



The CAGE-Chatham House Series, No. 5, February 2013

Africa's Growth Prospects in a European Mirror: A Historical Perspective

Stephen Broadberry and Leigh Gardner

Summary points

- The relatively rapid growth rates achieved by many African countries in the last decade have raised hopes that the continent is finally on a path to economic convergence with Asia and Latin America, but history suggests that such optimism could be misplaced.
- Previous periods of rapid growth across Africa have often been followed by phases of economic decline which have erased many of the gains countries have achieved in per capita income. The continent's transition to modern economic growth will thus require a break in the boom-and-bust pattern which has characterized its economic performance during much of the 20th century.
- European experience since the Middle Ages suggests that the pattern of growth based on increasing demand for export staples, followed by economic reversals, has often resulted in limited overall gains in per capita income. This pattern was only broken following the introduction of significant institutional change.
- Placing Africa's recent economic performance in a wider historical perspective highlights the fact that the continent's level of per capita income is comparable to pre-industrial Europe and that the institutional changes needed to ensure sustained economic growth have yet to take place. Growth reversals remain a serious threat to Africa's future prosperity, and therefore it is incumbent on policy-makers to focus a great deal more on the introduction of measures that can encourage the development of a robust civil society.

Introduction

African countries have achieved impressive rates of economic growth since the mid-1990s, second only to those of East Asia. This has led to considerable debate about whether or not this improved economic performance can be sustained. For example, a December 2011 leader in *The Economist* argued that 'after decades of slow growth, Africa has a real chance to follow in Asia's footsteps'.¹ Indeed, optimists point not only to a boom caused by high prices for primary commodities, but also to improved macroeconomic policies, democratization and the transformation of industrial and service firms by information and communications technologies (Radelet 2010). However, more sceptical commentators single out continued political instability, corruption and weaknesses in transport and energy infrastructure (Kalema 2011; Arbache and Page 2009).

Both optimists and pessimists have looked back to the period of rapid growth following the end of the Second World War and Africa's subsequent reversal in the 1970s. Observers who view the continent's economic growth more favourably have argued that this reversal resulted from the challenges of decolonization and that conditions today are different, while sceptics have argued that the export-led growth of the current boom is similar to that of the 1950s and 1960s.

A longer view of Africa's economic history, however, suggests that periods of rapid growth, followed by reversals, have characterized African economic performance for several centuries (Jerven 2010). These reversals have limited long-run improvements in per capita income. Both the periods of growth and the reversals have been driven by changes in the external demand for primary commodities.

Recent research reconstructing GDP per capita figures for Europe from the 13th century illustrates that European history exhibited the same pattern before the mid-19th century. The success or failure of export commodities, particularly wool, stimulated both periods of rapid growth as well as periods of negative growth. This research also suggests that levels of per capita income in pre-industrial Europe were substantially higher than previously thought, so that the medieval period should be seen as the starting point in the road to sustained growth, rather than as the

embodiment of general backwardness. The first transition to modern economic growth occurred in the North Sea area. The success of this transition was the result of institutional change which allowed the North Sea economies to escape the pattern of growth reversals.

This is not the first paper to make a comparison between African economic development in the recent past and pre-industrial European development. However, previous studies have been limited to a qualitative approach (Bates 2010; Fenoaltea 1999). This paper offers the first empirical comparison of Africa's growth patterns since 1950 with historical patterns in pre-industrial Europe. This comparison suggests a somewhat less optimistic scenario for the African continent, for two key reasons. First, it implies that the institutional changes necessary to eliminate growth reversals have not taken place in most African countries, where per capita income levels today are at the same level as pre-industrial Europe. Second, it shows that the pattern of growth followed by reversals can persist for very long periods of time, with no inevitable transition to modern economic growth.

