003), Deborah Bräutigam (2003:107) argued that 'Southeast Asia's lead over Sub-Saharan Africa is not simply a response to good policies undertaken in the past two decades, but also reflects the different ways in which each area first engaged with the capitalist world'. The similarities between the two regions in terms of economic structure and standards of living in the mid-twentieth century mask a number of deeper historical contrasts in terms of 'the different ways in which each area first engaged with the capitalist world'. Southeast Asia was 'well integrated into Asian and European maritime trading networks several centuries before maritime trade reached most of Sub-Saharan Africa'. This gave Southeast Asian traders a long lead in developing 'business skills', and also drew to the region many immigrants, especially from China, who already possessed such skills. At every stage thereafter, this qualitative - if not quantitative - lead in economic development was maintained. Import-substituting industrialization began, albeit on a small scale, in the late nineteenth century, 'three or more decades before any significant industrial development occurred in Africa'. Proximity to Japan, the first industrial country outside Europe, 'served as a powerful catalyst for entrepreneurial development in Southeast Asia' through the medium of

direct investments and joint ventures. Charles Soludo (2003), now governor of the Central Bank of Nigeria, adds in his contribution to the same volume that 'many African countries are too small and balkanized to provide substantial economies of the scale to support profitable investment' (p. 256), and that for geographical as well as institutional reasons, 'Africa faces the highest transport and telecommunications costs in the world' (p. 261).

Eric Ansah (2006), in a recent University of Amsterdam doctoral dissertation on Ghana and Malaysia, stresses that attempts on the part of Ghana to emulate Malaysian development policies in the 1990s tended to founder on 'differences in state structures and state-business relations' between the two countries. Ghanaian governments since independence had always tended to see domestic business as a 'rival power' rather than as a partner in development, and what links did exist between business and politics at a personal level tended to be of a kind that obstructed rather than supported reform.

A key implication of this growing emphasis on constraint rather than choice is that African political actors who behave differently from their counterparts in Asia are not necessarily misguided or morally reprehensible. Rather, they are rational individuals responding to different sets of problems and incentives. Essentially there are two versions of this 'rational choice' approach to development failure in Africa. In the first, the export-oriented development strategies of Asia are simply not realistically available to Africa, for instance 'because few, if any, SSA countries could identify a manufacturing sector in which they have or are likely to acquire a comparative advantage' (Morrissey 2001:46). In the second version, such strategies are potentially feasible but are not chosen because the individual or collective interests of those in power are systematically at odds with the broader public or national interest. An early application of this second model was proposed by the doyen of rational choice theory among Africanists, Robert Bates, more than twenty years ago. Because of the limited development of indigenous export agriculture in most African countries in the late colonial period, argued Bates (1981, 1983), after independence African states were typically 'captured' by bureaucratic, intellectual and urban groups more immediately interested in redistributing wealth away from the export sector than in enlarging it. And since power, in Africa as elsewhere, has a natural tendency to flow to where the money is, governments made up of consumers and redistributors often felt that even in the long term they had little reason to allow producers and exporters to become rich.

### **Explaining divergence: Nigeria and Indonesia**

The way in which explanations for the Asia-Africa development divergence have evolved over the past few years is well illustrated by a succession of studies comparing Nigeria and Indonesia. As big, oil-rich states of great ethnic diversity and with tendencies to both authoritarian military rule and regional separatism, these two countries form a natural pair and have been the object of many comparative studies; those considered below by no means amount to an exhaustive list.

An early contribution by Brian Pinto (1987), published well before the *East Asian Miracle* study, was a pure policy comparison looking at responses to the 'Dutch disease' problems caused by booming oil exports. It concluded that Nigeria should pay attention to how Indonesia's prudent macroeconomic management had prevented oil earnings from causing a decline in the agricultural sector and leading to budget deficits and indebtedness following the end of the boom. At the same period two further studies confirmed the same conclusion, again

without investigating the reasons why the policy responses of the two countries had differed (Ajoku 1992; Scherr 1989).

