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**From Development Crisis to Development Tragedy:
Africa's encounter with Neoliberalism**

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Abstract

This paper examines the impact of the neoliberal project on sub-Saharan Africa, and argues that the effect of twenty-five years of adjustment has been to turn the development crisis of the early 1980s into development tragedy. The paper focuses on the emergence of an external debt peonage and its economic and social impacts; and the increasing normalisation of economic and social disequilibrium. The persistence in declining terms of trade; deepening current account deficit, and donor-dependency are some illustrations of the phenomenon. None of the celebrated “successful” adjusting countries has overcome the structural crisis of inherited colonial political economy that precipitated the crisis in the first instance. We examine also the (direct) impact of neoliberal policies on aspects of poverty (water and food security).

The paper is however anchored on an epistemic approach to neoliberalism. It argues for transcending the tendency of the debates not to get beyond massaging the protective belt of the neoliberal paradigm—a paradigm it borrowed from mainstream economics. It is essential—the paper argues—to displace the two core propositions at the heart of this paradigm as well as its method of knowledge. The horrendous consequences of neoliberal policy failures reflect both its dubious intellectual content and its twinning with imperial political and economic objective—it is this sense that neoliberalism has become the economics of the new imperialism. The counter-hegemonic project requires the displacement of the epistemic narratives of neoliberalism. It is in this that we situate the framework for overcoming the neoliberal development tragedy.

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1. Introduction

By the early 1980s, there was little doubt that the economies of most Sub-Saharan African countries were in crisis. The isolated balance of payment crisis that some countries like Ghana and Zambia have experienced since the 1960s and mid-1970s, respectively, had become generalised. At the level of the human consequences, the drought and famine in the Sahel was a profound signifier of the crisis of inherited colonial economic structures and their post-colonial management. In a number of cases, such as Nigeria, the balance of payment difficulties had more to do with short-term fluctuations in the main export earner (petroleum) than the secular decline associated with primary commodity production. In the twenty years since 1980, development crisis was turned into development tragedy¹—with no end in sight at the beginning of the 21st century. There is very little doubt today that a quarter of a century of relentless human vivisection on sub-Saharan Africa (Adesina 1994: iv) has produced consequence (perhaps unintended) of normalising this development tragedy. In the same way that domestic monetary policy in Washington in early 1980s created the crisis of unsustainable debt burden (cf. Toye 1994) the conversion of development crisis to development tragedy arose overwhelmingly from the policy instruments deployed by the same economic mindset that precipitated the crisis in the first instance. In spite of public arguments and posturing to the contrary, there is little doubt that the failure of neoliberal economic framework is now widely accepted. If Africa encountered European pillage and imperialism in (and before) the 19th century through the weapons of military offensive, the nature of enslavement in the late 20th century has relied more on policy merchants deployed from the World Bank and the IMF, as macroeconomic policy ‘advisers’ and development ‘experts’.

Policy failure—from micro-level disaster of retreat in public health achievements to social implosion—over the twenty years that most African economies have been micro-managed by the Bretton Woods Institutions and the active connivance of “donor” countries is testimony enough. This paper provides evidence of key aspects of this crisis. Understanding epistemic basis of the development tragedy requires that we go beyond the deployment of statistics and charts. It requires that we excavate the ontological narratives and epistemic framework of this new form of imperialism. This is a multidimensional project. However, for the purpose of this paper I am concerned with the economic paradigm that underscores the project, and the extent to which it undergirds the normalisation of the development tragedy. Two distinct but related ideas are central to the analysis here. First is the distinction that Imre Lakatos (1970) made between the “core” of a ‘research programme’ (or more appropriately, a paradigm) and its ‘protective belt’; the latter being the region surrounding the core. The second is Osadchaya’s (1983) idea of *neoclassical synthesis*—to describe various currents in the broad church that is mainstream Economics. While there is considerable disagreement on macroeconomics, these currents share similar ontological discourse about the human agency and (its preferences) and the market. The latter is not only the primeval social institution but the only (recognised) arena of human interaction. The ontology renders human beings as, essentially, economic agents with self-interest primordially. Neoliberalism may be an extreme expression of this ontological discourse, but it is a discourse that it shares with other branches of *neoclassical synthesis*-economics. Disagreements (within this broad church) have *often* been about *massaging the protective belt of this micro-economic thinking* rather than displacing these core narratives or propositions. The latest and celebrated example is the spat between Joseph Stiglitz (1998a, 1998b, 2002) and the IMF. Overcoming

¹ Phrase owed to Arrighi (2002). See also UNECA (1989).

the normalisation of the development tragedy in sub-Saharan African requires that we transcend this debate.

This paper is divided into three substantive sections. Section 2 addresses the ontological discourse of neoliberalism, as the economic basis of the New Imperialism, and the epistemic issues that derive from it. More salient for our discussion is that an epistemic framework that proceeds from ‘imaginary constructs’ substitutes its ideal-type for the functioning of the real world and produces a reading of the crisis of post-colonial political economy that is one-sided and immensely faulty. It is the salience of both the ontology and method of knowledge production which turned development crisis into tragedy. The marriage of the “rigour” of neoclassical economics and the populism of the Austrian-Libertarians may give neoliberalism its distinct flavour but its ontological discourse is broadly shared by the rest of main stream economics.

In section three, we examine the results of two decades of the neoliberal project in Africa. Here, we focus on three dimensions of the *neoliberal development tragedy*: the debt peonage, permanency of development disequilibrium and some aspects of poverty. The last segment of this section links the epistemic discussion in section 2 to the empirical materials in section 3. In the final section, we provide a brief discussion of some ground-rules for transcending the neoliberal development tragedy and mapping out an agenda for socio-economic transformation.

2. Neoliberalism: ontology, diagnosis and discursive failure

The emerging development tragedy in Africa rests as much on the ontology and epistemic crisis of neoliberalism—as a specific twist to neoclassical economics—as it does on particular forms of global power play. It is difficult to sustain the argument that the Bretton Woods Institutions are so beholden to the praetorian guards of corporate and imperial interests that they will persist in the folly of policy instruments that consistently undermined their legitimacy. While imperial and corporate interests are important elements in the specific form that global capitalism is taking, this alone does not explain the policy failures of the last two decades in Africa. Unravelling this takes us beyond debates that are stranded at massaging the protective belt of the *neoclassical-synthesis* paradigm. The more foundational aspect is epistemic and this is outlined below.

2.1. Neoliberalism: ontology and method of knowing

Ha-Joon Chang (2001:1) described neoliberalism as the outcome of “an ‘unholy alliance’ between neoclassical economics, which provided most of the analytical tools, and... the Austrian-Libertarian tradition, which provided the underlining political and moral philosophy.” Neo-classical economics provided the scientific respectability, while the Austrians provided the populist appeal. As Toyé (1987) reminded us, ideas do not always flourish because of their explanatory capacity; more because of their appeal to powerful forces in society.

