Africa's Third Liberation: The New Search for Prosperity and Jobs
Greg Mills and Jeffrey Herbst
Johannesburg, South Africa: Penguin Books, 2012, 248 pp.

The new millennium has been good to Africa. Its economy grew at an average annual rate of 4.9 percent between 2000 and 2008. Then came the financial crisis and growth dipped to 2 percent. Since 2009, the International Monetary Fund estimates growth has averaged 5.4 percent. Between 2001 and 2010, six out of the ten fastest growing economies were in Africa. This trend, the Fund predicts, will continue.

What was the impact of growth on the lives of ordinary Africans? "After steadily increasing from 51 percent in 1981 to 58 percent in 1999," the World Bank has recently found, "The extreme poverty rate fell 10 percentage points in . . . [sub-Saharan Africa] between 1999 and 2010 and is now at 48 percent—an impressive 17 percent decline in one decade." That reduction in poverty is especially encouraging considering that the population of Africa rose from 375 million in 1980 to 823 million in 2010.

Contrary to some commentators, Africa's fortunes improved less because of high commodity prices and more because of the slow but steady spread of capitalism. Resources accounted for only about a third of Africa's newfound growth, according to the McKinsey report "What's Driving Africa's Growth?" Internal structural changes accounted for the rest, including reduction of inflation, foreign debt, budget deficits, taxes, and trade barriers, and improvements of the business and legal environments.

Africa's Third Liberation: the New Search for Prosperity and Jobs is a much-needed and unapologetic call for further structural reforms in sub-Saharan Africa. As Greg Mills and Jeffrey Herbst acknowledge, the environment for African economic development has been slowly improving. For example, both political freedom as measured by the Freedom House and economic freedom as measured by the Fraser Institute rose since the end of the Cold War.

Overall, however, African political and economic elites lack a comprehensive commitment to development. As the authors write, "If Africa's first liberation was from colonial and racist government, and the second from its liberators, the third is the change in focus of politics itself. Concentrating on economic development to the exclusion of much else is required." Too often, African elites "revert to populism, patronage and economic nationalism rather than venturing reforms that will expand the economy."

Faced with the haphazard nature of African reforms, the authors traversed the developing world—from Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica in Central America, to Dubai and Abu Dhabi in the Middle East, and Malaysia, Philippines, Vietnam, and Bangladesh in Asia—in search of lessons applicable to Africa. What did they find?

In the Middle East, Mills and Herbst found remarkable openness to immigration or "appetite to import skills and good, efficient management where this cannot be found locally." In Africa, as growing anti-Chinese sentiment in Zambia shows, foreign workers tend to evoke suspicion, fear, and resentment. From the expulsion of Asians from Uganda to expropriation of white farmers in Zimbabwe, Africa has had a troublesome experience with nationalism.

Remarkably, African elites tend to be skeptical about the continent's ability to compete globally. That is not so in other parts of the developing world. "In contrast to the pessimism about export diversification commonly found in Africa," Central American "countries have all broken into new international products and markets, reducing their dependence on commodities and setting the stage for new elites to emerge with independent power bases." Clearly, African governments have much to learn.

Additionally, some of the intellectual elite have a deep suspicion of capitalism. They are wedded to the spurious Leninist doctrine that links capitalism and imperialism, continuing to see capitalism as a Trojan horse for Euro-American domination. Hooked on monopolistic rents, part of the African business elite worries about creative destruction unleashed by market liberalization. And so, in spite of the recent bout of liberalization, Africa's integration into the world economy remains far from complete.

Africa's road to capitalism will be long and uneven. Free markets will not be "imposed" on Africa by international organizations like the International Monetary Fund and the World Bank. Rather, they will be gradually embraced by governments that realize that Africa cannot become prosperous by relying on foreign aid. As the authors write, "The long-term answer to Africa's development challenge is for leaders to make a profound commitment to economic growth as their highest priority by reforming institutions and by making and adhering to a set of policy choices that encourage private sector expansion."

There is little to object to in Mills and Herbst's book. Still, in places, the authors appear to be too sanguine about African governments' ability to spur growth through, for example, education and infrastructure. As James Tooley's research shows, private education produces better results among Africa's poor than public education. As for infrastructure, Africa is littered with empty airports and disused railways that were built with little economic justification. Good infrastructure is a byproduct, not a prerequisite, of economic development.

Thankfully, the authors make it abundantly clear that African governments ought to focus on reforming policies and institutions, and that state-led development, such as the kind currently tried in South Africa, is likely to lead to disaster. Let's hope that African rulers listen to Mills and Herbst's excellent advice.

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