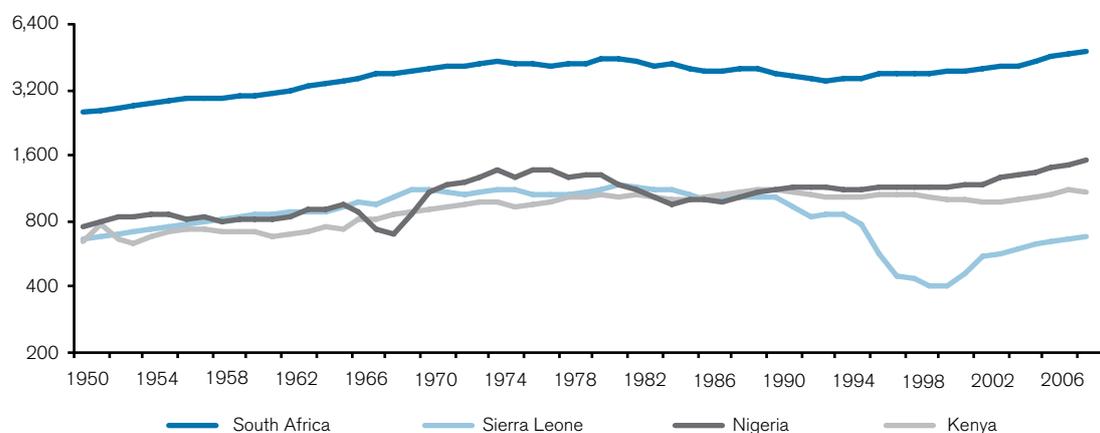
What has been the pattern of economic growth in Africa since 1950?

Recent research in African economic history has revised the narrative of unrelenting failure that characterized studies of African economies in the 1990s. A good example is the 'Africa dummy' literature inspired by Barro (1991), which sought to explain why African countries seemed to have lower-than-expected rates of growth between 1960 and 1990. Further detailed research into African economic performance during that period confirms it is a story not of persistent failure, but rather of periods of growth, followed by reversals which often erase any gains that were made during the growth spurt (Jerven 2010).

Since 1950 most African countries have followed a general pattern of growth and reversal. Two decades of relatively rapid growth from 1950 ended with the oil crisis of the 1970s, and were followed by stagnation or negative growth in the 1980s and 1990s. In most countries, the recent revival of growth began in the late 1990s, offsetting some of the decline of the previous two decades (Ndulu and O'Connell 2008).

¹ 'Africa rising', *The Economist*, 3 December 2011.

Figure 1: GDP per capita in South Africa, Nigeria, Kenya and Sierra Leone, 1950–2008
(1990 international dollars, log scale)



Source: Derived from Maddison (2010).

However, the growth patterns of African countries also reflect the diversity of the continent as a whole. Figure 1 provides GDP per capita data for four African countries (Kenya, Nigeria, Sierra Leone and South Africa) from 1950 through to 2008. It illustrates substantial differences between these countries both at their starting point in 1950 and in their subsequent experiences. Indeed, different resource endowments and the unique political histories of each country have resulted in different growth paths, although none have achieved sustained economic growth.

Figure 1 reports GDP per capita figures in 1990 international dollars, which is the standard method for making comparisons of economic performance across both space and time (Maddison 1995; 2010). Economic historians have often used GDP per capital levels in constant international dollars to draw lessons from comparing economies at similar stages of development but at different points in time (Chenery and Syrquin 1975; Crafts 1984). For each country, GDP is measured in local currency but converted to constant price terms by correcting for price changes over time with a 1990 base year. The conversion to a common currency involves a comparison of local prices in 1990 with dollar prices in the same year, and a weighting scheme based on international rather than just US patterns of consumption. In 1990, the World Bank poverty level for an individual was a dollar per day, or \$365 per year;

so the minimum or 'bare bones subsistence' level of GDP per capita in 1990 international dollars is usually taken as \$400, since even the poorest economies have a small elite with much higher levels of income.

The wealthiest country, in both 1950 and 2008, was **South Africa**, which became the continent's economic leader following the mineral discoveries of the 19th century. Its per capita GDP in 1950 was \$2,591, substantially higher than that of the other three countries (see Figure 1). Foreign investment and public revenue generated by the gold mines enabled the South African government to pursue an aggressive strategy of state-led industrialization in the 1920s, and since then it has been the most industrialized economy in sub-Saharan Africa (Feinstein 2005). Manufacturing outpaced mining and agriculture as South Africa's leading industry by the 1970s, and later in that decade its GDP per capita peaked at \$4,480, a level only regained in 2006. During the 1980s increasing political instability resulting from protests against the repressive apartheid regime, combined with a falling gold price, led to a period of economic contraction, only reversed with the introduction of majority rule in 1994 (Fedderke and Simkins 2012).

Post-independence political conflict also resulted in several growth reversals in **Nigeria**. In 1958 the World Bank claimed that Nigeria's prospects for growth based on its agricultural exports (including palm oil, cocoa, groundnuts,

cotton and rubber) were good, but that they depended on 'Nigerians' success in eliminating tribal or regional antagonisms and maintaining reasonably high standards in public administration' (World Bank 1958). The Biafran war of the late 1960s reversed earlier gains, and GDP per capita fell to below its 1950 level (Iyoha and Orioaki 2008). The oil boom of the 1970s led once again to positive growth, but oil revenue had little lasting impact on per capita GDP, which declined in the 1980s and remained stagnant throughout the 1990s (Collier and Gunning 2008). Since 2000, oil production and expansion in agriculture and services have led to a period of renewed economic growth, but the country remains overwhelmingly dependent on its energy sector.