Central to the neoliberal discourse is the “belief in the moral necessity of market forces in the economy” and “entrepreneurs... as a good and necessary social group” (Treanor 2003:3) Economic liberalism revolves around these two fundamentals and the propagation of the culture, norms and social framework of power and relations that sustain both ideas. Market forces are not only morally necessary but inherently good and are the most appropriate ways to allocate resources and create incentives in society. The entrepreneurs are the primary social force for deploying and implementing this virtuous socio-economic order. The extent of penetration of society—what Marx would call ‘generalised commodity relations’—is itself a result of contestation of the social terrain.

It is this propagation of the principle of market transaction to as many areas of social and economic life as possible that defines the core value and principle of neoliberalism and ordinary people’s daily encounter with its policy instruments. This could be spatial or temporal, or terrains of social relationship that would be considered unsuitable to the logic of market transaction. Bond (2001: 4-10) appropriately identifies the basis of contemporary neoliberal globalisation as an attempt to address the crisis of over-accumulation by displacing the crisis. It is in pushing the frontiers of market, as a normative system, that we understand the attempt to resolve that crisis. The specific configuration of the

expansion and intensification of market logic and norms and actual reach in society will depend on the configuration of social forces and agencies that contest the policy terrain.

Fundamental to the neoliberal discourse are two elements, which it shared with much of mainstream economics—one ontological the other epistemic. The ontological aspect invented an essentialist narrative of the human subject as primevally self-seeking and driven by self-interest. Rationality is reduced to the calculative effort of the human agent's achievement of his/her end through any given means—the end of self-interest utility maximisation is the measure of evaluating the means. The domain of interaction of agencies is the market. The primacy of the market is precisely in its primordiality: the pre-existing human institution (Chang 2001). The significance of the 18th century Scottish moral philosophers to this ontological narrative was quite fundamental. If the normative framework of the time would consider the pursuit of narrow self interest as morally reprehensible they emphasized “the happy and socially desirable outcome” (Hirschman 1982: 1484) as its unintended consequence. It is an ontological discourse that anyone with a minimal attention to human history and sociational activities will find beyond belief or at best a grotesque distortion. But how does a highly reputable field of study sustain itself on such dubious grounds? The answer, one will argue, lies in its epistemic framework—its method of knowing. And it is not peculiar to Economics.

The epistemological grounding of neoclassical synthesis-economics is part of a much broader strain of western scholarship that developed into the 19th century. It relies on a particular type of *logical abstraction*. Mathematics, as it evolved in this period, provided the seeming justification for an epistemology (method of knowledge) that relies on:

the production of ... “imaginary constructs” by the disregarding of one or more of those elements of “reality” which are actually present, and by the mental construction of a course of events, which is altered through modification of one or more “conditions.” (emphasis mine) (Huff 1984:15).

It is a form of abstraction that in Max Weber's works, explicitly, generates a set of constructs referred to as “ideal types.” As Clarke (1982:201) points out, “the ideal-type had no reality of its own; it was strictly a ‘Utopia’, an heuristic device.” The validity of an argument relies more on ability to demonstrate the logical (internal) consistency of a set of propositions with the conclusion. Even if we know that all men are not green, once you start from the proposition and proceed to claim that X is a man it is logically consistent to argue that X is green. The effect of its propositions—in the specific context of capitalism—was to deny the historical specificity of capitalism (Adesina 1988, 1993).

A method of knowledge that proceeds with imaginary/mental constructs of the philosopher's own choosing can comfortably remain in the realm of imaginary constructs or make foundational propositions (primitives) that have little bearing on lived experience or grotesquely distort it. The request for suspension of disbelief to allow for the commencement of the discussion soon switches the constructs for reality. As part of the broader crisis of Aristotelian logic, it “trades simplicity for accuracy” (Kosko 1994, Adesina 2001a). It is in this sense that the ontological narratives of the human agency and mode of its sociational existence comes to form the core of mainstream economics. That there is more to human motivation than narrow self-interest—indeed that the more ‘natural’ thing to human beings, such as procreation is anything but a rational act of self-interest agency—is dismissed as the problem of the fuzzy sociologist. Neither is market (however defined) known as primeval. The set of propositions about the nature of the market, its natural state, the initial conditions under which the self-interested agencies interact combines with the generic proposition of *ceteris paribus*,² when we know that *ceteris is never paribus*. While developments in modern economics have highlighted issues ranging from “perfectly competitive” market to transaction cost and imperfect information and the highly restrictive conditions under which Adam Smith's proposition might hold (Stiglitz 2002), these do not vitiate the core elements of mainstream economics. The extensive deployment of mathematics has produced the high reputation based on dubious propositions about human nature and the place of the market as an arena “involving large numbers of price-taking anonymous buyers and sellers supplied with perfect information” (Hirschman 1982) and factor mobility. The concern has be-

² That is “all other factors or things remaining the same.”

come not whether this is even minimally a sensible starting point but dealing with ‘market failures’ that arise when the conditions do not hold.’ Of the social sciences, and in its Kuhnian sense, economics as a ‘normal science’ is rooted on this paradigmatic premise. As with all things paradigmatic, it is not so much that they shift as that they are maintained by particular sociology of knowledge—adherents are socialised into subtracting away its fields of dissonance. When such dissonance is compelling it is seen as short-term or contingent. Ultimately, a paradigm is a belief-system.

What the Austrian-Libertarians lack in (the neoclassical economist’s understanding of) ‘rigour’ and ‘scientific respectability’ it more than made up for in the truculent proselytising and populist appeal to individualism and insertion of itself into the human sociational space as the repository of “eternal natural truths” (Rothbard 1995). Neoliberalism has invested much in claiming the mantle of Adam Smith (cf Lal 1983) but much of what we know about orthodox Washington Consensus and the neoliberal counterrevolution in Development Studies derives from the Austrians. Chang’s (2001) idea of the unholy alliance between neoclassical and Austrian economists noted Hayek’s (1949) critique of neoclassical economics. To this one may add Rothbard (1995) and his withering attack on Smith. Adam Smith’s sin was to circumscribe individual liberty and accommodate the state. Pack (1998) went further to detail elements of his works (beyond the *Wealth of Nations*) that put him beyond the Austrian pale:

Smith approves of a certain amount of social stratification as necessary to any sort of post-primitive society. He approves of the role of the state, which exists largely to protect the rich from the poor. The commercial state depends upon taxation, and consequently it is not too surprising that Smith chose to spend the last years of his life working for the Scottish customs. By Smith’s thought, commercial society needs the state which in turn needs tax revenues, and Smith endeavoured to be a good citizen of the state. Smith was no libertarian. (Pack 1998: 78)

