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**"Carrots for Friends and Sticks for Enemies":
Confronting Structural Adjustment and the Neoliberal Paradigm in
Africa**

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With increased government revenues coming from SAP's economic resuscitation [in Ghana], the Rawlings regime now had both the carrot for its friends and sticks for its enemies. Growing levels of external revenue inflows...put the regime in a stronger position to dispense patronage to friendly and cooptable civil organizations.¹

Introduction

The crisis of capitalist market reforms in Asia and Eastern Europe has once again brought to the fore, the debate over the legacy of Structural Adjustment Programs (SAPs) and other neoliberal policies of the major International Financial Institutions (IFIs) on Africa. Much of the discussion has focused on reviewing the tensions between the economic goals of SAP and the negative social implications they pose for adjusting countries. It has been pointed out that although necessary for the sound development of the economies, the social cost of structural adjustment is often so negative that it tends to be counter-productive to what adjustment attempts to solve. In this debate, the focus has been on establishing a link between macro economic policy and the adverse social effects on the population at the micro level. What is not often emphasized is the link between adjustment policies, the authoritarian character of their implementation by African regimes, and the implications they spell for popular democracy and good governance in the continent. This theme is the broad focus of this paper.

However, this paper is not another "treatise" on the failures of SAP in Africa. It seeks neither to rehash the timeworn arguments about the theoretical and practical limitations of adjustment policy nor to undertake a "postmortem" of its outcome. These issues have been sufficiently addressed. Rather the task here is to locate the dynamics of SAP in Africa within the context of the crisis of similar neoliberal experimentation in Eastern Europe and Asia, while emphasizing the implications they hold for the future of the neoliberal development paradigm. In doing this however, I proceed from the premise that adjustment policies have obvious negative social costs which make them largely unpopular and difficult to implement. Within this context, I examine the social cost of structural adjustment

policies in terms of the authoritarian and arbitrary nature of their implementation by African regimes and the negative impacts of this on political expression and representation.

I argue that SAP, by creating critical problems of legitimacy for African regimes, erodes their political capacity to govern. This encourages regimes, some of which already exhibit dictatorial and authoritarian tendencies, to resort to even more repressive measures in carrying through adjustment reforms. I conclude that the tensions and uncertainties of economic liberalization associated with orthodox structural adjustment in Africa are prescriptions for social and political instability and a threat to the wave of fragile democratic reforms currently sweeping across the continent. Besides, such instability is in itself antithetical to the goal of archiving sustainable capitalist development, which informs the neoliberal agenda. Considered alongside related developments in Asia and Eastern Europe, the legacy of SAP in Africa presents a compelling indictment of the market-driven "big bang" approach to economic reforms which may well spell the impending collapse of the neoliberal development paradigm.

Reassessing the Neoliberal Paradigm

Recent developments in post-cold war expansion of global capitalism, particularly in Asia and Eastern Europe has lent impetus to new critical lines of thought in the assessment of the once prevalent neoliberal development paradigm. The crisis of neoliberal market reforms on Russia and parts of Asia have become reference points for varied reinterpretations and reassessments of global capitalism and the challenges it poses for transiting national economies. Although much of the discussion has focused on Eastern Europe and Asia, these developments provide for Africanist scholars, new empirical grounds for reevaluating the legacies of the IMF and World Bank-inspired neoliberal economic restructuring which swept across the continent in the 1980 and early 1990s. As Manfred Bienefeld puts it:

The disastrous impact of the neoliberal adjustment policies in Eastern Europe is a *graphic reminder* of the centrifugal forces unleashed by their reckless adoption or imposition under inappropriate circumstances... Africa bares the scars of the same error of judgement. (Bienefeld, 1998).

Such reevaluations, informed by the developments in Eastern Europe have not been limited to Africanists. Even traditional proponents of global capitalism and the neoliberal model have been caught in this new wave of "re think".

Two recent works have tended to highlight this revisionist trend. The first is George Soros' *The Crisis of Global Capitalism* (1998). In this work, the

influential international money speculator warns that unquestioning faith in market forces can lead to crucial instabilities and that these instabilities pose a threat to *open society* (his term for a free, pluralistic democracy). He warns of a profound and dangerous imbalance between the explosive growth of the global economy and the development of a free and open society. He argues that in the last twenty years, the emergence of "market fundamentalism" - that is, the idea that markets need only be regulated by the forces of profit and competition - has distorted the role of capital to the extent that it "is today a greater threat to open society than any totalitarian ideology".

Soros is not alone. The World Bank economist Jeffery Sachs, once a leading advocate of the Eastern Europe's "big bang" approach, has made similar revisionist, or at least "moderating" arguments on the neoliberal agenda. Sachs has recently argued that, from a global perspective, liberalization might be defended not as in the interest of the initiating country, but rather in the interest of the rest of the world. He concedes that to the extent that such external factors are the real motivation for the pressures for liberalization, "it makes little sense for poor countries in dire economic difficulties to make rapid structural changes on behalf of the rest of the world".²

Empirical indications support this revisionism. During the Asian economic crisis in 1998, Mahathir Mohamad's Malaysia refused to adhere to the austerity measures demanded by the IMF. Much to the chagrin of conventional economists, the regime in Malaysia imposed currency controls to halt the flow of capital leaving the country and continued its program of massive government spending. But one year after, instead of suffering massive economic ruin as a result of ignoring IMF edicts, Malaysia was not only spared much of the of the financial crisis of the more obedient Asian countries such as Thailand and Indonesia, but even witnessed significant economic resurgence. Many have interpreted the "Malaysian miracle" as further testimony to the fact that there is no single economic recipe for dealing with economic crisis. As the economist Paul Krugman puts it, "what Malaysia has shown is that [capital controls] are actually more workable than everyone claimed...When you have a natural disaster in a city, you impose a curfew to prevent looting and disorder". The controls allow an economic breathing space to enable the markets to re-stabilize and the government to initiate reforms.³ But although it is becoming increasingly clear that neoliberal argument that the market works better than planned interventions are misplaced, such arguments remain powerful ideological statements. They imply that certain parts of the world will be rewarded by the world markets if they follow some prescribed economic paths, and will be written off if they do not (Cooper and Packard 1997: 31). In other words, to continue with the metaphor which opens this paper, obedient countries who play by

the rules of world market will be rewarded with carrots, while those "intransigent" ones who do not, will be chastised with sticks.