Kenya's economic performance since 1950 has been less volatile than that of the other three countries, but it shares many of their features. Its economic success in the 1950s and 1960s was due largely to agricultural exports, but Kenya also benefited from its dominant position in East Africa. However, mismanagement of revenue earned in the coffee boom of the 1970s along with the increasing use of state funds for political patronage led to a poor economic performance during much of the 1980s (Mwega and Ndung'u 2008). A brief recovery in the late 1980s came to an end with outbreaks of ethnic violence in the aftermath of highly contested national elections in 1992 and 1997 (Elscher 2010). This was compounded by

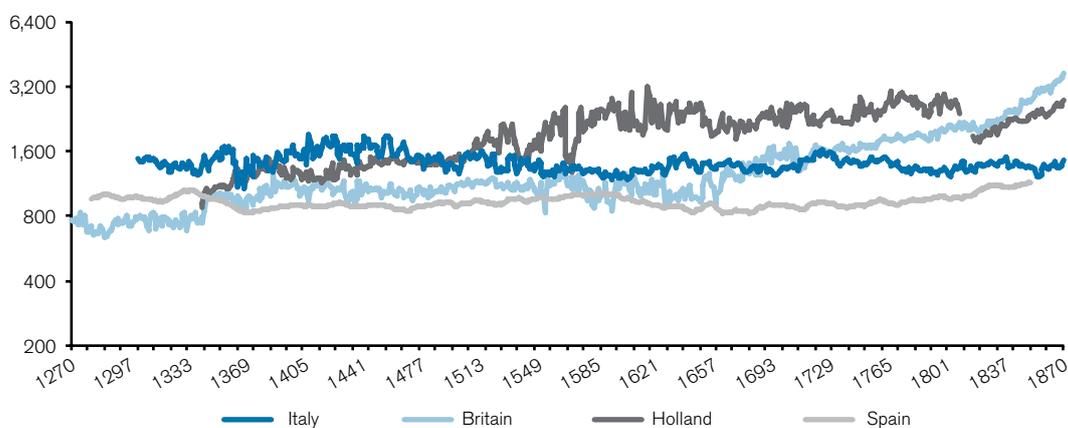
droughts and high oil prices as a result of the Gulf war (Mwega and Ndung'u 2008).

By far the poorest of the four countries in 2008 was **Sierra Leone**, which enjoyed favourable prospects in 1950 owing to its mineral wealth (Herbst 2000; Clapham 1976). While it kept pace with the other countries in Figure 1 until the early 1970s, the transition to an increasingly repressive one-party state in 1973 resulted in stagnating per capita GDP of around \$1,100 a year during the 1980s. The major decline came with the outbreak of one of Africa's deadliest civil wars in 1991 (Reno 1998). Although there has been a recovery since the official end of the war in 2002, per capita GDP in 2008 remained no higher than in 1950.

Are there parallels in Europe's economic history?

New estimates of national income per head in four major European countries (Great Britain, Holland, Italy and Spain) between the 13th century and the mid-19th century also suggest a pattern of periods of economic growth followed by reversals. This underscores the fact that low standards of living in pre-industrial economies are due not to persistent failure, but rather to inconsistency, so that the fruits of short-run success are quickly lost. This general pattern of long-term stagnation with alternating periods of growth and decline is well illustrated by the cases of Italy and Spain in Figure 2.

Figure 2: Real GDP per capita in Italy, Spain, Britain and Holland, 1270–1870 (1990 international dollars, log scale)



Sources: Malanima (2011); Álvarez-Nogal and Prados de la Escosura (2013); Broadberry et al. (2012).

However, in the cases of Britain and Holland, Figure 2 also highlights how a small part of Europe, in the North Sea area, broke the mould and made the transition to modern economic growth. This resulted in a reversal of fortunes between the North Sea area and Mediterranean Europe, known as the 'Little Divergence'. Whereas Italy and Spain had higher levels of per capita income than Britain and Holland in the early 14th century, the latter were clearly ahead of Italy and Spain by the 19th century. The first growth spurt in Britain and Holland occurred following the Black Death and subsequent outbreaks of plague from the mid-14th century, after which per capita incomes remained on a plateau rather than returning to their pre-1348 level. A second wave of growth followed, led by Holland during its Golden Age (1500–1650), and then by Britain from the mid-17th century. It should be noted that the apparent growth reversal in Holland in the early 19th century is the result of a break in the territorial basis of the estimates, with the pre-1807 data referring to Holland, the richest part of the Netherlands, and the post-1807 data covering the whole of the Netherlands.