Beside the Austrian’s unyielding capacity to hear only its own drum beat (its mark of a polemicist), it is its uncompromising affirmation of individualistic pursuit of self-interest that mark its core contributions to neoliberalism. Hayek’s dispute with neoclassical economics—like other Austrians—was “without disputing its fundamentals” (Caplan 1999).³ Indeed, the Austrians argue that it is precisely because information is incomplete that unrestricted price mechanism and the entrepreneurs are central to the operations of the market, and its efficiency in resource allocation. To return to the epistemic concerns of this section, it is possible to have much disagreement around the protective belt of a “research programme” without vitiating its core assumptions and propositions. The Austrian-Libertarian preference for ‘verbal logic’ rather than complex mathematical modelling ensures its accessibility and ‘popular appeal.’ Its polemical anti-state rhetoric appeals to those who consider the state the ultimate rent-taker and envisaged life without it or any exogenous constraint on the exercise of individual liberty. Both inform the earlier versions of the neoliberal discourse and persist in the discursive manoeuvres that we see in the changing narratives of the Washington Consensus—which takes us back to the beginning of this section and the identification of the essential elements of neoliberalism.

2.2. Neoliberalism encounter with Africa: epistemic aspects of the diagnosis

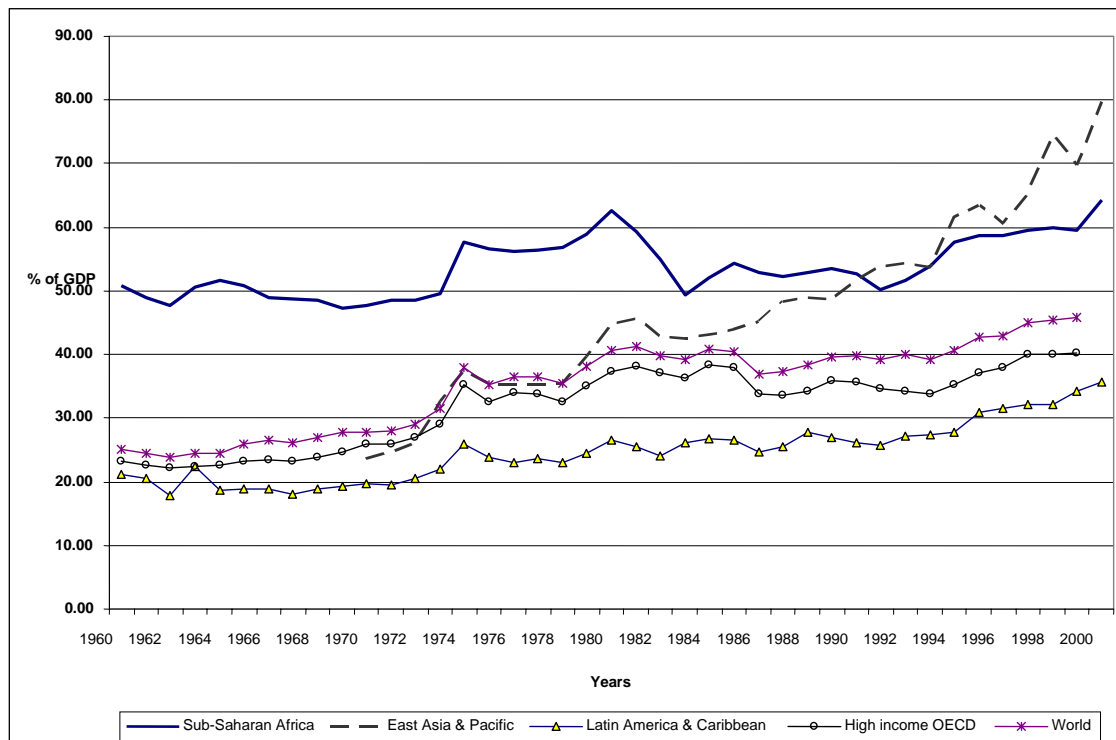
That the neoliberal discourse grossly misread the African development crisis of the late 1970s and early 1980s is no longer the subject of much dispute (ECA 1989; Toye 1987, 1990, 1997; Adesina 1992, 1994, 2002b; Mkandawire 2001; Mkandawire and Olukoshi 1995; Mkandawire and Soludo 1999; Akyüz and Gore 2001). The studied neglect of exogenous factors may explain its Eurocentric mindset, but not its epistemology. A paradigm defined by the pursuit of individualistic self-interest, market primordiality, and libertarian concerns, privileges dirigisme and individual incentive. Its prognosis is fundamentally market-focused, populated by agencies whose inspiration is organised around individualistic self-interest. If market is the primeval social institution, the ideas that (a) market may be non-existent or incomplete, (b) that state exists for other reasons than to handicap the welfare of

³ The attack was not one-sided though. King (2003) recently described the Austrians as a bunch of sectarian economists “insisting on adherence to all its beliefs.” He would rather prefer to have it more like a church “that shares many beliefs but differs on others”.

citizens, and (c) that there may be an efficient institution of resource allocation (depending on how we understand efficiency) all tend to fall outside the vision of the neoliberal adherents. The thesis of ‘rent-seeking’ and rent-seeking coalitions that gang up to capture that state and distort resource allocation may be instantly gratifying but it is precisely because the human agency that neoliberalism recognises is the one that is driven by the pursuit of self-interest. The idea that people in public office may aspire to and be driven by ideals other than serving their own interest is inconceivable to the neoliberal mind. It is therefore easy to showcase the Mobutu Sese Sekos but not focus on the Julius Nyereres. That the post-colonial state functionaries can combine nation-building ideals and self-interest is even more difficult to accommodate, yet Botswana is a clear example, much like the celebrated Asian Tigers. For the post-colonial autocracies, from Malawi to Guinea, social policy expenditure was understood not so much as safety-net but as integral to the developmental project. Universal access was not purely a parodying of the Fabian socialists; it was understood as essential for the nation-building project.

A comparative assessment of the achievement of the nationalist phase (1960 to 1980) and the neoliberal (post-1980) demonstrates that regardless of the indicators that we may choose the nationalist phase is more credible, development/growth-wise. The contention that African economies were autarkic also flies in the face of the evidence.

Figure 1: Comparative measure of openness of regional economies (Trade as % of GDP)



Source: World Bank’s *World Development Indicators*, 2002. No pre-1969 data for East Asia, and post-1999 for High-Income OECD countries (hence the aggregate for the World)

Contrary to the neoliberal narrative the share of trade in sub-Sahara Africa’s GDP was the highest of all the major regions of the world, from 1960 to 1992—when the East Asia and Pacific region overtook it: much higher than Latin America or the High Income OECD countries. The problem with Africa is not openness or a need for greater integration. It is the nature of its integration and the extent to which this makes the economies vulnerable to external shock (Adesina 2002d). A region/country’s share of global GDP or trade is not the same as its openness.