Indeed, it would be wrong to assume that either Krugman, Sachs or Soros advocates the demise of the world capitalist system. On the contrary, Soros, an international money speculator and philanthropist who has made billions of dollars trading on Wall Street, aims to save capitalism from itself. However, both Soros' and Sachs's concern, though from a differing perspective, echo those earlier expressed by dependency theorists and neo-Marxist opponents of neoliberal reforms in Africa and Latin America. Neo-Marxists and dependency theorists questioned among other things, the tyranny of market-forces-considerations in the formulation of adjustment policies, to the detriment of other significant social and human variables (Moujoub 1990, Palmer 1975).

Another interesting point of agreement, though for differing reasons, between Soros' revisionism and earlier leftist writers has to do with the role of the International Financial Institutions (IFIs). Soros, like the earlier dependency theorist, is critical of the IMF for favoring lenders at the expense of borrowing countries and for its inability to prevent a crisis (as opposed to simply responding to one). But again, far from calling for the IMF's abolition, Soros wants a stronger international regulatory framework with institutions able to act, as they would have, in their domestic markets. These similarities in the arguments of Soros and those earlier marshaled by leftist writers, even in their ideological disparities, are striking and significant. For one, they highlight the continued controversy over the neoliberal paradigm and underscore the need for new insights into the role and relevance of the IFIs and the neoliberal agenda to developing countries.

The second work that bears relevance to this discourse, though from a different perspective, is Peter Uvin's incisive and provocative study of how the development enterprise in Rwanda *aided* the violence that was to culminate in the 1994 genocide (Uvin 1998). Of interest here, is the role which structural adjustment reforms may have played in precipitating the genocide. Uvin argues that although structural adjustment did not cause Rwanda's political and economic crisis (which was already entrenched long before the introduction of adjustment policies in 1991), it was "largely irrelevant in their resolution". One reason for this, stressed by the World Bank itself, is that Rwanda never implemented most of the SAPs and the full program was never carried through. But the second and perhaps most significant reason which may explain why SAP was not fully implemented in the first place was because the Rwandan crisis "went beyond the program's ability to address" (Uvin 1998: 59). The SAP prescribed for Rwanda was to be implemented while the country was facing unprecedented economic crisis and simultaneously going through a civil war and a democratic transition. According to Uvin "The World Bank did not

take into account the political crisis facing Rwanda but acted in *traditional fashion*, as if politics did not exist" (Uvin 1998:59).

Both Soros and Uvin's works demonstrate in different ways, the continued relevance of the theme of neoliberalism and SAP in Africa. While Soros' work raises critical questions about the sanctity of the once prevalent neoliberal development paradigm, Uvin underscores the need for broader evaluations of the effects and legacies of adjustment reforms which go beyond the "social cost" consideration. Both works provide new perspectives for re appraising the legacy of SAP here.

Redefining the Structural Adjustment Agenda

The antecedent to the economic crisis that precipitated direct IMF and World Bank's interventionism and the introduction of SAP in Africa are sufficiently familiar to bear detailed recounting here. In brief, the SAP agenda in Africa can be directly traced to the continent's entanglement in the debt trap following the 1980-1982 worldwide economic recession and the consequent collapse of world commodity prices. To support their weakening economies and increase production capacities, many African regimes sought refuge in external loans from the IMF, the World Bank and individual Western nations. As a result of the debt crisis of the early 1980s, the IMF and the World Bank increased the level of the conditions required for their loans and credits to developing countries. This set of conditions became institutionalized and has been labeled Structural Adjustment Programs (SAP).

More specifically though, the tone of SAP and other neoliberal economic reforms in Africa was set in the 1981 World Bank document, *Accelerated Development in Sub Saharan Africa*, prepared by Eliot Berg and his colleagues in the Bank's African Strategy Review Group. According to the World Bank, "Structural adjustment is a process whereby a national economy is opened by means of the depreciation of the real exchange rate through a combination of demand and supply side policies" (World Bank 1994: 3). Adjustment, in the view of the Bank, aims at setting the economy of a country back on a path of sustainable growth when it is faced with a macroeconomic crisis characterized by unsustainable internal and external balances. SAP, it is argued, unleashes powerful supply side effects that will enable countries to fully service their debt, rebuild their infrastructure and restore growth and development without imposing significant hardship on their people.

When the IMF introduced SAP lending in the 1980s, twenty-four African countries drew up adjustment programs intended to improve the poor import substitution policies that were the primary cause of the 15 percent fall in Africa's GDP per capita between 1977 and 1985. As at 1993, the IMF restructuring program

was being implemented in 36 sub-Saharan African debtor countries under different names - Structural Adjustment Program (SAP), National Economic Survival Program (NESP), Economic Recovery Plan (ERP) etc. While the scope and content of these programs may differ from country to country, the key points remain the same. These include the devaluation and unification of the exchange rate and the elimination of exchange controls; curtailment of expenditure to alleviate budget deficits; cuts in public wage bill and social sector programs; market liberalization within the national economies, the elimination of subsidies and price controls; compression of real earnings and the liberalization of the labor market.

One of the basic notions of structural adjustment is that the local purchasing power within national economies has been over valued, relative to its real international worth. The object of the policy of devaluation is to reduce the value of the local currency thereby stimulating internal production, to make exported goods cheaper and thus increase their demand in the international market. The consequence of this in many African countries has been spiraling inflation and a dramatic reduction of the living standard of the people. Adjustment also prescribes the withdrawal of state control and interference from the economy in order to "free up capital and allow the market mechanism to operate through the impersonal forces of demand and supply"(Riddell 1992: 57-58).

In Africa where there is a long tradition of government intervention in the economy dating from the colonial era, this implies a radical redefinition of the whole concept of government and governance. Government intervention in the economy through the control of national development plans and parastatal organizations such as the produce marketing boards, are considered unnecessary and manipulative restrictions on the economy which should be done away with. IFIs argue that such state controls breed inefficiency, corruption and ineptitude. The elimination of government subsidies and the liberalization of trade are intended to open up national economies, strengthen the operation of market mechanisms and reintegrate the nations of Africa into the international economy.