The 1996 World Bank discussion paper on industrial and trade policy in Africa and Asia by Harrold, Jayawickrama and Bhattasali also dealt partly with Nigeria and Indonesia. It too concluded that simply getting interest and exchange rates right would already help put Nigeria on the right developmental track. However, it added in passing that two of the deeper principles informing Asian growth policies would be difficult to implant in Nigeria: the assumption that what is good for business is in principle also good for the nation and the state, and the conviction that (non-oil) exports are both a measure and a source of development success (Harrold, Jayawickrama and Bhattasali 1996:108-9). Two years later Dibia (1998), in a brief survey of 'cross-national economic development in Indonesia and Nigeria', concluded that the Nigerian state should 'gear its spending towards promoting competitiveness in the private sector' (p. 81). Besides 'pragmatic government policies', however, Indonesia's achievements had been based on 'political stability and a disciplined, hard-working population that responds to the right incentives' (p. 65).

Also in 1998, economist Eric Thorbecke looked again at macroeconomic management in Nigeria and Indonesia in a contribution to a volume on *The institutional foundations of East Asian economic development*. Thorbecke noted the policy decisions which enabled Indonesia to maintain macroeconomic stability, surmount the 'Dutch disease' problems associated with disproportionate reliance on oil exports, and promote exports and investment. These included the adoption in 1967 of a balanced budget rule prohibiting domestic financing of the budget either by debt or by money creation; and repeated currency devaluations to maintain export competitiveness. Thorbecke's focus, however, was not on the decisions themselves but on the 'initial conditions' which had made them possible.

Drawing on the work of Douglass North (1990), and prefigured to some extent in a doctoral dissertation by De Silva (1996) which was also inspired by North, Thorbecke argued that Indonesia's centralized institutions of government, revolutionary origins, and domination by a single ethnic group (the Javanese) had all inclined those in power to adopt policies reflecting an encompassing, national interest. By contrast Nigeria's federal constitution, lack of nationalist solidarity, and greater ethnic fragmentation had encouraged conflict and the pursuit of narrow group interests. Currency overvaluation, for instance, benefited elite urban consumers of imported goods at the expense of almost all other sections of society. Large import-substituting industrial projects, protected behind tariff walls, gave more scope for kickbacks which could be used to reward personal followers and ethnic constituencies than did (for instance) agricultural extension services or free trade zones. In Nigeria 'the *raison d'être* of most of these projects was blatant corruption' (Thorbecke 1998:133).

Bevan, Collier and Gunning's lengthy 1999 World Bank comparative study on Indonesia and Nigeria leaned generally toward an optimistic voluntarism, concluding that 'policies are not deeply embedded in unchanging structures' (p. 425). Nevertheless it too conceded that a number of differences in initial conditions had predisposed Indonesia to 'good' and Nigeria to 'bad' policy choices (pp. 418-20). Indonesia's preoccupation with food production, for example, reflected the fact that it was a major importer of its staple food, rice, and so faced the danger that in years of poor harvests it would drive up international prices against itself. Nigeria, by contrast, did not have a single staple crop and imported on a smaller scale, mainly grains for which the world market was much larger. The greater priority attached to poverty alleviation in Indonesia had to do partly with the revolutionary origins of the Indonesian army

and its leaders, while Indonesia's greater export-orientation is explained partly by the fact that at independence, foreign trade was already more important there than in Nigeria. The clear demographic predominance of the Javanese in Indonesia meant that ethnicity was less of a destabilizing factor in politics than in Nigeria. The dominant entrepreneurial group in Indonesia, consisting of ethnic Chinese, was too small to be a threat to the indigenous political elite, which formed an alliance with it. In Nigeria, where a greater proportion of commerce was in indigenous hands, northerners feared the greater business expertise of southerners and consequently 'used the state to restrict the operation of market capitalism' (p. 420).

The trend away from assessing policies in isolation from the institutions which shape them has possibly reached its apogee in Peter Lewis' new book *Growing apart; Oil, politics, and economic change in Indonesia and Nigeria* (2007). Written in the same tradition of Thorbecke's earlier essay, this is pitched almost entirely at the level of institutions - or rather, the lack of them in Nigeria.

The failure of Nigerian development stems above all from the absence of a political and institutional center to serve as a principal of economic change. Nigeria's elites, divided along communal and factional lines, have not consolidated stable political regimes or fostered capable state organizations. Insecure leaders employ patronage and ethnic cooptation as a basis of rule [...]. Ruling groups have been unable to cement a producer coalition or resolve central pressures for distribution. Military and civilian governments construct bases of support through clientelism, rent seeking, and the disbursement of largesse. In a setting of weak formal institutions and myriad conflicts over distribution, the Nigerian state has succumbed to a social dilemma: individuals and groups focus on particular gains at the expense of collective goods and general welfare. Nigeria embodies a striking absence of central authority, whether arising from a strong leader, a governing party, the military, or the bureaucracy, to furnish public goods and enforce institutional prerogatives. [...] Nigeria's poor economic performance is linked to this central problem of collective action. (Lewis 2007:77-8.)