In conclusion, this section seeks to illustrate the extent to which the neoliberal paradigm constrains the lens with which it can understand or grapple with the multi-dimensional nature of the crisis

(cf. ECA 1989; Mkandawire and Soludo 1999). It is, however, the twinning of neoliberalism with corporate and imperial interests in the centres of global capitalism that provided the political muscle that converted a set of dubious economic propositions into the weapon of imperial project. It is this twinning that gives the prevailing neoliberal development tragedy in Africa its enduring legacy.

3. African and the making of a neoliberal development tragedy

This section explores the crisis in three parts. The first part is concerned with the emergence of the debt peonage in sub-Saharan Africa. This discussion moves from a regional profile to more detailed national-level cases of Nigeria and Ghana. The second part looks at the extent to which the development crisis has become quite pervasive—the persistence of donor dependency, declining terms of trade and current account and budget deficits. Both are effects and (continued) means of maintaining imperial control of not just the economies but the politics. It produces what Mkandawire (2002) referred to as “disempowered democracies”. The third part points to the implications of the two earlier parts for the growing crisis and persistence of poverty in the region.

3.1. From Debt Crisis to Peonage

At the heart of the crisis in the early 1980s (and much earlier for countries like Zambia) was the problem of the ability of several SSA countries to meet their external debt obligations. As noted earlier, a combination of declining external earning and sharp increase in interest rate had suddenly triggered the debt crisis. Table 1 below shows the regional debt profile between 1970 and 2000. Relevant to the discussion is the escalation in the debt crisis at the same time that the economies and the treasuries of nearly all the SSA countries were subjected to the most detailed oversight and control by the functionaries of the Bretton Woods Institutions.

Table 1: Summary of debt profile of Sub-Saharan Africa 1970-2000 (US\$ billion)

	1970	1980	1990	1999	2000
Total Debt Stock	..	60.6	176.9	216.4	206.1
<i>Long-term debt</i>	6.1	46.4	149.4	165.0	165.4
<i>Short-term debt</i>	..	11.2	20.9	44.3	34.0
Principal repayment	0.5	3.2	5.6	9.5	9.7
<i>Net transfer on debt</i>	..	6.6	1.7	-3.4	-6.4
Total Debt/XGS*(%)	..	65.2	209.4	210.8	180.2
Total Debt/GNP (%)	11.6	23.4	63.0	70.5	66.1
Total Debt Service/XGS (%)	..	7.2	12.9	13.9	12.8

Source: *Global Development Finance 2001* (World Bank 2001b) *: Export of goods and services

In 2000, 94.86% of long term debt, and 76.13% of the total debt stock of the SSA countries were public or publicly guaranteed (World Bank 2001a: 258)—roughly, the same figures as in 1980.

Table 2 provides a more detailed picture of selected countries, including Ghana, Mozambique and Uganda—three countries that at various times were considered the star pupils of the adjustment programme, and leadership committed to adjustment. Mozambique—which has recently been celebrated for its commitment to adjustment and its “success”—has seen a 105-fold increase in its external debt stock. A more focused analysis of national level impact of what has become debt peonage is better illustrated with the cases of Nigerian and Ghana—although the same applies to nearly all the other countries.

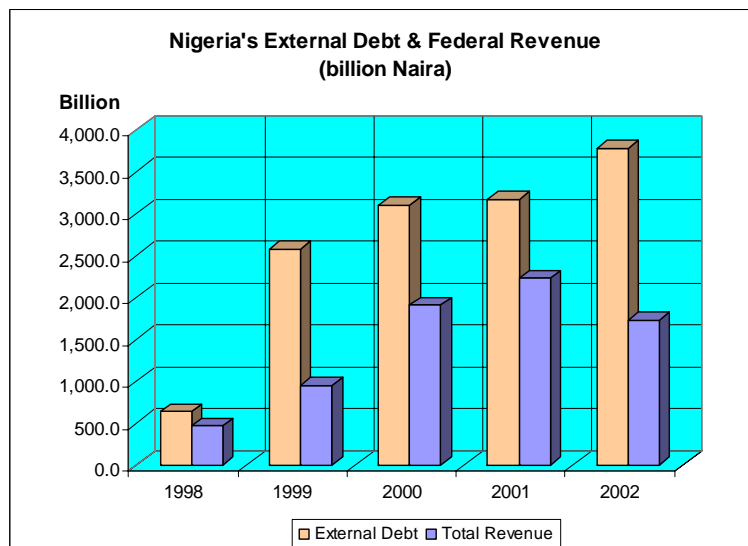
Table 2: External Debt of Selected Countries: 1980 to 2000 (current US\$ mill)

	1980	1985	1990	1995	2000	% Increase**
Cote d'Ivoire	7,462.40	9,659.00	17,251.10	18,898.50	12,138.00	62.66
Ghana	1,401.70	2,256.50	3,880.90	5,935.80	6,657.30	374.94
Kenya	3,386.80	4,181.30	7,058.10	7,412.40	6,294.90	85.87
Malawi	829.90	1,020.70	1,558.20	2,242.50	2,716.20	227.29
Mozambique*	67.50	2,870.50	4,649.70	7,458.40	7,135.40	10,470.96
Nigeria	8,921.40	18,643.30	33,438.90	34,092.50	34,134.30	282.61
Senegal	1,473.30	2,566.10	3,735.60	3,841.30	3,372.30	128.89
Tanzania	5,322.10	9,107.20	6,453.80	7,414.80	7,444.80	39.88
Uganda	688.90	1,231.90	2,582.90	3,572.50	3,408.50	394.77
Zambia	3,244.40	4,498.70	6,915.90	6,952.50	5,729.90	76.61
Zimbabwe	785.60	2,414.60	3,246.70	5,006.70	4,001.90	409.41

Source: 2002 World Development Indicators. *Start data for Mozambique is 1981. **1980 to 2000; Mozambique is 1981

The paradox of the debt overhang is quite striking in the Nigerian case. Of the total external debt stock of \$31 935 billion (i.e. 78% of GDP), 76.95% (\$24 573 billion) was classified as bilateral debt. Of the bilateral debt, 99.44% is owed to the Paris Club. More remarkably, \$21 589 billion (88.35%) of the amount owed to the Paris Club is made up of the consolidation of arrears, penalties or capitalised moratorium interest, rather than new loans taken by the country. In 1999 alone, interest payments accounted for 45.6% of the total federal budget, and 59.6% of the all recurrent spending. In 1998, the external debt service payment was US\$1.27 billion; in 2001, this payment rose to US\$2.128 billion (CBN 2003)⁴.