The failures of adjustment economic reforms in Africa and the limitations of the social and political dynamics associated with its implementation have been well documented in several official reports of the World Bank and many other independent scholarly studies (Burdette 1992, Campbell and Loxley 1989, Cornia 1987, Zuckerman 1989, Lipton 1988). We need not go into these in great detail here. For our purpose, it suffices to point out that the criticism against IMF and World Bank-inspired adjustment programs have centered on four main points.

- First is that the program of structural adjustment draws its inspiration from conditions in Asian countries where they were first experimented with, and takes little account of the peculiar socio-political circumstances of the post

colonial state in sub-Saharan Africa.⁴

- Second, is that the success rate of the programs is far less than what is desirable.
- Third, is that the content of the programs invariably implies a turn to market economy as a result of the insistence upon privatization, trade liberalization and reduced government involvement in the economy. This fosters a political, rather than a purely economic agenda. Related to this, is the argument that the World Bank is a principal protagonist of international capitalism and that by the introduction of adjustment regimes in Africa, it seeks to challenge on a neoliberal platform, state-led, nationalist development ideology. (Beckman 1992: 87).
- Finally and perhaps most significant, is the argument that anti protectionist adjustment policies like de-subsidization and privatization tend to concentrate wealth in the hands of a few and further impoverishes the mass of the people.

In response to these criticisms, IFIs have consistently maintained that adjustment policies, where properly implemented, have restored growth to national economies. In one report, the World Bank claims rather categorically that "in African countries that have undertaken and sustained major policy reforms, *adjustment is working*" (World Bank 1994: 1). It claims that macro economic reforms have "spurred external competitiveness, trade reforms have increased access to imports, and reduced taxation on agriculture has helped the poor while encouraging production and export"(World Bank 1994: 3). It maintains that the disproportionate emphasis on the cost of adjustment ignores the "substantial benefits" of the program in Africa. It states for instance, that of the 29 countries which had by 1994 adopted adjustment policies in Africa, the six with the most improvement in macro economic policies - Ghana, Burundi, The Gambia, Madagascar, Malawi and Burkina Faso - enjoyed the strongest resurgence ever, in their economic performance.⁵ They experienced an average growth rate of 2 percent increase in gross domestic product (GDP) per capita. The increase in their industrial and export growth rates was "striking" and agricultural growth was "accelerated". But even at this, the World Bank and the IMF concede that whatever macro economic gains made, have come at great social cost and that these gains have not always manifested in micro economic terms.⁶ In other words, the general picture of adjustment's performance in Africa, even by the World Bank's purely economic indices, is rather dismal.

Evaluating Structural Adjustment

In 1988, the World Bank published the first comprehensive analysis of its Structural Adjustment Lending (SALs) in *Adjustment Lending: An Evaluation of*

Ten Years of Experience. The study claims to have 'reaffirmed the basic rationale for adjustment lending'; shown that adjustment lending was associated with 'modest improvement' in economic performance and established that "the overall assessment of adjustment lending is generally favorable" (World Bank 1988: 31). However, as many writers have observed, even a cursory examination of the evidence contained in the study destroys these self-serving conclusions. (Bienefeld 1998: 59).

Indeed, most independent assessments of the record of adjustment policies in Africa are less optimistic. In broad terms, liberalization of trade in Nigeria, Zambia and Cote d' Ivoire led directly to the collapse of industrial production and the disengagement of productive capital. As a result of the liberalization of banking services and the privatization of state development banks for agriculture and industry, central banks in the continent lost control over monetary policies. While the devaluation of currency and the unification of the exchange rates may have temporarily increased the earnings of cash crop producers (as in the cocoa boom of the late 1980s in Nigeria), the real benefits more often, accrued to the large commercial farmers, intermediaries and agro-industrial exporters rather than to the rural peasant farmer.

In Ghana, (which has been held out as a model of the success of adjustment) and Kenya, agricultural credit to small scale farmers was reduced as a result of the increase in the price of farm inputs such as seeds, fertilizer, credit and transport cost. (Adesina 1993: 1337). In Tanzania, the devaluation of the shilling by 26 percent in 1984; the de-subsidization of the staple maize meal; the rising of produce prices by more than 45 percent and the relaxation of import regulations in line with IMF conditionalities all spelt disastrous consequences for the living conditions of the vast population of rural and urban poor (Africa Research Bulletin 1984: 275, Carroll 1985: 956).

Interestingly, some of the criticisms against IMF style adjustment policies in Africa have come, not just from scholars and academicians, but also from other international institutions. Drawing from the report of the Khartoum Conference on the *Human Dimension of Africa's Economic Recovery and Development*, the United Nations Economic Commission for Africa (ECA), produced a report in 1989 criticizing adjustment programs in Africa and provided what it called an African Alternative Framework to Structural Adjustment Programs for Socioeconomic Recovery and Transformation (AAF-SAP). The report stated that "the overall assessment of the structural adjustment programs has led to the conclusion that, although these programs aimed at restoring growth through the achievement of fiscal balances and the free play of market forces, these objectives cannot be achieved without addressing the fundamental structural bottlenecks of African economies".⁷ The frustration with the failure in IMF and World Bank development paradigms to

appreciate the role of "popular opinion and participation" was further demonstrated with the unanimous adoption by the United Nations' general assembly, of the *African Charter for Popular Participation in Development and Transformation*. (1990). The charter called for the encouragement of increased participation of community groups and individuals in the design and evaluation of development projects.

Quite apart from the obvious economic implications of adjustment policies in Africa, there are also less emphasized but equally crippling political implications of adjustment. These are often direct fallout of the "social cost" of adjustment. For example, the liberalization of labor markets have left millions of bread winners unemployed while the introduction of fees in the delivery of formally free social services including health and education have raised the cost of living. In a situation, as in most African countries, where there are no reliable social welfare systems, millions more of dependents become destitute or "economic refugees" in the already overcrowded urban centers. Mass retrenchments in the public sector, swell the rank of unemployed, creating a discontent and restive population and pervasive social tension (Ibhawoh 1999).

Acknowledging that most African counties have been unable to respond constructively to the resulting pressures of SAP, the World Bank chief economist for Africa declared, almost ten years after the start of adjustment lending, that "we did not think that the human cost of these programs could be so great, and the economic gains so slow in coming".⁸ For many African countries coping with the "human cost" of adjustment, this realization has come too late. Adjustment reforms have effectively eroded the capacity of many African governments to rule. While some African regimes have responded to this challenge of governance by political manipulation and the selective appeasement of vocal sections of civil society, others have sought refuge in outright repression and authoritarianism in swallowing the bitter pill of adjustment.