How did Europe make the transition to modern economic growth?

The transition to modern economic growth occurred first in Great Britain during the Industrial Revolution and then spread quickly to other countries in northern Europe with similar institutional frameworks. Europe's transition to modern economic growth is thus tied to the Little Divergence between northern Europe and the rest of the continent. Insights from the new institutional economic history suggest that this transition depends on balancing constraints on the executive with the building of state capacity (Acemoglu et al. 2005; Epstein 2000).

The Glorious Revolution of 1688, with its balance of power between parliament and the monarch, is seen by new institutional economic historians as playing an important role in Great Britain. By confirming the supremacy of parliament, it placed effective constraints on the executive powers of the monarch, as North and Weingast (1989) and Acemoglu et al. (2005) make clear. At the same time, by giving legitimacy to the tax-raising powers of parliament, it also permitted the

growth of state capacity and a unified domestic market, as stressed in Epstein (2000) and O'Brien (2011), who point to the centralization of state power and the rise of the 'fiscal state'. However, it is important to realize that this was just one stage in a process of institutional development, and that the effects were not felt overnight. Although trust and security of property rights can be destroyed very quickly, developing them can take a great deal of time.

One interpretation of the framework proposed by North et al. (2009) is that it recognizes the need both for constraints on the executive and for increasing state capacity. It does this by moving away from the treatment of the state as a single actor to be controlled or enabled, and instead proposes the existence of two major 'social orders' – open access and limited access. North et al. define a 'social order' as the way in which societies organize to limit violence, and they see wealthy democracies as having open access social orders, in which states have a monopoly on violence. Rights are impersonal and belong to everyone equally. States in open access orders are constrained by highly developed civil societies, comprised of a range of organizations independent of the state.

Open access societies have fulfilled what North et al. (2009) refer to as the 'doorstep conditions': rule of law for elites; perpetually-lived forms of public and private elite organizations, including the state itself; and consolidated political control over the military. Meeting these conditions supports the expansion of impersonal relations in exchange, and the extension of rights to all citizens. This distinguishes open access from limited access orders in which the state depends for its survival on the support of coalitions of elites, and rights and opportunities depend on personal relationships.

North et al. identify three different gradations of limited access order: fragile, basic and mature. In a fragile limited access order, membership of the dominant coalition is fluid and unstable, and subject to considerable variation due to both economic and political shocks. Patron–client networks are particularly dominant, and the distribution of economic resources is a key to maintaining the support of the 'fragile' coalition. Basic limited access orders contain coalitions that are more stable, as well as durable institutions, such as state bureaucracies. However, few organizations exist outside the state sphere, the state is

merely 'durable' rather than permanent, and is still vulnerable to changes in the dominant coalition. In a mature limited access order, the dominant coalition is sufficiently stable for durable organizations outside the state sphere to begin to form, and well-developed systems of public and private law have become established.

North et al. attribute Europe's transition to modern economic growth to the emergence of open access social orders, which are less prone to growth reversals. Subsequent research has demonstrated empirically a link between open access orders and a dampening of growth reversals (Cuberes and Jerzmanowski 2009; Kishtainy 2011). Institutional changes allowed for sustained structural change in European economies, with the emergence of large and growing specialized industrial and service sectors. Growth therefore became much less dependent on staple commodities that were vulnerable to periodic growth reversals, and instead began to be spread across a much wider range of activities.

What are the remaining institutional obstacles to sustained economic growth in Africa?

Jerven (2010) identifies two generations of literature on African economic growth since the 1960s. The first explained Africa's disappointing economic performance by focusing largely on the policies pursued by African governments after independence. The second emphasized other factors besides policy failure and looked further into history to understand the origins of Africa's failed institutions.

In similar fashion to the literature on Europe, studies of institutional obstacles to growth in Africa have exhibited a tension between the need to increase the capacity of the state and the importance of constraining its ability to violate property rights. The first-generation literature argued that a major source of growth failures was the intervention of African rulers in their countries' economies for largely political purposes. Indeed, one of the main purposes of the many structural adjustment reform programmes implemented in the 1980s and 1990s was to limit the capacity of African rulers and ruling parties to interfere in their economies in order to capture rents with which to reward supporters. The second generation of

institutional literature has sought to explain why African states have relied on political structures dependent on rent-seeking and patron–client networks. Explanations have included geographical endowments, such as low labour to land ratios and the legacies of colonial rule.