Under these conditions of disunity, distrust, and uncertainty the political calculus of each new government 'was shaped by the short-term exigencies of regime survival, providing little incentive to establish a developmental regime' (p. 280). Lewis concludes by giving tentative support (somewhat surprisingly given his central thesis) to further administrative decentralization in both countries, and by expressing the (not very convincing) hope that in the future, if 'different ethnically defined producer groups can develop interethnic economic linkages and complementarities', then even in Nigeria 'the promise of "gains from trade" can encourage new plural coalitions in a developmental project' (p. 295).

### **The paradox of African economic nationalism: in search of capable states**

In conversation, Africanists - and indeed Africans - are seldom enthusiastic about the idea that the solutions to Africa's problems lie in emulating Asia. This is especially so when the interpretation of Asian success proffered to them is that of the World Bank with its emphasis on free trade and privatization, at least in the industrial sector. What does tend to interest Africanists is the 'heterodox' interpretation of the East Asian miracle which stresses the importance of state intervention to protect and support promising 'infant industries' up to the point where they can compete in export markets (Amsden 1989; Wade 1990). This is not only



closer to traditional African economic ideologies, but also resonates with realistic fears that if existing African industries are suddenly exposed to the full force of international competition, they will simply be destroyed, leaving no foundation on which to build in pursuit of export-oriented industrialization.

It is important when liberalising trade not to 'throw the baby out with the bath water'. Infant industry protection has a rationale in both theory and practice, and many economists have argued that countries should *first* promote exports and only later open up to imports. (Bräutigam 2003:123.)

Taking their cue from the heterodox view of East Asian development, accordingly, some Africanists have looked to industrial Asia for evidence of viable alternatives to the systematic abandonment of interventionist economic policies that was required of African governments by donor agencies in the 1980s and 90s under the banner of 'structural adjustment'. A major problem immediately arises here, however. Even those who believe that neoclassical economists have underestimated the role of state intervention in East Asia tend to agree with them that such intervention was more successful in Northeast than in Southeast Asia, and that one reason for this is that the deliberate nurturing of industries from protected infancy to competitive adulthood makes heavy demands on the quality of governance and the capability of state institutions. Where these are low, interventionist policies will tend to be subverted by rent-seeking private interests. As Roemer put it in relation to Thailand, Malaysia, Indonesia and the Philippines (the 'ASEAN four'):

Interventions that, in Korea or Singapore, would lead quickly to new export industries more often have other outcomes in the ASEAN four. Treecrop exports are cartelized, ostensibly to stabilize domestic prices, but actually to protect processors by reducing prices to farmers. Log exports are banned or heavily taxed to promote cartelized plywood industries that use political influence to retain their protection. Steel mills and cement plants are constructed by clients of the regime, or by the regime itself, behind high protective barriers that remain in place long after the industry is mature, stifling export growth from downstream industries. Technological advances, such as the auto industry in Malaysia and the airplane industry in Indonesia, are disciplined neither by competition nor by ambitious export targets. Many public enterprises are notably inefficient, with little prospect of selling overseas. (Roemer 1994:251.)

As far as Southeast Asia is concerned, even heterodox economists have concentrated on highlighting successful state interventions in agriculture, and on questioning the depth and sustainability of the industrial transformation, rather than trying to argue that successful export industries grew out of an earlier stage of strategic protectionism.

Whereas much export-oriented manufacturing in Northeast Asia developed from import-substituting industries, such firms in Southeast Asia have been much less linked to the rest of the host economies, creating the impression of new manufacturing export enclaves, not unlike the primary producing export enclaves from the colonial era. (Jomo and Rock 2003:165.)