The Dialectics of Adjustment and Authoritarianism

Authoritarianism in the formulation and implementation of structural adjustment policies in Africa manifests at two levels. First, is the international authoritarianism of the IFIs, notably the World Bank and the IMF which seek to "impose" external decisions as conditionalities on the heavily indebted and vulnerable African states.⁹ In urging African regimes to show courage and commitment in the face of local opposition, IFIs and donor agencies set the tone of authoritarianism in the implementation of adjustment policies. Such foreign paternalism only serves to reinforce the authoritarian nature of SAP. Second, is the authoritarianism of the state, desperate to meet IMF conditionalities, against its own people. Although both levels of authoritarianism are related, my main focus here is

on domestic state authoritarianism while drawing parallels between it and international authoritarianism.

Several studies have associated SAP with repressive political practices in Africa although scholars disagree in their interpretation of the precise nature of this link. (Bangura 1986, Campbell 1989, Hutchful 1987). Some writers present authoritarianism as a logical and necessary feature of the political dynamics of adjustment. It is argued that because adjustment seeks a shift from statism and protectionism to liberalization and a breakdown of entrenched state monopolies, opposition to it from aggrieved "rent seekers" who have traditionally benefited from state protectionism can be expected. States therefore need to be strong and effective to manage these political pressures from the "losers" of adjustment. Bureaucratic capability and coercion are thus, necessary to overcome resistance from groups with historic claims on state resources. Authoritarianism, it is argued, is a "necessary correlate for a form of accumulation resting on extra economic coercion". (Callaghy 1989, Gibbon 1992: 127-168).

¹⁰ However, as Bangura and Gibbon have pointed out, this argument lacks empirical basis. The experience of adjustment reforms in Africa does not indicate that authoritarian repression has been directed at a specific group of supposed "rent seekers". Rather, repression has been indiscriminately directed at workers, the urban poor and impoverished middle classes and other opponents of adjustment who cannot, by any stretch of the term, be said to constitute a class of "rent seekers". (Gibbon 1992: 17).

A broader framework for understanding the relationship between authoritarianism and adjustment policies in Africa is the political economy perspective, which situates state policies in the dynamics of class struggle. The political economy perspective argues that the local dominant classes in the Third World lack hegemonic power and can only prevail over dominated classes through a combination of ideological hegemony and physical coercion. In some parts of Africa where external factors dominate commerce and the bourgeois classes have little control over the dependent state economy, its ability to create ideological hegemony is weak, making it vulnerable and susceptible to challenges from below. This predisposes the postcolonial state, over which the dominant classes preside (whether military or civilian), to resort to the excessive use of repression, its only recourse, as the basis of legitimacy and control.¹¹ Within this context, Claude Ake has pointed out that "there is no way of implementing the structural adjustment program without political repression" (Ihonvbere 1989: 62).

While there may be differences over the nature of the relationship between adjustment and authoritarianism, there is a simple consensus that SAP breeds repression and several country studies of adjustment reforms clearly demonstrate

this. In Ghana, early openings in democratic direction were stifled in the interest of authoritarian control as SAP gathered momentum (Hansen 1987). In Zambia, the regime faced with cross-pressure from domestic opposition and international financial and aid agencies, was constrained to adopt repressive measures to complement traditional methods of political management. In Senegal, the authoritarian features of one party dominance were reasserted in the face of political tension precipitated by adjustment reforms and in Nigeria, the wide spread opposition to adjustment was met with repression and the co-option of opposition forces into the ruling block (Beckman 1992: 94).

Building on a Legacy of Authoritarianism

A legacy of authoritarian rule dating from the colonial era, pervades the African continent. African regimes through which the International Financial Institutions have to operate are rarely truly representative of the inhabitants and genuine democracy is found in few countries. Until very recently, the norm has been some form of dictatorial rule by either military or one-party leaders - a state of affairs which has proved particularly conducive for the implementation of the politically difficult reforms of the public enterprises and financial sectors, prescribed in adjustment programs. Military and single party regimes have shown more willingness in carrying out adjustment reforms where elected regimes have been more cautious. Thus, although adjustment may not necessarily create authoritarianism, it does intensify it.

However, Beckman insists that authoritarianism is essentially a "property" of the adjustment process itself rather than of the states that are adjusting. He argues that while the African state had independently diminished in its capacity to maintain its traditional co-optive and clientelist mechanism of political management, the principal and decisive difficulty which adjustment creates for the state is its inability to meet popular expectations of what it can provide in the context of its submission to external forces (Beckman 1992: 33-34). The main point of this argument is that while the African state was already undergoing a crisis prior to adjustment, it is adjustment's insistence on the termination of its traditional popular and national basis, which obliges it to resort to dictatorship. Whatever position one may hold, what is clear is that the link between adjustment and authoritarianism can easily be established.

The link between adjustment programs and authoritarianism in Africa lies in the fact that adjustment programs reduce the state's ability to formulate and implement its own policies guided by public opinion and popular aspirations. Although many African governments do not normally consult with opponents and sceptics about matters of policy, the involvement of governments in dialogue about

the formulation of adjustment programs has been very limited. Even more limited is the dialogue between the government and other interest groups within the state over the programs. One study of adjustment policy formulation in five African countries notes for example, that "potential opponents and skeptics seem to be screened out of the dialogue"(Center for Development Research, 1995).¹² Even official World Bank reports of adjustment in African countries, identify the lack of broad-based consultations as being a major factor in the failure of adjustment policies in Africa. The Bank acknowledges that in most African countries, adjustment programs have been formulated by a narrow group of technocrats and politicians without broad-based consultations. This trend, in the view of the Bank, "conflicts with the need for open discussion, debate and communication involving diverse groups". Ownership of the structural reform programs, the Bank maintains, should be broadly based (World Bank 1994: 429 – 430).