In a recent survey, Acemoglu and Robinson (2011) bring these strands of thinking together, arguing that 'to generate sustained economic development requires not just the formation of centralized polities, but also the removal of the absolutist and patrimonial tendencies of such polities'. They argue that it was the late formation of centralized states, together with their absolutist nature, that provided the foundation for Africa's relative poverty today. Cooper (2002) also links limited capacity and predatory tendencies. He describes African states as 'gatekeeper states', which depend on controlling access to external markets to maintain their authority. Gatekeeper states use this control to incentivize cooperation by clients, who rely on the state to gain access to trading profits and imported goods.

This description applies equally to pre-colonial, colonial and post-independence states. The failings of colonial institutions were one reason why the expansion of the franchise and political competition at independence was one of the major sources of optimism about Africa's future in the 1950s and 1960s, just as they have been since the 1990s. Unfortunately, the democratic institutions introduced at independence came under almost immediate threat in many of these countries, as public funds were used for patronage projects and democratic governments were replaced by military dictatorships and one-party states (Lynch and Crawford 2011).

Can European economic history provide lessons for Africa's growth prospects?

Figures 1 and 2 provide estimates of GDP per capita in Africa since 1950 and in Europe from 1270 to 1870 in 1990 international dollars, which facilitates a direct comparison of African economic development in the recent past with historical development in Europe. To provide useful lessons for policy-makers today, however, it is important to identify a few critical levels of per capita GDP in European development and to map contemporary African economies to these levels.

**Table 1: GDP per capita levels in Europe
(1990 international dollars)**

Year	England/ Great Britain	Holland/ The Netherlands	Italy	Spain
1086	754			
1270	759			957
1300	755		1,482	957
1348	777	876	1,376	1,030
1400	1,090	1,245	1,601	885
1450	1,055	1,432	1,668	889
1500	1,114	1,483	1,403	889
1570	1,143	1,783	1,337	990
1600	1,123	2,372	1,244	944
1650	1,100	2,171	1,271	820
1700	1,630 1,563	2,403	1,350	880
1750	1,710	2,440	1,403	910
1800	2,080	2,617 1,752	1,244	962
1820	2,133	1,953	1,376	1,087
1850	2,997	2,397	1,350	1,144

Sources: England/Great Britain: Broadberry et al. (2011); Broadberry and van Leeuwen (2011); Holland/The Netherlands: van Zanden and van Leeuwen (2012); Italy: Malanima (2011); Spain: Álvarez-Nogal and Prados de la Escosura (2013).

Note: Figures are for 10-year averages starting in the stated year (i.e. 1270–79, 1300–09, etc) apart from 1348, which refers to the pre-Black Death years 1339–48, and 1086, the year of the Domesday survey.

The estimates in Table 1 suggest that Western Europe was already well above bare bones subsistence (\$400) by the late Middle Ages, with average per capita GDP in England and Holland around \$750 on the eve of the Black Death in 1348, and substantially higher than this in Italy and Spain. The first income category identified will therefore be less than \$750. Using the North et al. (2009) terminology, a state with a per capita income below \$750 is categorized as a 'fragile' limited access order. This can apply to the whole of Europe during the early medieval period. Wickham (2006) emphasizes the importance of patronage networks in maintaining the small, fragmented states that emerged following the collapse of the Roman Empire.

The second income category is \$750–\$1,500. The upper end of this range corresponds to the level of per capita GDP in central and northern Italy during the late Middle

Ages, a highly commercialized and prosperous society for its time. Holland reached this level during the late 16th century and England around the revolution of 1688. Once again, using the North et al. (2009) framework, a state with a per capita income between \$750 and \$1,500 is regarded as a 'basic' limited access order, with a durable state bureaucracy, but one that is still vulnerable to instability.

Despite having an elaborate bureaucracy since at least the 12th century, England continued to experience periods of instability until the 17th century. Between the Black Death and the Glorious Revolution, for example, internal power struggles within the dominant coalition led to the Wars of the Roses in the 15th century and the civil war of the 17th century. The revolt of the Dutch against the Habsburg rule of the Low Countries, which led to the foundation of the Dutch Republic in the late 16th century, also illustrates the instability of the Spanish state.

