LEADING AFRICA TO PROSPERITY

WHY AFRICA IS POOR: AND WHAT AFRICANS CAN DO ABOUT IT

BY GREG MILLS

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Review by **Paul Collier**

As Greg Mills argues, achieving prosperity is all about harnessing comparative advantage. So it is only fair to ask what advantages Greg Mills brings to the increasingly crowded field of books on Africa's economic performance. He has four, and he makes the most of them.

First, he brings a private sector perspective: prosperity is built by business. Second, he has a remarkably wide international experience. He is able to conjure up pertinent examples from across East and South Asia, from Latin America, from the new societies of the former Soviet Bloc and from post-conflict situations such as in Afghanistan, Kosovo, Rwanda and Liberia. For each, he is able to furnish remarkable and telling detail. Third, he has worked on both sides of the fence. He has hands-on experience of African policy-making and its underlying politics. Finally, and crucially, he faces reality. This is not a book suffocated by political correctness and a bias to optimism: the debilitating curse of all official analyses of Africa.

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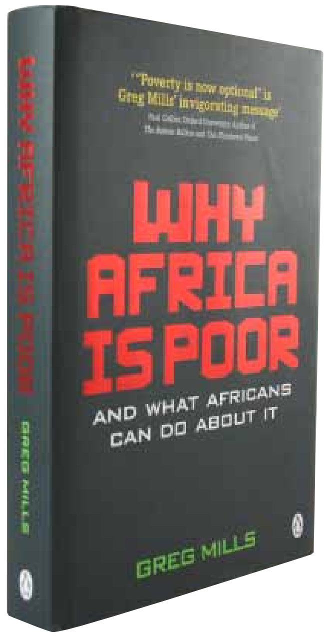

So, what are the key insights delivered by these substantial advantages? The ground is cleared with a beautifully succinct dismissal of the past half-century of official diagnoses of Africa's problems: initially a shortage of resources, then mistaken policies, then a lack of capacity and, more recently, back to the beginning – a lack of resources.

There is also a withering critique of the latest official fad for "fixing fragile states". What Mills proposes in its place is an emphasis upon the responsibility of local leadership. Africa's leaders have not been trapped in stagnation – they have chosen it. They have done this because stagnation has often been to their advantage: the retention of power is easier and the rewards of personal plunder have exceeded those of generalised growth. As Mills argues, the most amazing thing is that Africa's leaders have been allowed by their citizens to get away with such choices. They have been able to do so, he suggests, by the tradition of "big man" rule and by the lazy ideology of victimhood that has enabled the externalisation of responsibility for problems.

TRANSFORMING THE FUTURE

So much for diagnosis, but what about the remedies? Mills is highly sceptical of external solutions; Africans must find their own remedies for the ills of their region. The central positive argument of the book is that the future can be utterly different from the failed past because opportunities for prosperity abound. The power to build this transformed future is in Africans' own hands.

Chapter after chapter details this message using examples both from the many other societies that have transformed themselves over recent decades and from enterprises in Africa that have prospered against even the regional tide. As Mills stresses, prosperity is built step by step by commercial organisations bringing their managerial skills and determination, networks and money to exploit opportunities that have the potential for profit. This is an invigorating message. Why, then, have these opportunities not been seized? Because, Mills argues, through a cascade of examples, they have been impeded by a plundering bureaucracy.

By implication, the price paid for tolerating such a bureaucracy is staggering. So what can be done about it? Mills' book is essentially a wake-up call to fellow Africans to break free from the neo-Marxist conceptual framework that has protected the plundering state from reform. Profit for business is not intrinsically exploitative; the big state is not the ally of the poor; the global economy is not a threat to be opposed, but a market to be entered.

As an academic economist, I lack Mills' commanding advantages. Where he forges conclusions from the bitter school of experience, economists deduce them from analytic principles and the evidence of statistics. As the embarrassing failure of economists to spot the global crisis demonstrates, the latter approach has its limitations. But let me share such insights as it might offer, filtered by 40 years of my own African experience.

Modern economics emphasises incentives, selection effects and institutions. Incentives should need little comment except that the official emphasis upon resources, policies and capacity has paid so little attention to them. Economists would largely agree with Mills that Africa has remained poor because African elites have chosen that outcome for their own interest. More specifically, they have chosen not to invest in the core apparatus of prosperity, an effective tax system and an impartial legal system.

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01 Primary school students in Kenya's Dertu, one of 14 Millennium Villages in Africa that are part of a UN-commissioned initiative to help create a sustainable end to the continent's extreme poverty

ELITIST INFLUENCE

Without an effective tax system, the state has little interest in economic growth since it does not capture it; without an effective legal system, contracts, both with other private actors and with the state, cannot be trusted. But economists would add that elites only prefer short-term plunder to investment in future prosperity if the elite is either very insecure or very narrow. After all, Asia did not usually prosper because of the accountability of government to citizen; accountability followed prosperity rather than led it. Rather, Asian elites were sufficiently secure and broad to opt for growth. In Africa, they have been insecure and narrow.

Selection effects are about who rises to positions of power: the honest or the crooked; the qualified or the incompetent? Africa's patronage politics have disadvantaged the honest, and its premium upon ethnic identity has devalued competence. Institutions are about checks and balances on the abuse of power. Only by placing credible limits on its own power can the state persuade others to make irreversible investments. Africa's rulers have been too hungry for short-term power to build such restraints and so have sacrificed investment.

Given the present state of knowledge, we should be relieved when a prescription derived from the bottom-up process of induction from experience coincides with that derived from the top-down process of analytic and statistical deduction. Mills' wake-up call is, in essence, coincident with the conclusion of my own work: there is no substitute for building a critical mass of economically informed citizens. Africa's future is hopeful because societies often do learn from failure and, thanks to information technology, societal learning has never been so easy.