Figure 2: Nigeria's External Debt and Federal Revenue (Billion Naira)



In 1999, the federal government spent on interest payments 16½ times its total spending on health, and 8½ times its total spending on education. For 2002, the budget provision for debt servicing (a 'first call' budget item) was nearly 13 times more than total spending on health and almost eleven

⁴ Note that the reported debt stock is generally lower than the figures reported by the IMF and the World Bank.

times the spending on all tiers of education. By IMF estimation, Nigeria’s external debt situation will worsen even in the medium- to long-term. Under an assumption that debt will not be re-scheduled, it was expected that outstanding external debt would rise to 85% of GDP in 2003 (IMF 2001: 70). Even under its best scenario – the rescheduling of 67% of the net present value of the debt – the debt service will consume 18% of total export earnings. Nigeria can expect to face “a surge in debt service payments in 2005” and thereafter (IMF 2001: 72).

National level data from Nigeria’s central bank (CBN 2003) document the magnitude of the debt crisis and the beneficiaries of the debt service payments on external debt. Denominated in US dollar Nigeria’s external debt does not seem to have changed much in recent years: US\$28.77 billion in 1998 and US\$29.79 billion in 2002. However, the picture changes dramatically when the debt stock is denominated in the local currency (the naira): 633.02 billion *naira* in 1998; 3.78 trillion naira in 2002. Figure 2 shows the widening gap between the federal government earnings and the external debt stock.

Figure 3: Composition of External Debt Service Payment (1998)

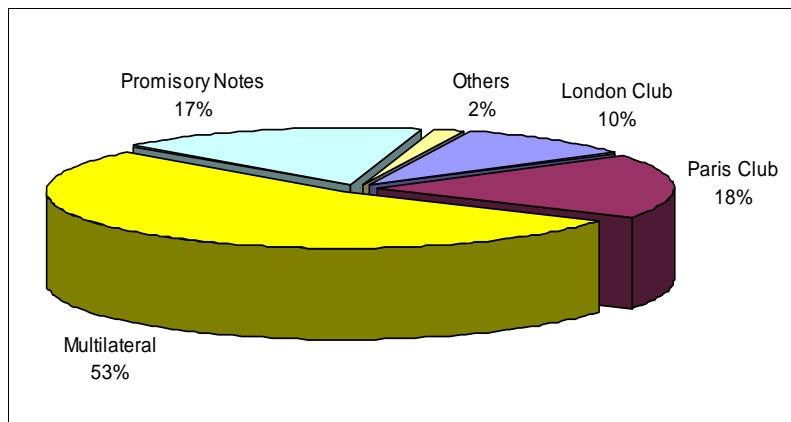
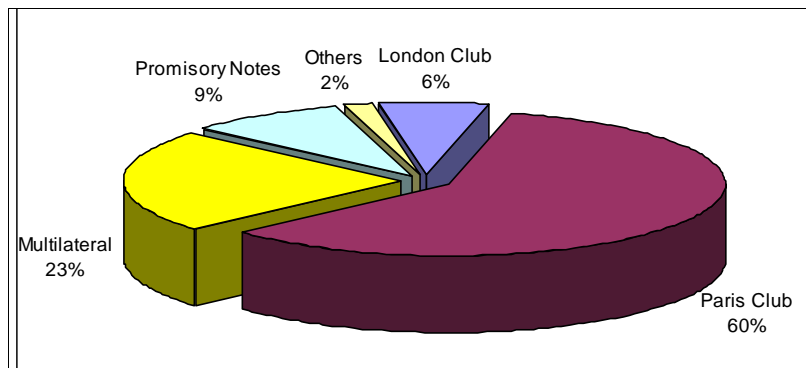


Figure 3 and Figure 4 show the dramatic shift in the structure of the beneficiaries from debt service payments. Between 1998 and 2001, the share of the Paris Club countries rose from 18% to 60%: from US\$229.05 million to US\$1,276.92 million! Yet this was the period when a fledgling democracy is grappling to take root after years of military dictatorship.

Figure 4: Composition of External Debt Service Payment (2001)



The unsustainable level of debt even in the acclaimed success stories of structural adjustment, such as Ghana, continues to defy the logic of what can reasonably be defined as a success story. Between 1996 and 2000, Ghana’s total debt escalated from a little over 120% of GDP to over 185% in 2000, before falling back slightly in 2001: the 40 percentage point escalation between 1999 and 2000 is accounted for by foreign debt. Ghana continues to experience a negative trade balance: \$1 246 million in 1999 and \$823 million in 2000 (IMF 2002: 31). Even by the rather optimistic projections of the

IMF staff, the trade deficit will remain between \$775 million and \$822 million well into 2005. This picture applies across a range of macro-economic indicators (IMF 2002). Two decades into the micro-management of Ghana's economic and social life, the economy remains tied to primary products as sources of export earnings: cocoa and gold account for 74.5% of export earnings. In 2000, cocoa prices were at a 27-year low, while the oil price (a major import) was \$30 per barrel (IMF 2001b: 8); in 2000, the same set of external shocks that plagued Ghana's economy in the 1960s and the 1970s remained.

The debt overhang remains a major drain on African economies and efforts to tackle the social sector crisis facing many African countries. The crises are themselves not separate from the enforcement of the liberalisation agenda of the Bretton Woods institutions and the debt crisis.

If foreign direct investment was to be the reward for macro-economic policies that are severely undercutting social development, evidence of the flow of foreign direct investment does not provide any room for optimism. Between 1995 and 2000, Africa's share of global FDI fell from 2% to 0.7% (Basu and Srinivasan 2002: 6). Much of this FDI was in the mineral extractive sector—petroleum and mining.

Much is made of 'debt relief' initiatives and 'poverty reduction' programmes. As Oxfam has noted:

Annual budget savings for most countries receiving HIPC debt relief would be modest. Some countries, including Senegal, Tanzania and Zambia, will emerge from the HIPC debt relief process in the perverse position of paying more in debt servicing. Debt payments will continue to absorb a disproportionately large share of government revenue, amounting to more than 15 per cent in six countries and to over 40 per cent in Zambia, Cameroon and Malawi. (cf. Cheru 2001: 15).

3.2. Permanent Disequilibrium: the macroeconomic aspects of control

The realisation that the first decade of implementation of the neoliberal "reform" programme in Africa was doing the opposite of its stated goal—overcoming the development crisis—spurred the United Nations Economic Commission for Africa (UNECA), under Adebayo Adedeji to raise alarm regarding the long-term damage to the continent. This was part of a broader agenda of producing an alternative programme. As the *African Alternative Framework* (UNECA 1989) document noted:

Sub-Saharan African countries implementing structural adjustment programmes experienced after adoption of SAPs; GDP growth decline from 2.7 per cent to 1.8 per cent; a decline in the investment/GDP ratio from 20.6 per cent to 17.1 per cent; a rise in budget deficit from -6.5 per cent to -7.5 per cent of GDP; and a rise in debt service/export earning ratio from 17.5 per cent to 23.4 per cent. [Also] there has been only a minor improvement in the current account/GDP ratio from -9.4 per cent to -6.5 per cent (UNECA 1989: 23).