The third income category is \$1,500–\$2,000. The upper end of this range corresponds to the level in Britain in 1800, by which time the Industrial Revolution and the transition to modern economic growth were in full swing, and urbanization was proceeding rapidly. Holland had reached this level by 1570, the start of its Golden Age. This category corresponds to a 'mature' limited access order. Holland after the foundation of the Dutch Republic and Great Britain after 1688 were both characterized by stable systems of governance with reformed bureaucracies capable of raising substantial fiscal resources (O'Brien 2011). Organizations outside the state sphere, such as banks, also began to take on a more durable form, underpinned by the growing use of the legal system in commercial transactions (Cameron 1967; Harris 2000; MacLeod 1988).

The fourth income category is over \$2,000. A country in this category can be regarded as being on the verge of the open access order. However, the transition to the open access order is only a possibility and is by no means a foregone conclusion. North et al. (2009) emphasize that the differences between the above categories are a matter of degree rather than kind, and that movement from one category to another can occur in either direction. Holland after 1600 and Great Britain after 1800 both meet the door-step conditions. Both operated with the rule of law for elites,

had perpetually-lived forms of organization and consolidated political control over the military. But whereas Britain moved quickly towards an open access social order during the 19th century, Holland's transition was delayed, again emphasizing the fact that fulfilling the doorstep conditions is no guarantee of a rapid transition to an open access order.

How do current per capita incomes in African countries compare with historical income levels in Europe?

Table 2 divides the countries of sub-Saharan Africa into the four income categories outlined above. Perhaps the most striking finding is that many sub-Saharan African countries today have per capita incomes that are on a par with pre-industrial European economies. Indeed, only a handful of African countries have higher per capita incomes than Britain enjoyed at the beginning of the 19th century. It is thus worth considering the cases of four African economies, one from each income group, to see how their institutional development compares with that of Europe on the path to modern economic growth between 1270 and 1870.

Examining the institutional context of growth reversals shows that fragmentation and renegotiation in the dominant coalition of elites can have dire consequences, not only for

fragile limited access orders but also for those that have reached the doorstep. Further, it shows that the development of institutions within this framework is not linear. Progression towards the doorstep conditions can be reversed by institutional failures. The recent period of economic growth and political reform in sub-Saharan Africa may have somewhat reduced the vulnerability of many states to setbacks by steering them closer to the doorstep conditions but, as the sample countries below demonstrate, this does not by any means guarantee a path of continuous growth.

The first country is **Sierra Leone**, with a per capita income level below \$750 (see Table 2). Sierra Leone shares many of the characteristics of fragile limited access orders, including the extensive use of patronage to maintain stable elite coalitions, limited control over the use of violence, and vulnerability to exogenous shocks. These features are prominent in the literature on Africa's failed states. Reno (2000) describes the reliance on patronage systems as a 'shadow state', in which rulers use their ability to intervene in their countries' economies to strengthen their political base. In Sierra Leone's case, this represents an extreme version of the 'gatekeeper state' described earlier.

North et al. (2009) emphasize that in a fragile limited access order, 'all politics is real politics; people risk death

Table 2: 2008 GDP per capita levels in sub-Saharan Africa (1990 international dollars)

< \$750	\$750–\$1,500	\$1,500–\$2,000	> \$2,000
Burundi	Benin	Angola	Botswana
Central African Republic	Burkina Faso	Ghana	Congo-Brazzaville
Chad	Cameroon	Lesotho	Equatorial Guinea
Guinea	Côte d'Ivoire	Nigeria	Gabon
Guinea-Bissau	Djibouti	Sudan	Mozambique
Malawi	Eritrea		Namibia
Niger	Ethiopia		South Africa
Sierra Leone	The Gambia		Swaziland
Tanzania	Kenya		
Togo	Liberia		
Democratic Republic of Congo	Mali		
	Mauritania		
	Rwanda		
	Senegal		
	Somalia		
	Uganda		
	Zambia		
	Zimbabwe		

Source: Derived from Maddison (2010).

when they make political mistakes.' Sierra Leone's civil war is a prime example. With the transition to independence, which gave a greater political voice to groups that were marginalized during the colonial period, the coalition of coastal elites of that earlier era was no longer sufficient to limit violence. The country's descent into civil war resulted from the combination of this unstable coalition and the ripple effects from the conflict in neighbouring Liberia. The 'shadow state' or patronage networks played an important role in state policy, as well as in the promotion of violence in Sierra Leone (Reno 1998).