But if Southeast Asia's states were not competent to manage an industrial revolution, then what hope for Africa, where states were even more notorious for incompetence and corruption? In the 1980s and 90s, scholars vied with one another to coin new epithets

expressing the dysfunctionality of African government: 'lame Leviathan' (Callaghy 1987), 'politics of the belly' (Bayart 1989), 'predatory rule' (Fatton 1992), 'shadow state' (Reno 1995), 'neopatrimonialism' (Chabal and Daloz 1999). By the turn of the century there was broad agreement on the one hand that African countries would not develop until they had competent governments committed to development, and on the other hand that in their present state of development, such governments were beyond their reach. 'One remarkable feature of the discourse on the state and development in Africa', observed Mkandawire (2001:289), 'is the disjuncture between an analytical tradition that insists on the impossibility of developmental states in Africa and a prescriptive literature that presupposes the possibility of their existence'.

This ironic Catch-22 is very much in evidence in a volume edited by Howard Stein entitled *Asian industrialization and Africa; Studies in policy alternatives to structural adjustment* (1995). Stein opens his introduction to the book by arguing that the principles of liberalization, deregulation, privatization and austerity demanded by the World Bank and IMF in Africa are at odds with the reality of strategic planning and economic nationalism underpinning East Asian success, and that managed economic growth and integration along Asian lines offers an alternative development model for Africa. Other authors in the volume, however, are not so sure. Bräutigam, for instance, finds that the political and institutional context in Taiwan, featuring a state with 'considerable capacity and a high degree of autonomy', is so different from that of any African country that she cannot recommend that Africans attempt to emulate Taiwanese policies (p. 178). Chris Edwards, likewise, doubts whether 'industrial targeting' is likely to succeed in the African context of 'pervasive but not efficient' state intervention (p. 255). At the end of his introduction, Stein is obliged to acknowledge the scepticism of his contributors.

Finally, most of the studies in this volume have contrasted the nature of the state in Asia relative to Africa. States in Africa have generally been weaker, less professional and much more subject to patronage and clientage. This greatly delimits their capacity to implement and sustain an industrial strategy. (Stein 1995: 19-20.)

Other publications discussing the transferability of East Asian development lessons to Africa invariably make the same point (Evans 1999; Morrisey 2001).

'Weak' states, of course, are disadvantageous for many other purposes besides industrial intervention. As Stein (1995:20) points out in his defence, 'the enforcement of a distortion-free (and rent-free) set of markets itself requires a "strong" state. Liberalization does not ipso facto remove rent seeking in Africa.' An important related point is that governments like those of Thailand and Indonesia in the 1970s and 80s, however limited their ability to control patronage and corruption in the implementation of certain types of development policy, were at least capable of insulating the process of economic policy making from politics to a degree rare in Africa, so that the high-risk policies were to some extent avoided on the advice of 'technocratic' experts rather than deliberately seized upon under the influence of those who stood to gain (Lindauer and Roemer 1994:7). Soludo (2003:269) sums it up: 'an enduring lesson of the Asian countries, Northeast or Southeast, is that there is no detour around a capable state'.

### **According to the statistics: Africa against the odds**

In support of their voluntaristic and moralistic interpretation of African economic failure, in *The baobab and the mango tree* Nicholas and Scott Thompson cite the following passage by Nigerian author Chinua Achebe.

The trouble with Nigeria is simply and squarely a failure of leadership. There is nothing basically wrong with the Nigerian character. There is nothing wrong with the Nigerian land or climate or water or air or anything else. The Nigerian problem is the unwillingness or inability of its leaders to rise to the responsibility, to the challenge of personal example which are the hallmarks of true leadership. (Thompson and Thompson 2000:40.)

According to the Thompsons, these words 'read just as well if you substitute "Africa" for "Nigeria"'. In the 1990s, however, increasingly exhaustive statistical investigations into the determinants of economic growth, based on cross-country statistical comparisons, showed that although individuals can hardly be exonerated from blame for African development failures, with respect to its geography Africa does after all have the odds stacked against it.

After a long period of neglect, the rise of the New Economic Geography, pioneered by Paul Krugman (1991), attracted mainstream attention once more to the geographical factors affecting economic development. One result was renewed appreciation for the specific obstacles to development in the tropics, including generally poor soil quality and a malignant disease environment (Sachs 2000). National per capita income levels, it turns out, are as significantly correlated with distance from the equator as they are with openness to trade (Rodrik 2003). This, of course, cannot help explain the contrast with the equally tropical region of Southeast Asia, but other geographical factors can. Gallup, Sachs and Mellinger (1998) ran regressions at the level of per capital income and its growth from 1965 to 1990, against several geographical variables and showed that income growth, holding other variables constant, is 1.2 percentage points per year slower in landlocked than in coastal countries. There is also a positive correlation between population density and both income and income growth, at least in coastal areas (Gallup, Sachs and Mellinger 1998:4, 39, 42). These effects have to do with the importance to growth prospects of transport costs and economies of agglomeration. In Sub-Saharan Africa there are 15 landlocked countries but in Southeast Asia only one (Laos), while the average population densities in the two regions are 31 and 139 persons per square kilometre respectively (WDI Online).