As a group, the so-called "strong adjusting" countries did much worse than the "weak adjusting" countries or those that did not implement adjustment at all.⁵ While improvements can be recorded in the performance criteria established (by the IMF and the World Bank) for monitoring adjustment, the region would not get "any closer to the realization of the [its] critical development objectives". There might have been an improvement in export growth and the external balance position of some countries, but external dependence had deepened, and "other structural weaknesses and deficiencies of the African economies have intensified" (UNECA 1989: 22–25).

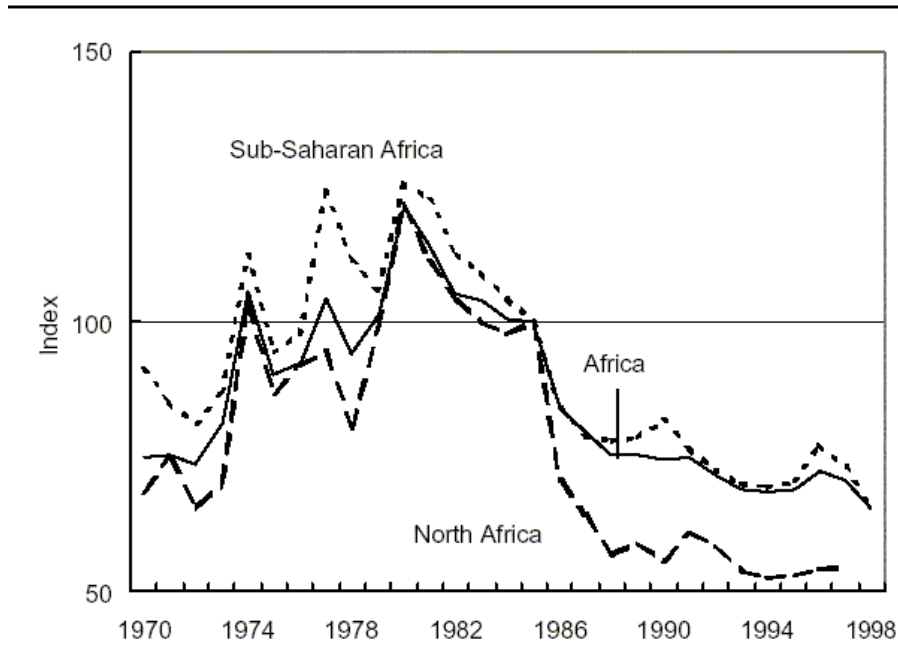
The impact of the stabilisation programmes of the IMF in many of the countries manifested in the contraction of the economy and a mounting social development crisis: in health, education, and social welfare. Increased liberalisation of the economies carries the added effect of weakening the capacity of the state to respond to the increased frequency and severity of financial crises globally

⁵ Between 1980 and 1987, the "strong adjusting" countries experienced a negative annual growth in GDP (-1.6%), against a positive growth of 1.2% for weak adjusting, and 3.1% for non-adjusting countries.

(Stiglitz 1998: 13). The perception that countries have to compete to produce policies that are ‘credible’ in the financial markets has put the deflationary bias at the heart of economic policy-making (Elson 2001: 9). Yet more African countries, with weakened resource bases, are being forced into a policy arena that makes them more vulnerable to the heightened instability in the global financial market.

The persistence of the very basis of the development crisis, especially the declining terms of trade is shown in Figure 5 below. The paradox is that the terms of trade losses are not some immutable economic laws but the direct result of trade policies pursued by the same OECD countries that form the creditors cartel to which SSA ‘owes’ US\$206.1 billion in 2000. In 1997, the estimated cost of the agricultural subsidies in the OECD countries was US\$470 billion or US\$1.287 billion a day.

Figure 5: Africa's Terms of Trade (1970-1998)



Source: UNCTAD: 2002

Some of the already weak and insufficient provisions on special differential treatment” that some of the African countries enjoyed under the Lome and generalised system of preference “have been eliminated... by the conditionalities imposed by Bretton Woods Institutions and creditors” (UNCTAD 2001: 42)! The elimination of the agricultural protection in the OECD countries would have meant an estimated gain for the SSA economies of US\$6 per capita or US\$3, 857.4 million, using the 1999 population figures.

Again, national-level figures for two new star pupils of neoliberal reform in Africa shows the extent of the normalisation of prevailing development crisis. We have highlighted Uganda and Mozambique not only because they represent cases in the BWIs shifting attempt to validate its paradigm but because, in spite of the difficulties within the countries there is little doubt that the leadership in both countries are deeply committed to the development of their countries. We are therefore not dealing with the usual suspects of profligate politicians or non-committed adjusters.

Figure 6: Uganda's Trade and Current Account Balance⁶

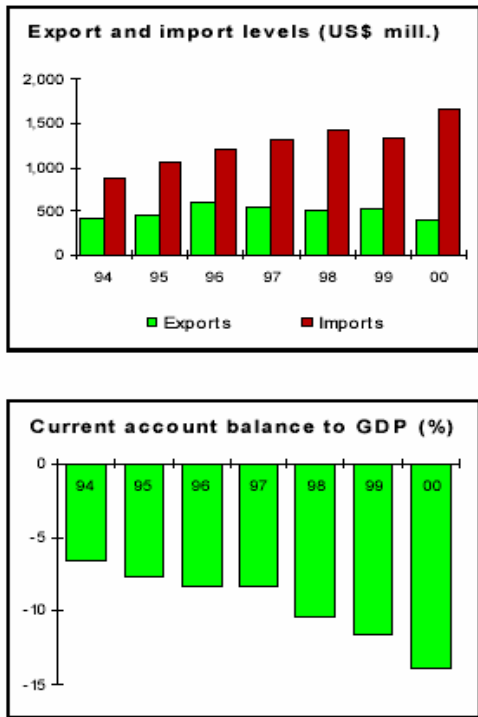
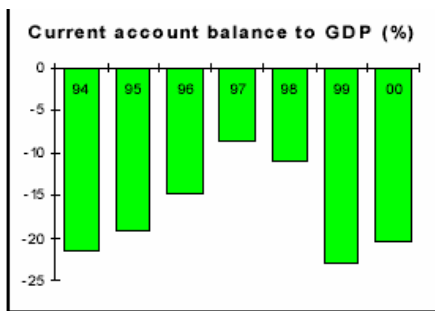


Figure 7: Mozambique's Current Account Balance



The result in both cases—as with several other countries—is that donor dependency has grown at the precise period that. For instance, in 1999 Uganda was dependent on aid for 54.4% of its central government expenditure; in 2000 the figure was 76.83%. Table 3 shows the trend from 1980 to 2000 for Ghana, Mozambique and Uganda. The inverted U shape of the trend is particularly interesting in understanding the politics of adjustment-related aid inflow. Given the different stages in which the three countries ascended to the neoliberal reform, the fact that aid as a proportion of gross national income was higher in 2000 than in 1980 is instructive. Behind the figures are specific national stories that need not delay us here—Eboe Hutchful’s (2002) account of Ghana makes for compelling reading.