This stance poses two fundamental contradictions. First, the broad participation which the Bank claims is necessary for the implementation of adjustment programs will at the same time, almost certainly cause a rejection of much of the program as was the case in Nigeria.¹³ Second, the Bank by its own conditionalities and covert pressures on adjusting states to carry through unpopular reforms forecloses the option of broad consultations and open discussion. Thus, irrespective of IMF and World Bank ideals, the reality of adjustment in Africa is that a certain measure of repression and authoritarian rule is indispensable to its implementation. By undermining the capacity of ruling groups to sustain existing patterns of political coalitions, maintain patronage relations and respond to sectional claims, SAP effectively disempowers the ruling group and by extension, the state. The adjusting state therefore, lacks the political capacity to implement SAP in the face of heavy opposition without recourse to repression. As Goran Hyden puts it, the postcolonial state is declared redundant and irrelevant (Hyden 1988).

IFIs and donor countries have often tied economic reforms in Africa to demands for political liberalization, democracy and human rights. Democratic governance and political pluralism which are part of a broader agenda of "minimalist state intervention", are increasingly being required as conditions for continued assistance. This linkage of economic progress with democracy and human rights has in part, led to political reforms in several adjusting states. Of the 39 African countries that had signed the SAP agreement by 1989, at least ten had inched away from one party or military rule to allow for political pluralism.¹⁴ But how far do these attempts at democratization really go? In most cases, these changes do not go far enough. The ostensible shift towards democratization and political pluralism has had little real impact on political representation, transparency or accountability in many African countries.

Adjustment and Political Liberalization: Nigeria and Ghana.

Nigeria and Ghana are illustrative of the multi dimensional link between adjustment, authoritarian rule and the limits they place on political liberalization in Africa. In the case of Nigeria, the intensification of repression and authoritarianism was more or less a direct fall out of the failure of adjustment. Ghana is interesting because although it has been held out as representing a success story of adjustment in Africa, the country has not been spared the repression and authoritarianism associated with adjustment reforms.

Upon taking power in Nigeria in 1985, General Ibrahim Babangida announced that his government would be anchored on respect for the fundamental human rights. He pledged a commitment to political liberalization and to a transition program that would return the country to democratic civilian rule. As part of this new crusade for human rights, some of the repressive decrees promulgated by the preceding military regime were immediately repealed. To demonstrate its declared commitment to the promotion of the rule of law and political representation, the Babangida regime also reviewed the cases of Nigerian politicians who had been convicted by military tribunals set up by the previous military regime.(Agbeso 1994: 147-148).

These measures won the Babangida regime instant legitimacy. Rather than the repression that characterized the preceding Buhari regime, the Babangida government pledged to allow Nigerians to openly debate major national and political issues. Thus, within weeks of the *coup d'etat* which brought him to power, Babangida inaugurated a nationwide "IMF debate" as a popular outlet for discussing in particular, the impasse over Nigeria's negotiations with the IMF over a \$2.5 billion loan and in general, the nation's economic future. The ostensible object of this debate was to allow Nigerians participate in the formulation of new economic reforms intended to alleviate major distortions in the economy and to reduce the external debt. The debates, which were conducted in the press and other public forums, conveyed an unmistakable public antipathy and rejection of IMF and World Bank conditionalities. In apparent deference to public opinion, Babangida publicly repudiated the IMF and declared that Nigeria would instead opt for a "home grown" solution to her economic difficulties (Olukoshi 1991).

However, less than a month later, the president unveiled an economic package including the deregulation of the exchange rate, higher agricultural prices, financial liberalization and partial privatization. Although this package was presented as "home grown", it was actually negotiated with World Bank officials and was premised upon supplementary finance from the Bank (Mosley 1992: 230). One year later, a full SAP was introduced which elaborated and extended earlier

adjustment reforms. In essence, the regime introduced orthodox adjustment measures under a nationalistic guise. As elsewhere in Africa, the main arguments advanced to justify the introduction of SAP in Nigeria were that it would stabilize the national currency; restructure and diversify the productive base of the economy thereby reducing over dependence on the oil sector; reduce unproductive public sector investment and enhance the growth potential of the private sector.

Contrary to these expectations, the introduction of SAP proved to be no magic wand for Nigeria's economic recovery. Instead, its immediate results were mass retrenchments, price inflation and declining wages. Unprecedented price inflation, in some cases as high as 1,700 percent, led to the impoverishment of a vast population of working class Nigerians. Statistics provided by the Nigerian Labor Congress (NLC) indicate that the inflation in the prices of basic consumer goods made them out of the reach of even the average middle income earner. (Agbese 1994: 151). These produced considerable discontent across the society and in mid-1987, students, traders and the labor unions launched a series of anti-SAP protests. The demonstrations, which sometimes turned violent, were suppressed with police and military action. As a palliative measure, the government announced in 1988, a budget that stressed "adjustment with a human face" and included a number of "SAP relief" measures. These included increases in wages and public spending and a commitment to sustain petroleum subsidies. Interestingly, the multilateral financial institutions saw these as indicating the regime's flagging commitment to economic reforms and responded to these compensatory measures by withholding endorsement of Nigeria's economic performance. The IMF refused to approve a new loan when the existing agreement lapsed later in the year (Lewis 1996: 85).

In 1989, when the full inflationary effect of devaluation and de-subsidization had become more evident in the rising cost of living, public restiveness over SAP erupted again with "SAP riots" engulfing universities and major cities across the country. The overwhelming public opposition to Babangida's economic reforms was followed by a dramatic change in the declared policy of the regime towards human rights and political liberalization. After the brief period of tolerance and flirtation with respect for human rights, the Babangida regime resorted to overt repression involving extensive police action, the ban of newspapers and popular trade unions and the arbitrary arrests of perceived opponents of the regime's economic policy, to stem the tide of anti-SAP protestations. The repressive laws enacted by the ousted Buhari regime, which had earlier been repealed, were replaced by new repressive decrees that provided the regime with even wider powers of detention.