The second example is **Kenya**, with a GDP per capita level between \$750 and \$1,500. Countries at this level of income are classified as basic limited access orders. They are by no means immune from the risks that dominate fragile limited access orders, but their more durable state institutions mean that external shocks are less likely to lead to the same scale of violence. Kenya's recurrent ethnic violence, however, illustrates that competition between patron-client groups can indeed lead to violence on a lesser level. As a result of the interconnection between ethnicity and party allegiance in Kenya, inter-party competition in elections can also be characterized as a competition between ethnic groups. The link in Kenya between ethnic violence and elections highlights the dangers of introducing institutions that are generally supported by open access social orders into countries governed by limited access orders before they have reached the doorstep conditions.

With the remaining instability of the dominant coalition in basic limited access orders, durable organizations outside the state are viewed as potential competitors and are often suppressed. Such countries therefore tend to be highly centralized and use control over rents to maintain the support of the dominant coalition. In Kenya, privileged access to economic resources is one of the 'carrots' that can be used to ensure the support of ethnic coalitions. Parallels can be drawn here with the basic limited access orders of pre-industrial and early modern Europe. The 'freedoms', according to Epstein (2000), which undermined market integration in Europe also took the form of privileges granted to elites in order to sustain their political support.

Nigeria is the third focal point, with a per capita GDP between \$1,500 and \$2,000. Mature limited access orders such as this are distinguished from basic limited access orders through support for organizations outside the state. In 2012 the Organisation for Economic Co-operation and Development (OECD) noted that the private sector employed 80% of Nigeria's workforce and generated most of its exports. Nigeria is also home to many of Africa's largest private corporations, and has a vibrant civil society. However, the state remains vulnerable to factional disputes. Repeated outbreaks of violence show that mature limited access orders remain vulnerable to instability arising from shifts in the dominant coalition.

South Africa, with a per capita GDP of more than \$2,000, is the fourth sample country. Countries with this level of income can be seen as having reached the doorstep conditions. As previously noted, this does not mean they will inevitably make the transition to open access, and like other mature limited access orders they are still subject to the risks imposed by economic or demographic change. In South Africa's case, while economic growth has been steady since the mid-1990s, high rates of inequality and youth unemployment have limited the benefits of growth to a small proportion of the population. Fractures in the coalition of the ruling African National Congress and the trade unions threaten to undermine the party's base of political support (Fedderke and Simkins 2012; OECD 2012).

These four examples clearly illustrate both the diversity of African state institutions as well as the institutional foundations of growth reversals. North et al. (2009) stress that the classification of limited access orders is not an exact science; distinctions between categories, such as basic and mature, are matters of degree rather than absolute differences. These cases demonstrate that limited access orders frequently move along that continuum, in either direction, as external shocks such as changing export prices, unrest in neighbouring countries and natural disasters require adaptation in the dominant coalition. The transition from the doorstep to open access thus requires a degree of luck in not facing setbacks along the way. Indeed, the dependence of current growth rates on external conditions suggests that the same vulnerabilities to shocks remain.

The analysis in this paper, therefore, points to a somewhat less optimistic assessment of Africa's growth prospects than that provided by Bates et al. (2007), which also makes use of economic history, comparing Africa's post-colonial experience in the 1960s with that of Latin America in the 19th century. However, their optimistic conclusions for Africa's future growth prospects depend on ending the Latin American story in the early part of the 20th century. They argue that Africa's experience of economic and political upheaval in the first years of independence resembles that of Latin America's 'Lost Decades' (1820–70), and that the change in Latin America's fortunes thereafter bodes well for Africa's prospects in the 21st century. However, the growth achieved by Latin America during the commodity boom before the First World War was followed by significant growth reversals in the 1930s and again in the 1980s, adding further credence to the view that to achieve the doorstep conditions is no guarantee that a country will be successful in its transition to sustained modern economic growth.

Conclusion

African countries' growth performance in the first decade of the 21st century has led to speculation that the continent is entering a new century of sustained economic growth. Such a view, however, raises a number of question marks when the current boom is put into historical context. As was the case in previous boom periods, high external demand for natural resources – particularly oil, but also land and cash crops – is at the heart of this rapid growth. Without institutional change, therefore, further growth reversals can be expected. Indeed, the multi-party democracies established in the 1990s are already showing considerable strain in several countries across the continent, with military coups and ethnic violence hindering what is already a fragile electoral process.

The European case highlights the fact that the pattern of rapid economic growth followed by reversals can be repeated over a very long period of time – in Europe's case, half a millennium. With the level of per capita GDP in many African countries today comparable to levels in pre-industrial Europe, such a comparison suggests that it will be difficult for Africa to break free from this

historical pattern without significant institutional change. Institutions in many African countries still have many of the features of limited access social orders and, as a result, it is incumbent on policy-makers to focus a great deal more on introducing measures that can encourage the growth of a robust civil society and a number of strong domestic organizations that can thrive outside state control.