The importance of two other, less physical aspects of Africa's geography was demonstrated statistically by World Bank economists William Easterly and Ross Levine (1995, 1997, 1998). The first of these factors has to do with a propinquity or contagion effect, also referred to as 'neighbour spillover', in cross-national economic performance. In any region of the world, countries with economically successful neighbours are much more likely to experience growth themselves than are countries bordering on less dynamic states. This effect has served to spread and amplify the development 'miracle' in East and Southeast Asia, while its almost complete absence in Africa has held the whole continent back. According to Easterly and Levine (1998:121), that part of Africa's growth retardation that remains unexplained in cross-country statistical regression after policy differences have been taken into account (amounting to 1.5 percentage points of economic growth per year between 1960 and 1990, out of a total discrepancy of 2.3 percent per year) may well be due to the contagion effect alone.

Neighbouring countries, moreover, also tended to imitate each other's policies, so that the overall importance of contagion is greater still.

The second factor, more intractable and presumably more important in terms of ultimate causation, is the level of ethnic diversity within the nation-state. In Africa this is generally high due to the small scale of African sociopolitical organization in precolonial times and the well-known arbitrariness ('lines on a map in Berlin') of the national boundaries inherited from the nineteenth-century colonial scramble for the continent. The main index of ethnic diversity used by Easterly and Levine in their calculations measures the probability that two randomly selected individuals in each country will belong to the same ethnic group. Of the 15 lowest rating countries according to this index, only one (India) is not in Africa (1997:1220). Africa's greater than average ethnic diversity, they calculate (1995:13), accounts for about 35 percent of its growth differential with the rest of the world between 1960 and 1990 (0.8 out of 2.3 percentage points per year). When the effects of ethnic diversity on policies - again as implied by statistical correlation - are also taken into account, the figure rises to 45 percent (1995:14). In 'some extreme country cases', Easterly and Levine (1997:1237) go so far as to claim, ethnic diversity alone 'may fully account for' the growth differential between African and East Asian nations.

Quantitatively speaking there is some incompatibility here with the same authors' parallel finding on the allegedly even greater importance of spillover effects. Add to this the correlation of growth with geographic accessibility and population density, and it would seem that far from being mysterious, in statistical terms the African tragedy has now been distinctly *over*-explained. Nevertheless the diversity theory, too, does make intuitive sense in terms of the contrast with Southeast Asia. Most Southeast Asian states, admittedly, are themselves highly heterogeneous: over 250 languages, for instance, are spoken in Indonesia, and in Malaysia the descendants of immigrants from China and India make up a third of the population - no African country, not even South Africa, contains allochthonous groups on that scale. But if Southeast Asian countries are very diverse in ethnic composition, almost all are still permanently dominated by a single large ethnic group: Burmese, Thai, Lao, Khmer, Kinh, Malay, Javanese, Tagalog. There are only two states, the Philippines and East Timor, in which the largest ethnic group makes up less than 40 percent of the population, and only one, Malaysia, in which it is less than twice the size of its nearest rival - and then only just.

In Sub-Saharan Africa, by contrast, it is common for the largest ethnicity to include less than a third of the national population, and for another group, or even two others, to be almost as large. Although there are exceptions, notably Botswana, in general African nations, unlike their Southeast Asian counterparts, lack a clear ethnocultural 'core'. In Nigeria, for instance, the political scene is dominated by three major ethnic groups, the Hausa, Yoruba and Ibo, which make up respectively 29, 21 and 18 percent of the population. Recent refinements of the Easterly and Levine model indicate that this kind of coarse fragmentation into a few large ethnic blocs may be even more strongly associated with slow growth than is ethnic diversity as such, and is certainly more closely associated with civil conflict (Montalvo and Reynal-Querol 2005; Posner 2004). In Nigeria it led to civil war from 1967 to 1970, and its continuing ramifications since the end of that war have already been alluded to. One is 'competitive rent-seeking' - that is, competition for limited existing wealth at the expense of rival groups - rather than a common endeavour to produce more wealth in the future. In the worst cases, this has led to a 'tragedy of the commons' in which productive activities are taxed out of existence by groups which fear that if they do not do this themselves, their rivals will (Easterly and Levine 1997:1215). More generally, the policies of governments which reflect

ethnic interests in environments of intense interethnic competition tend to be short-sighted due to the fear of losing power in the future.