Behind the story of persistent current account deficit and donor dependency is the story of just how wrong the neoliberal prognosis was—both in its disregard for the structural aspects of Africa’s vulnerability to external shock and its recovery. The 1993 report (Easterly *et.al.* 1993) acknowledged that economic performance varies over time even when governments pursue similar policies. In an extension of this argument, Easterly (2001) pointed out that the so-called good policies are “subject to decreasing returns: when pursued beyond a certain point by a particular country, or pursued simultaneously by a growing number of countries, they cease to yield ‘good results’”. As Arrighi (2002: 32)

⁶ Figure 6 and Figure 7—Source: 2002 World Development Indicators.

notes, “there exist no policies that are in themselves ‘good’ or ‘bad’ across time and space. What is good in one region may be bad in a different region at the same time, or in the same region at a different time.” Second, and more significantly, “worldwide factors like the increase in world interest rates, the increased debt burden of developing countries, the growth slowdown in the industrial world, and skill-biased technical change may have contributed to the developing countries’ stagnation” (Easterly 2001: 151–155).

Table 3: Aid Dependency of 3 Adjustment Compliant SSA Countries

Years	Ghana		Mozambique		Uganda	
	Aid % GCF	Aid % GNI	Aid % GCF	Aid % GNI	Aid % GCF	Aid % GNI
1980	76.66	4.33	80.80	4.76	148.25	9.16
1981	75.23	3.45	67.97	4.07	181.00	13.75
1982	103.56	3.51	95.42	5.78	67.09	8.21
1983	72.15	2.73	122.13	6.58	82.57	8.22
1984	70.79	4.92	132.01	7.80	55.71	4.60
1985	45.45	4.43	150.18	6.89	58.60	5.20
1986	67.16	6.43	161.94	8.32	57.99	4.95
1987	77.99	8.37	235.90	30.54	49.15	4.81
1988	98.38	11.40	289.95	46.45	56.58	6.16
1989	103.50	13.98	238.74	38.47	77.30	8.72
1990	66.17	9.74	261.11	43.20	122.16	15.80
1991	84.10	13.60	272.35	46.61	132.02	20.39
1992	74.59	9.71	505.87	87.06	159.18	26.17
1993	46.58	10.54	467.22	65.03	124.18	19.22
1994	42.06	10.29	278.14	60.48	128.15	19.11
1995	50.34	10.29	201.62	49.90	88.32	14.65
1996	32.22	9.60	149.43	33.22	69.58	11.26
1997	28.93	7.32	149.59	29.46	80.45	12.95
1998	40.65	9.59	115.66	28.39	63.67	9.56
1999	37.33	8.01	63.29	21.30	56.15	9.24
2000	49.54	12.10	69.31	24.85	73.00	13.31

Source: 2002 World Development Indicators.

GCF: Gross Capital Formation. GNI: Gross National Income

A study on responsiveness to trade reforms by Ghani and Jayarajah (1995) compares Ghana’s performance with various other countries. The authors concluded that the difference in performance between Ghana, Indonesia (another “intensive trade adjuster”) and Turkey was structural: countries with “well-functioning markets”, “a diversified production structure”, and a strong human resource base benefit more from trade reforms. In Ghana’s case, its “share of manufactured export in GDP did not change substantially after trade reform.” As noted earlier, in 2000, and seventeen years into an intensive adjustment programme, Ghana’s economy remained tied to primary commodity exports, and the same set of external shocks that plagued it before 1983 persist. The apparent disappearance of the budgetary and current account crisis of 1982 is simply that: apparent. For a period, Ghana depended on external aid for between 72% and 98% of its central government expenditure (World Bank 2002).

Even so—and to return to the epistemic issues raised in Section 2 above—the concessions to structuralist analysis in any of these studies did not vitiate the neoliberal premise of their discourse.

Even if we get the sequencing right, as Stiglitz (2002) persistently set as the premise of his contention with the IMF economists, the self-interested agents and ‘well-functioning markets’ are foundational to the intellectual and policy project. The implications can be illustrated with the mode of actualising the neoliberal concession to poverty reduction as a policy objective.

3.3. Impoverishment and Development Tragedy

There is little doubt that in the period when neoliberalism promised that unleashing market forces will produce prosperity, the number of the poor in sub-Saharan Africa has skyrocketed. The 2000/2001 *World Development Report* on global poverty put the total number of people in sub-Saharan Africa living below the World Bank’s \$1 per day⁷ at 290.9 million in 1998 (World Bank 2001a: 23). Measured against the 1987 figure, 73.7 million more people in the region dropped below this poverty line in eleven years. While there was a global increase in the number of people living in poverty in the reference period, a greater proportion of people in sub-Saharan Africa were living in poverty than anywhere else in the world (World Bank 2001a). One may quarrel with the estimation technique used in the report, however, the region’s association with poverty and characterisation as a development wasteland is dominant. Even so, the link between the macroeconomic objective of the neoliberal project and the massive impoverishment on the continent is one that continues to elude the libertarians. Indeed that the attempt to create the market in services such as education, health, water and sanitation is a fundamental cause of the poverty that “has become the preoccupation” of the Bank and the Fund. Two cases will suffice: Ghana and Malawi.

The contradiction between neoliberal macroeconomic objective and poverty reduction objectives is illustrated by the privatisation of water in Ghana. Two conditions were set in 2001/2002 for the release of new tranches under the HIPC initiative: “full cost recovery in the public utilities [and] automatic tariff adjustment formulae for electricity and water” (IMF 2002: para.22). The Fund argued that this “pricing reform is necessary to safeguard macroeconomic stability, and hence the authorities have agreed that its implementation should be a condition for completion of the fifth review” under the PRGF initiative (IMF 2002: para.22). An initial increase in water tariff from 400 *cedis* to 800 *cedis* was implemented in May 2001. It is estimated that tariff will escalate by another 300 per cent under the 2002 conditionality of the BWIs.⁸ This, in a country where over 60% of the population earn less than US\$1 a day, 68% lack sanitation services, and 35% lack access to safe water.⁹

The conditionality of full cost recovery and automatic adjustment in tariff protects international capital at the expense of ordinary Ghanaians—the same poor that the PRSP/PRGF and HIPC were supposed to be concerned with.¹⁰ Under the terms of the privatisation framework the Government of Ghana would still have to raise an estimated US\$500 million for upgrading the water infrastructure! The demand for privatisation of water delivery services is not only from the BWIs. The UK Department for International Development (DfID) made privatisation a condition for releasing a grant of £10 million to the Government of Ghana (Christian Aid 2002: 2).