The process of containing opponents of the regime also involved political manipulation and the systematic suppression and harassment of vocal and critical

groups within civil society. University campuses were closed and students' and labor leaders were arrested. This general atmosphere of repression and antagonism towards critics of his economic reform policies characterized the rest of Babangida's rule. Until he was forced to relinquish power in 1993, the adjustment program in Nigeria lacked popular support and was driven mainly by the predilections of Babangida and a small group of technocrats and bureaucrats who clearly favored adjustment policies because of the "gains" it held for state elite.¹⁵

"Carrots and Sticks" in Ghana

The experience of adjustment and political liberalization in Ghana marks a contrast with that of Nigeria in that unlike in Nigeria, the explicit pledge towards a commitment to human rights and democratization was not one of the points with which the regime sought to ensure popular acceptance and legitimacy. In Ghana, the dominant theme with which Flight Lieutenant Jerry Rawlings and the Provisional National Defence Council (PNDC) sought to justify and legitimize the "revolution", following the December 1981 coup, was the declared commitment to "sanitizing the polity" and "passing power to the people" within the context of a transformation of Ghana's economic and political situation.

From an initial Marxist and populist revolutionary posture that rejected capitalist oriented economic reforms, the Rawlings regime was forced by crippling economic crisis to accept IMF conditionalities for its economic reforms in 1983 (Jeffries, 1989). Within four years of the introduction of the PNDC's Economic Recovery/ Structural Adjustment Program (ERP/SAP), Ghana's economy witnessed some growth. Cocoa and mineral production improved dramatically, export earnings grew and most of the deteriorating infrastructures were restored. There were also recorded growths in real incomes and expansion in industrial capacity (Gyiamah-Boadi 1994). The World Bank and the IMF were quick to present the impressive statistics in their reports to show positive economic growth and Ghanaian SAP was hailed as offering "transferable lessons from which policy makers in negative-performing countries may learn".

What many of these reports often did not indicate was the massive foreign aid that sustained Ghana's economic performance during the period and the gaping disparities in the distribution of the benefits of economic growth. The problem of distribution inequity was grave. Policies under the program were harsh to human development and few people benefited from the seeming economic growth. Urban employment rose because of the PNDC's retrenchment policies and mass impoverishment prevailed owing to the withdrawal of subsidies from public services (Konadu-Agyemang 1998: 32-35). Consequently, a feeling of alienation and disenchantment became widespread among people who had earlier supported the

regime. Unable to turn the high economic growth to political advantage, the regime resorted to selective compensation and repression to consolidate its position.

With increased government revenues coming from SAP's economic resuscitation, the Rawlings regime now had both *the carrot for its friends and sticks for its enemies*. Growing levels of external revenue inflows (some \$4 billion between 1983 and 1991 in concessional loans and grants), put the regime in a stronger position to dispense patronage to friendly and cooptable civil organizations such as the 31st December Women's Movement and the Ghana Private Road Transport Association. It also put the regime in a stronger position to harass and repress "unfriendly" organizations such as the Bar Association, the Association of Recognized Professional Bodies and the Association of Orthodox Christians. Members of these "opposition organizations" were targeted with pernicious legislation, politically motivated tax auditing and intimidation through the rehabilitated state media and the better-provisioned state security apparatus. (Gyiamah-Boadi 1994: 141).

If adjustment reforms had been successful, it was clear that the success had only manifested in strengthening and empowering the state in its position against civil society. As Gyimah-Boadi argues (1994: 141), the relative success of the Rawlings' regime's strategy of political domination can be explained largely by its control a rehabilitated state which effectively guaranteed an agenda of state/regime dominance and civil society subordination. The point to note here is that SAP, in spite of its relative success, could not be a force for building regime legitimacy in Ghana, where the polity has proved highly sensitive to political rights and liberties. Despite the apparent improvement in the national economy, the PNDC was unsuccessful in claiming a national mandate to rule. The success of SAP therefore did not foreclose the option of a resort to suppression and authoritarianism in the regime's quest for legitimacy.

IFI's Obligation to Democracy and Political Liberalization

The World Bank has historically claimed that it is unable to make overtly political considerations in its policy because that would violate the Articles of Agreement of the Bank, which expressly prohibit all but economic considerations. This idealized view of the World Bank and the IMF is that they are "supervising experts" standing outside the political arena and concerned only with economic matters. However, following the deepening crisis in many African and Latin American countries in the 1980s, the Bank began to take a more interventionist outlook. The Bank's policies and operations were no longer restricted to economic matters but also began to involve the question of how to create the necessary environment for competent and politically legitimate regimes to emerge that would

be fully committed to the goals of adjustment.¹⁶ This shift in its traditional approach was partly a reflection of the thinking already gaining grounds among scholars and policy makers, that economic reforms alone cannot redress the crisis in Africa and that good governance, political accountability, the rule of law and grassroots participation in government were central to the quest for a lasting solution to the African crisis. The Bank has thus become more forthcoming on broad issues of good governance such as public sector management and accountability (World Bank 1991).

On the political right to representation and participation in government, the World Bank has emphasized the importance of political legitimacy and consensus in policy, grassroots participatory institutions, and *models consistent with African culture*, in the formulation and implementation of adjustment policies in Africa (World Bank 1989). The Bank argues that "underlying the litany of Africa's development problems is a crisis of governance". SAP, says the Bank, cannot work without a well functioning state with an enlightened leadership that makes an effort to build a pluralistic institutional structure which is determined to respect the rule of law, the independence of the judiciary, the freedom of the press and human rights at every level of government (World Bank 1989: 9, 30, 192).

However, the World Bank's position on the desirability of good governance, democracy and political liberalization is not only non committal but is, in fact, the antithesis of the authoritarian and dictatorial nature of the implementation of adjustment programs in Africa. Policy declarations about the Bank's commitment to political liberalism have had little effect on the Bank's activities in Africa. Indeed, on the contrary, studies have shown how World Bank thinking in the early 1980s was to financially support authoritarian reform-oriented governments to enable them to overcome the short-term domestic pressures expected from aggrieved "urban coalitions" and other opponents of adjustment (Toye 1992). As we have seen in the cases of Nigeria, periodic releases of World Bank and IMF loans were delayed or withheld when governments resorted to compensatory measures rather than continued repression in carrying through economic reforms.

Conclusion

Before structural adjustment, project lending by IFIs in Africa as elsewhere, required national governments to make strategic choices through a national process – choices that reflected the interest and preferences of its citizens. Projects were then selected on the basis of their ability to contribute to the realisation of the objectives defined. Although this was not always what happened in practice, it provided a rationale that acknowledged the importance of such sovereign choices. Adjustment lending dispenses both with this substance of

sovereignty, with IFIs claiming that the choice of development strategies is a technical question to which, neoliberal policies provide an objective and all encompassing answer. However, it is increasingly being realized that neoliberalism cannot provide all the answers.