As noted, two existing comparative studies of Indonesia and Nigeria, by Thorbecke (1998) and Bevan, Collier and Gunning (1999), both attribute Indonesia's greater success partly to the secure political position of its largest ethnic group, the Javanese.

[T]he fact that the Nigerian government never focused on poverty as such surely reflected the priorities of Nigerian society: ethnic rivalry and the politics of perceived disadvantage precluded cross-ethnic interventions. By contrast in Indonesia the Javanese secured undisputed control from the late 1950s, but it was still politic to balance the interests of Java against those of the outer islands, and continued legitimacy required that the government spread wealth regionally. (Bevan, Collier and Gunning 1999:419.)

The circumstance that the Javanese have no rival as Indonesia's predominant ethnicity helped the country to avoid the kind of self-destructive contest for state resources seen in Nigeria, where the Hausa of the North enjoy only a 'precarious plurality' (Bevan, Collier and Gunning 1999:420). The Javanese are more than three times as numerous as the second largest Indonesian ethnic group, the Sundanese - who, moreover, inhabit the same island, and share the same religion and broadly the same economic interests. The largest single group outside Java, the Minangkabau of West Sumatra, make up less than 3 percent of the national population.

### **History is not destiny**

The ethnic fragmentation of most African states, then, presents them with a somewhat greater structural obstacle to economic development than most of Southeast Asia has had to face, and the same can be said of certain aspects of Africa's physical geography. Nevertheless this does not mean that the obstacles cannot be overcome; forty years ago in Southeast Asia the impediments to growth also appeared, and were, severe enough. The demonstrated importance of the spillover factor, moreover, implies that once a few countries in Africa have started to grow fast, others are almost bound to follow suite, leading in turn to the same kind of growth multiplier effects seen in East and Southeast Asia - and quite plausibly to an 'African economic miracle'.

'It is hard to find an economist, social scientist, or journalist', wrote John Sender (1999:89) a few years ago, 'who does not take a jaundiced, indeed a tragic view of development in sub-Saharan Africa'. Since then expectations have improved slightly as a result of a continuing commodity export boom - but not much. The prevailing pessimism regarding African development prospects is based less on empirical studies of the correlates of slow growth, than on a (not always accurate) extrapolation of past trends, on a tendency to explain African political and economic behaviour in cultural terms (Chabal and Daloz 1999; Hyden 1983), and on a fascination among Africans and Africanists with the burden of history. It is no accident that three of the most prominent dependency or 'world-systems' theorists, Immanuel Wallerstein, Samir Amin and Giovanni Arrighi, were originally Africa specialists. Their work on the systematic nature of African underdevelopment, continuing deep into the 1980s (Amin 1989; Wallerstein 1986), influenced Africanists even after the undeniable fact of Asia's economic rise at last began to give them and other *dependistas* second thoughts (Arrighi 1996; Frank 1998). And well into the 1990s, Africanists were still devoting major

monographs to post-mortem attacks on colonialism as the root cause of Africa's contemporary problems (Davidson 1992; Mamdani 1996).

Southeast Asianists are no longer much interested in this sort of argument, nor in the pessimism with which it is associated. But that was not always so. Most of what is now said to describe, explain, and predict, persistent African underdevelopment was once also said about Southeast Asia. In 1968 Benjamin Higgins, a prominent development economist and at that time the leading specialist on the Indonesian economy, published the second edition of his textbook *Economic development; Problems, principles, and policies*. The chapter on Indonesia was entitled 'Indonesia: the Chronic Dropout', and it began with the following passage.

Indonesia must surely be accounted the number one economic failure among the major underdeveloped countries. No other large and populous country presents the same stark picture of prolonged economic stagnation [...] throughout centuries of colonial rule and continuing throughout a decade and a half of independence. Stagnation - in the form of virtually constant levels of per capita income or an unchanging structure of employment and production or both - is certainly not unknown among underdeveloped countries; but the Indonesian experience, in which a whole series of concepts of economic organization, first in a colony and then in an independent nation, failed to bring significant or lasting improvements in levels of living at any time, seems to be unique. (Higgins 1968:679.)

