

## [23 Things We're Telling You About Capitalism XI](#) [1]

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The eleventh thing we've not been told about capitalism is so bizarre as to make me wonder whether Chang was proofread before publication. The layout of the free market position is that Africa is irredeemably doomed to low or no economic growth because of structural factors: ethnic diversity, disease, geography and so on. And the reason that we free marketeers say this is because we're embarrassed about the fact that Africa instituted free market reforms in the 80s and hasn't grown since then. Thus we've invented reasons as to why it hasn't rather than rethinking our commitment to free market development.

Chang also tells us that post colonial Africa grew rather well (hmm, well, even he admits not well but better than nothing) in the 60s and 70s. So therefore we free marketeers are doubly wrong. We not only killed off what was working we also prescribed what does not and are now lying about it.

There is one teeny little problem with this. Chang has shifted his decades a bit. There was indeed a change in the 80s but this wasn't the widespread adoption of free market policies. That was the debt fuelled autarkic development that was abandoned. Actual free market policies didn't take root until the 1990s in sub-Saharan Africa (the place Chang and we are talking about) and since the mid-1990s there has indeed been a take off in growth in those countries.

In fact, if we look at the work of people like Xavier Sala-i-Martin (do look him up, his web page is a hoot but he's also one of the most cited economists around) we find that Africa is growing so well that they've actually got rising Sen Welfare. That is, not only are incomes going up but inequality is falling at the same time.

What drove the much slower growth of the 60s and 70s was exactly the set of policies that Chang usually proposes. Infant industry protection, government direction of the economy, planning. And most crucially, borrowing to fund that economic development. And, as is usually the problem when people play socialism at some point you run out of other peoples' money. The actual investments that were made (just about every country decided they needed an integrated steel mill for example. Almost none of which ever worked at anything like capacity as the continent could really support perhaps two, not the dozens planned) simply never did pay back the borrowings made to construct them. So the policy of state directed development not only didn't work it came crashing down in a ghastly and impoverishing heap.

What happened to African development is an argument against Chang's policies, not one in favour of them. And I've already mentioned that I'm not sure that you can do Chang's form of directed development in a democracy. Even if (which I'll not admit anyway, but just for the sake of argument) you can do it in an authoritarian or repressive society, the political dynamic is such that you can't wher the people get to vote.

Take, as an example, Ghana. Nkrumah very definitely believed in the socialist and state directed development model. Vast sums were borrowed in order to construct the industry it was thought the place needed (and there were many a western socialist writing these plans in Accra at the time). But while Nkrumah did become increasingly repressive himself he did still face democratic pressures. So the economic policies favoured the urban population, those who tended to vote (or even riot where they could

be seen) rather than the larger rural one. The exchange rate was fixed high for example: to the great detriment of the cocoa farmers trying to export, to the great benefit of the urbanites who wished to import goods. There was indeed an attempt to have that planned economy, to build and protect those infant industries. It's just that they were all bad plans: and as I say, I'm convinced that at least part of the reason the bad ones were followed was precisely because it was a democracy.

No, this does not mean that I think that we should have authoritarian government in order to attain economic development through planning. Quite the opposite: that given that we've got democracy we cannot have that planning because the democratic pressures will lead to bad planning.

So, Ghana, and everyone else who tried to follow the same development path (pretty much everyone) ended up going bust. Which is what gives us the slump of the 80s. Finally the recommendations of the Washington Consensus manage to trickle through the intellectual barriers (and let us recall that the Consensus is really just a list of stupid things you shouldn't do) and to be applied in the 90s. Since then we've had good and decent growth in sub-Saharan Africa. Hurrah etc: but that is a very different story indeed than the one Chang is telling. Which is what rather makes me wonder whether the book was proofed before publication.

There is one little aside as well. Chang does correctly point out that many to most African countries have bad external transport links. For reasons both historic and geographic. What puzzles me is this. Given that Chang says that a country should not leap into the global marketplace, but should develop at least to begin with behind its own borders, well, given that Africa's had no choice in this, why isn't it developed? If few imports lead to economic development as this encourages domestic production then why haven't African countries developed as they've had few imports?

That is just an aside though. The real problem with our eleventh thing is that Chang just isn't describing things as they really did happen. Sub-Saharan Africa did do the planned and tariff bound infant industry protection thing in the 60s and 70s. And growth was there but feeble: and then the entire system went bust. Once the mess was cleared up and free market policies adopted in the 90s we've seen good and decent growth across the region. And no, it's not the free marketeers who have been ascribing Africa's problems to anything other than economic policy. Quite the contrary: we've been using the benighted continent as absolute proof of our contentions. Managed development was tried and failed: free market development is working.

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