What then are the alternatives to structural adjustment and neoliberalism that are open to African states? One possible alternative may lie in the new thinking towards "neoliberalism" being put forward by the United Nations Economic Commission for Latin America (ECLA). Moving away from the import substitution industrialization model which it advanced in the 1940s and 1950s, the ECLA has begun, in recent years, to set itself apart from both the import substitution industrialization model and neoliberalism. The new thinking is towards a policy of *desarrollo desde dentro* (development from within) or what has been described as the "integrated approach" (Sunkel 1991). The ECLA now stresses the problem of poverty in the region and the importance of finding a development strategy that increases equity while leading to growth. It emphasizes that growth, social equity and democracy can be compatible. In order to promote growth with equity, the ECLA supports the general move in the direction of trade liberalization, competitive exchange and export promotion, while still advocating a more central role for the state in the directing of economic policy. The goal is neither to return to the rigid protectionism that had underlined orthodox ECLA thought, nor embrace economic openness *per se*. Rather it is to achieve competitiveness – a competitiveness that requires the deliberate and systematic incorporation of technical progress (Sikkink 1997: 233). By this approach, the ECLA seeks to correct both what it saw as the main errors of the import substitution approach and of neoliberalism. This ECLA initiative, together with the ECA's African Alternative Framework to Structural Adjustment Programs for Socioeconomic Recovery and Transformation (AAF-SAP) can provide a starting point for the quest for viable alternatives to crass neoliberalism.¹⁷

Whatever the limitations which these alternative approaches may hold, what is clear is that economic liberalisation that has been associated with orthodox structural adjustment in Africa has largely proved both inadequate and irrelevant. SAP, given its legacy, is unlikely to permit the consolidation or deepening of the ideals of transparency and political participation, which are essential for sustainable democracy. It poses a threat to the nascent wave of democratic reforms, which currently seems to be sweeping across the continent. Indeed, by introducing additional tensions and uncertainties to fragile political situations as Uvin argues in the case of Rwanda, SAP is more likely to extinguish the flicker of democratic initiatives and pave the way for chaos and authoritarianism. The only hope for genuine democracy and sustainable social and economic development in Africa lies

in the adoption of moderate, conciliatory and egalitarian economic and social policies that recognise not only the inexorable workings of market forces but also the critical importance of social equity and political stability in the development process.

Notes

¹ E. Gyiamah-Boadi, "Associational Life, Civil Society and Democratisation in Ghana", in John Harbeson et al (ed.), *Civil Society and the State in Africa*, (London: 1994), 141.

² J. Sachs, "Trade and Exchange Rate Policies in Growth Oriented Adjustment Policies" in V. Corbo, ed. *Growth Oriented Adjustment Programs*, (Washington: 1987). Quoted in Manfred A Bienefeld, "Structural Adjustment and the Prospects of Democracy in Southern Africa".

³ *The Globe and Mail* (Canada), Tuesday, November 30, 1999, A14.

⁴ Manfred Bienefeld argues for instance that the East Asian Newly Industrializing Countries (NIC) option would face enormous economic challenges if applied in South Africa. Even if it was politically feasible, the program will run into difficulties because of the yawning gap between available resources and the sums required to improve education and infrastructure, to finance immediately productive investment and to satisfy the expectations of a large impoverished and politicized population. Besides, foreign capital will be difficult to attract on terms that would allow the region to reap significant net benefits, since uncertainty raises the cost of capital. See Manfred Bienefeld, "Structural Adjustment and the Prospects for Democracy in Southern Africa", 55.

⁵ World Bank Policy Research Report, *Adjustment in Africa: Reforms Results and the Road Ahead*, 1 and 58. Scholars of development economics have undertaken several critical studies of this World Bank report. One of such critiques is by Sayre Schatz, Emeritus Professor of Economics at Temple University, Philadelphia. He concludes that the evidence in the report fails to support the claim of the World Bank that adjustment macro-economic reforms have promoted economic growth and that on the contrary, there are grounds for a "critical hypothesis" that these reforms have actually impeded economic growth. See Sayre P. Schatz, "Structural Adjustment in Africa: A Failing Grade So Far", *Journal of Modern African Studies*, (London: 32, 4, 1994), 679-692.

⁶ The World Bank has acknowledged the "social cost" of adjustment in several of its publications. In 1988 a Social Dimension of Adjustment Initiative was taken to address the problems of protecting poor and vulnerable groups from bearing undue hardship resulting from structural adjustment and economic reform. See L. Demery (et al), *Understanding the Social Effects of Policy Reform, A World Bank Study*, (Washington DC: 1991) and C. Grootaert, "The Evolution of Welfare and Poverty under Structural Change and Economic Recession in Cote d' Ivore, 1985-88", Policy Research Working Paper 1078. World Bank, (Washington DC: 1993).

⁷ UN ECA, *African Alternative Framework to Structural Adjustment Programmes for the socio-economic Recovery and Transformation (AAF-SAP)*, Nairobi, 1989. Cited in Sigrun Skogly, "Human Rights and Economic Efficiency: The Relationship between the Social Cost of Adjustment and Human Rights Protection.", in Peter Baer et al (ed.), *Human Rights in Developing Countries*, (Oslo: 1994), 47

⁸ O' Brian, the World Bank's chief economist for Africa as cited in the *Toronto Globe and Mail*, 22 June 1998

⁹ The international authoritarianism of IFIs and the West towards African states has been given prominence by the former President of Tanzania, Julius Nyerere. In 1985 he remarked that "The developed countries have a very large measure of control over the world economy. They act as a group and make decisions which they see as their own interests...The IMF has become largely an institution for economic and ideological control of poor countries by rich ones", Julius Nyerere, "Africa and the Debt Crisis", *African Affairs*, (London: 84, 337, October 1995), 493-4

¹⁰ These arguments have been put forward by several scholars. See for example, T. M. Callaghy, "Towards State Capability and Embedded Liberalism in the Third World: Lessons for Adjustment", in J. M. Nelson, (ed.), *Fragile Coalitions: The Politics of Economic Adjustment*, (London: 1989); D. Lal, *The Poverty of Development Economics*, (London: 1983) and Peter Gibbon, "Structural Adjustment and Pressures Towards Multipartyism in Sub Saharan Africa", in Peter Gibbon et al (ed.), *Authoritarianism, Democracy and Adjustment. The Politics of Economic Reform in Africa*, (Uppsala: 1992), 127-168.