In 1966, when this was written, per capita income in Indonesia was lower than it had been in 1930, budget deficits had reached 50 percent of government expenditures, inflation over the past year had exceeded 800 percent, hunger was widespread, and the country was the world's biggest importer of rice.

Thirty years later in 1996, Higgins' successor as leading foreign expert on the Indonesian economy, Hal Hill, published a book on *The Indonesian economy since 1966*. This book is subtitled *Southeast Asia's emerging giant*, and in his introduction Hill outlines why:

Real per capita GDP has more than trebled in just a little over one generation, and [...] economic decline [...] has given way to strong positive growth for almost the entire period since 1966. Virtually all sectors of the economy have performed impressively. Rice yields have risen quickly, virtually doubling in the case of Java. [...] Rising output has resulted in a sharp increase - almost 50 percent - in average daily calorie consumption. [...] The transport infrastructure has experienced a virtual revolution [...]. Underpinning these changes has been macroeconomic stability, as reflected in reduced inflation. [...] External debt has [...] been sustainable [...]. Investment has [...] risen sharply [...]. The share of industry [in GDP] has more than trebled, and manufacturing overtook agriculture in terms of value added in 1991. [...] Poverty incidence has fallen sharply, in virtually all regions of the country. (Hill 1996:4.)

Not all commentators were quite this sanguine, and the timing of Hill's book, published a year before the Asian financial crisis shook the country, was unfortunate. Nevertheless although the crisis highlighted vulnerabilities in the Indonesian economy, as we have seen it only very briefly halted the country's growth.

It is important to stress that Indonesia's economic problems in the 1960s were not thought at the time to result merely from reversible policy errors or temporary political difficulties. They were also thought to reflect structural impediments to growth with deep historical roots. Indonesia was the country which, through the work of J.H. Boeke (1953), had given the world the pessimistic idea of 'economic dualism'. According to Boeke non-Western societies, both for cultural reasons and because of the particular ways in which the West and its capitalism had affected them in the past, were more or less impervious to economic development. Worse, such societies were said to respond to any aggregate economic growth which did occur by increasing in numbers rather than in standards of living, so that development efforts only served to fuel a population 'explosion'. Java's dense and growing population, far from being an economic asset, was thought at this period to be symptomatic of a 'low-level equilibrium trap' (Nelson 1956) - or, worse, of a process of 'agricultural involution' (Geertz 1963) involving diminishing returns to farm labour and progressive impoverishment.

Indonesia's long interaction with the world economy as the 'cradle of colonialism' (Masselman 1963), far from giving it a head start in the accumulation of commercial skills, had stifled the development of any indigenous capitalist class and instead produced a 'plural society' (Furnivall 1939) in which almost all commerce was controlled by foreigners. 'In essence', as Higgins himself put it (1968:683), 'the Indonesian tragedy is a story of a repeated nipping off of a budding entrepreneurial upsurge by a political elite essentially hostile to it'. Nor did there appear to be much prospect of the country acquiring strong, efficient political institutions, whether for 'nipping' or for more constructive purposes. The concept of the 'soft state' - one in which corruption is rife and 'policies decided on are often not enforced, if they are enacted at all' (Myrdal 1968:66) - is today mostly applied to Africa, but it was introduced in the 1960s to describe a range of Asian countries including Indonesia.

The pessimism of this period persisted in some quarters well after the Indonesian state became stronger and the economy dynamic. As late as 1978, journalist Brian May published a book called simply *The Indonesian tragedy* in which he argued that despite the 'development myth' purveyed by the military New Order regime that had taken power in 1965, in actual fact Indonesia was on the threshold of a 'Malthusian cemetery' (p. xiii). Eventually, however, reality caught up with prejudice, and critical writers restricted themselves to studying the uneven and often disruptive impacts of economic growth rather than denying its possibility. 'Jaundiced' and 'tragic' views of Southeast Asian development, to use Sender's terms, were seldom heard again except during a brief resurgence after the financial crisis of 1997. The study of recent comparative economic history, on the whole, does not teach that history is destiny; it teaches that every dog is likely to have his day. And the chances are that one day in the future, perhaps even the near future, today's 'Afro-pessimism' will look just as silly as yesterday's pessimism regarding Asia's development prospects does now. Let us at least hope so.

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