As the “Coalition Against Privatisation” argued, the privatisation of water services is not in the national interest of Ghana, much less the poor.¹¹ It is “the result of very deft political manoeuvrings by a consortium of donor countries committed to promoting the interests of their own corporate citizens.” A public monopoly is being converted into a private monopoly under the control of European transnational water companies. The term “imperialism,” like “class,” does not seem fashionable any more—even among the old left, but it is difficult to think of a more apt description.

⁷ This is the Bank’s norm for defining the core poor.

⁸ “Ghanaians contest Bank-backed water privatisation”, <http://www.brettonwoodsproject.org/topic/private-sector/p2701ghanawater.html>.

⁹ “Ghana Water Privatization: Update” (March 14, 2002). <http://www.africaaction.org/docs02/wat0203.htm>.

¹⁰ All the eight transnational corporation bidding for Ghana’s water infrastructure were European: four French, two British, one Dutch, and one Swedish (ISODEC, nd).

¹¹ “Ghanaians contest...”, *op.cit.*

As part of the conditionalities for the IMF/World Bank supported programmes in Malawi from 1998 to 2000, both institutions demanded that the state-run agricultural marketing board (ADMARC) had to be dismantled as its operations “distorted prices and other market signals and impeded the development of the market” (IMF 2002b). In its place, the government was required to provide “targeted food supplies to the poor”. The government of Malawi evaded the demand until 2000 when the IMF used a food security study paid for by the European Commission (EC) to leverage its insistence that the Malawi government reduced its maize buffer stock by two-thirds. “Instead of a physical buffer, the study recommended the buildup of international reserves to finance any maize imports needed to prevent food shortages” (IMF 2002b). As Oxfam (2002) noted, over a 15 year period of adjustment, “all subsidies for fertilizer and other agricultural inputs... a highly successful distribution of... free seeds and fertilisers to 2.8 million farmers was scaled back over several years on the advice of donors.” The combination of exchange rate liberalisation, which sharply increased cost to farmers, and the cut back led to a drop in food production. The use of the EC report to rein-in the government of Malawi eventually led to the sell-off of the grain reserve. A few months later the cyclical drought—that necessitated the buffer stock in the first instance—set in. The result was that food shortage turned to famine. The paradox for the Sen-thesis on democracy and famine is that twenty-five years of dictatorship had the commonsense to provide for periods of drought for ordinary farmers and its citizens. The misplaced ideological mindset to create markets and propel the Malawi “peasants” to understand price signals and prosper by exercising the profit motive created a humanitarian disaster under a democracy. A gang up by neoliberal ideologues in Brussels and Washington had the effect of disempowering a democracy and facilitating a humanitarian disaster. In the face of this humanitarian crisis, the IMF maintained that “both the staffs of the European Commission and the World Bank have reaffirmed that the recommendations of the government-commissioned study of 2000, including on the size of the maize buffer-stock, were sound and valid” (IMF 2002b). A paradigm that started with scant regard for historical specificity can, in total oblivion to the consequences of its own action, wrap itself in its ideological toga or ‘sound and valid’ advice!

4. Beyond Development Tragedy

Central to understanding the neoliberal development tragedy of the last two decades in Africa, I have argued, is its ontology and epistemic framework. The invention of individualistic pursuit of self-interest and market as the primeval arena of interaction supplied the intellectual underpinning of an imperialist project. Much of the debate within mainstream economics (and its political and sociological associated)¹² have focused on massaging the protective belt of these core aspects of the paradigm. The impact on politics and sociational life on the continent has been profound. The adjustment of African politics (Adesina 2002c) I have argued has produced a dominant politics of petty bourgeois class in full flight to realise its bourgeois potentials. The fracturing of civic rights from socio-economic rights has come to dominate the political discourse of new ‘democracies.’ As Thandika Mkandawire observed, the new democracies have turned out to be far more orthodox than the older democracies like Botswana and Mauritius.¹³ They have also engendered “disempowered democracies” (Mkandawire 2002). Within the civil society, this refraction of dominant politics has produced similar tendency and the perception that alternatives must be sought in accommodation with the neoliberal project. The development of another fraction with a post-modern mindset (Adesina 2002c) that withdraws into ‘local’ arena of politics and exhibits truculent hostility to the State represents unintended acquiescence with the libertarian tendencies of neoliberalism. It is a postmodern mindset that manifests in activism that rejects the state as the object (and target) of popular struggles—and these are apart from those with a self-consciously anarchist flair.

Apart from the Eurocentric framework within which it operates, the neoliberal premise of immanence of self-interest is at best a fragment of a much bigger picture. Even in the most capitalist of human context, human institutions and behaviour cannot be explained through the Austrian lens. Al-

¹² See Simon Clarke’s excellent survey of the link between Marginalist Economics and Weber’s sociology (*Marx Marginalism and Modern Sociology*, 1982. London: Macmillan.

¹³ Personal communication.

truism may in fact explain more than self-interest; and Game Theoretic attempt to explain cooperation only through the refractive lens of self-interest, misses the plot. Institutions do not only constrain; they are constitutive of the normative framework within which we operate (Chang 2001). The structure/agency interaction that is so salient to human society (and Structuration theory in Sociology) provides us with too much of diverse social relations to privilege possessive individualism or the market price-takers.

The account of the nationalist project and era that the counterrevolution propagated is also much less than wholesome—often it was about being economical with the truth; a project driven by anti-state fervour that has since affirmed itself as the thin end of an imperialist wedge. The premise for transcending the development tragedy of the last two decades will revolve around a number of issues. First is affirming the diversity of human experience. Second, is affirming the salience of the collectivist project in contexts like Africa. The idea that you can turn citizens into price takers who source their needs through market-based relations has turned out to be foolhardy in the extreme. Public provisioning of a range of services on a non-commodity basis remains the most efficient way to reduce poverty, and raise productive capacity. The consequence of undermining social citizenship is the horrendous poverty and social implosion that we have witnessed in the last 2 decades. State-citizens relationship is based on reciprocity of a network of obligations and rights (and this is not the same as possessive individualism). Rolling back the state fractures the citizen/state relationship and bonds.

Third (and to extend the argument), there is the need to displace the narrow ideological mindset that asks everyone to take care of themselves and let the devil take the hind-leg. The neoliberal ideological project has had the effect of making victims of those who were victims of earlier patterns of power and advantage—with consequence of reinforcing disadvantage—gendered, nationality and class. Finally, it is essential to transcend the instinctive anti-statism that has become so prevalent in many civil society organisations. Even with the much vaunted demise of the state (under the force of corporate globalisation), states remain key agencies in the global arena. In Africa, perhaps more than elsewhere, we internalise the anti-state mindset at our own peril.

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