¹¹ See John Rusk, "Structures of Neo-colonialism: The African Context of Human Rights", *Africa Today*, (33, 4, 1986).

¹² Centre for Development Research, Danish Ministry of Foreign Affairs, *Structural Adjustment in Africa, A survey of the Experiment*, (Copenhagen: 1995), 19. The countries examined in this study are Burkina Faso, Ghana, Tanzania, Uganda and Zimbabwe.

¹³ In Nigeria, the government inaugurated a series of public debates on whether the country should opt for an IMF loan to alleviate the country's economic crisis. These debates resulted in a unanimous rejection of the IMF loan and its conditionalities

¹⁴ These countries included, as at 1989, Zaire, Benin, Cote d'Ivoire, Sierra Leone, Gabon, Zambia, Togo, Burkina Faso and Kenya. Eight of these countries had also proceeded to hold multi party elections.

¹⁵ Much of the of the "gains of SAP" which the government held out as representing the success of the program in Nigeria actually accrued to state elite within specific sections of the public and private sectors. The creation of a number of institutions such as the Directorate of Food, Road and Rural Infrastructure, the People and Community Banks and the Better Life for Rural Women Program as part of the broad program of adjustment became an avenue for rewarding political patronage. Economic restructuring furnished powerful state officials with a measure of control over emerging markets providing new opportunities for corruption. Speculative pricing in the cocoa market provided a windfall for agro industrial exporters. The privatisation and liberalisation of banks led to a boom in the banking sector and attracted a new class of investors in retired senior civil servants and retired military officers. For a detailed discourse of the social inequities of SAP in Nigeria, see Julius Ihonvbere, "Economic Crisis, Structural Adjustment and Social Crisis in Nigeria", *World Development*, (London: 21, 1, 1993), 145-149.

¹⁶ This apparent shift in World Bank policy is well articulated in its document *Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long Term Perspective Study*, (Washington DC: 1989).

¹⁷ These ECLA and ECA thoughts have some similarities with new theories of growth and trade in US academic circles such as the new trade theory and "endogenous growth theory" but there is no evidence of obvious linkage between these two schools of thought. See Paul Krugman, *Trade Theories and Less Developed Countries: Essays in Honor of Carlos Diaz Alejaro* edited by G. Calvo

et al, New York, 1994.

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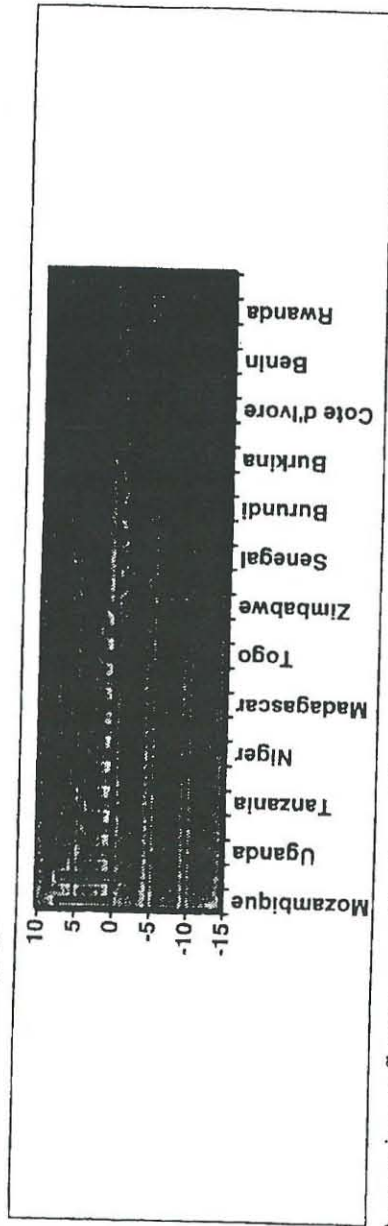
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Table 1: Changes in Average Annual GDP per Capita Growth in Selected African Countries 1981-1980 to 1987-1988



Approximate figures compiled from World Bank Policy Research Report, *Adjustment in Africa: Reforms Results and the Road Ahead*, (Washington DC: 1994), 134.

Creeping Capitalism: The Wenzhou Model and Its Nationwide Effect

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Introduction

The Third Plenum of the Eleventh Central Committee, which met in December 1978, officially declared a change in direction of China's economic policy from a centrally planned to a market-oriented economy. Since then much progress has been achieved, and numerous papers and books have been written assessing the overall effect on GDP, per capita income, savings, investment, agricultural and industrial outputs, aggregate growth rates, and so forth.¹

Not until recently, few studies have focussed on small-scale farm family enterprises in various regions and districts. One important exception is *China's Rural Industry* (1990).² It sample surveyed four counties each with its own distinctive features. They are Wuxi County in Jiangsu Province for its extremely high level of industrialization; Nanhai County in Guangdong Province because of the involvement of its TVP (township, village and private enterprises) in foreign trade and in business relationships with Hong Kong and the outside world. Jieshou County in Anhui Province and Shangrao County in Jiangxi Province were chosen to represent average and below average levels of TVP industrial development. Partly for logistical reasons (travel there is not very convenient)³ (p. 35), and partly for not overloading "the sample with unrepresentative models, since Wuxi is already included."³ Wenzhou was excluded, although it is well known for and characterized by "free development of private enterprises (mostly household undertakings), a thriving financial market based to a large extent on private financial institutions, and extensive commercial relationships with distant parts of China" (p. 34).³ In fact, the authors acknowledge perhaps as an afterthought that "the four counties may not be able to provide much insight into what happens when all the elements of the Wenzhou model are brought together and allowed to flourish" (p. 34-35).³

The purpose of the present essay is to partly fill this void and hypothesize that the success of Wenzhou model may illustrate a lesson that a "gradual" approach contributes to smooth economic transition. The term gradualism as used in the Chinese context needs clarification. It is generally associated with sequence of reforms with agriculture being the leading sector or the partial and limited decontrol of prices and/or deregulation of selected measures. But because of the size of China, gradualism would also imply a total