References

- Acemoglu, D., Johnson, S. and Robinson, J. (2005), 'The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth', *American Economic Review*, 95: 546–79.
- Acemoglu, D. and Robinson, J. A. (2011), 'Why is Africa Poor?', *Economic History of Developing Regions*, 25 (1): 21–50.
- Álvarez-Nogal, C. and Prados de la Escosura, L. (2013), 'The Rise and Fall of Spain, 1270-1850', *Economic History Review* (forthcoming).
- Arbache, J.S. and Page, J. (2009), 'How Fragile Is Africa's Recent Growth?', *Journal of African Economies*, 19: 1–24.
- Barro, R. (1991), 'Economic Growth in a Cross Section of Countries', *Quarterly Journal of Economics*, 106 (2): 407–43.
- Bates, R.H. (2010), *Prosperity and Violence: The Political Economy of Development* (New York: Norton).
- Bates, R.H., Coatsworth, J.H. and Williamson, J.G. (2007), 'Lost Decades: Post-Independence Performance in Latin America and Africa', *Journal of Economic History*, 67: 917–43.
- Broadberry, S., Campbell, B., Klein, A., Overton, M. and van Leeuwen, B. (2011), 'British Economic Growth, 1270–1870: An Output-Based Approach', London School of Economics, <http://www2.lse.ac.uk/economicHistory/whosWho/profiles/sbroadberry.aspx>.
- Broadberry, S., Campbell, B., van Leeuwen, B. and van Zanden, J.L. (2012), 'Reversals of Fortune: Holland, Britain and the Rise of the North Sea Area, 1270–1870', London School of Economics.
- Broadberry, S. and van Leeuwen, B. (2011), 'English Economic Growth, 1086-1270', London School of Economics.
- Cameron, R. (1967), 'England, 1750–1844', in Cameron, R., Crisp, O.A., Patrick, H.T. and Tilly, R. (eds), *Banking in the Early Stages of Industrialization: A Study in Comparative Economic History* (New York: Oxford University Press).
- Chenery, H.B. and Syrquin, M. (1975), *Patterns of Development, 1950–1970* (Oxford: Oxford University Press).
- Clapham, C. (1976), *Liberia and Sierra Leone: An Essay in Comparative Politics* (Cambridge: Cambridge University Press).

- Collier, P. and Gunning, J.W. (2008), 'Sacrificing the Future: Intertemporal Strategies and their Implications for Growth', in Ndulu, B.J., O'Connell, S.A., Bates, R.H., Collier, P. and Soludo, C.C. (eds), *The Political Economy of Economic Growth in Africa, 1960–2000*, Volume I (Cambridge: Cambridge University Press).
- Cooper, F. (2002), *Africa Since 1940: The Past of the Present* (Cambridge: Cambridge University Press).
- Crafts, N. (1984), 'Patterns of Development in Nineteenth Century Europe', *Oxford Economic Papers*, 36: 438–58.
- Cuberes, D. and Jerzmanowski, M. (2009), 'Democracy, Diversification and Growth Reversals', *Economic Journal*, 119: 1270–1302.
- Elischer, S. (2010), 'Political Parties, Elections and Ethnicity in Kenya', in Branch, D., Cheeseman, N. and Gardner, L.A. (eds), *Our Turn to Eat: Politics in Kenya Since 1950* (Berlin: Lit Verlag).
- Epstein, S.R. (2000), *Freedom and Growth: The Rise of States and Markets in Europe, 1300–1750* (London: Routledge).
- Fedderke, J. and Simkins, C. (2012), 'Economic Growth in South Africa', *Economic History of Developing Regions*, 27 (1): 176–208.
- Feinstein, C. H. (2005), *An Economic History of South Africa: Conquest, Discrimination and Development* (Cambridge: Cambridge University Press).
- Fenoaltea, S. (1999), 'Europe in the African Mirror: The Slave Trade and the Rise of Feudalism', *Rivista di Storia Economica*, 15: 123–65.
- Harris, R. (2000), *Industrializing English Law: Entrepreneurship and Business Organization, 1720–1844* (Cambridge: Cambridge University Press).
- Herbst, J. (2000), *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, NJ: Princeton University Press).
- Iyoha, M.A. and Orioaki, D.E. (2008), 'Explaining African Economic Growth Performance: The Case of Nigeria', in Ndulu, B.J., O'Connell, S.A., Bates, R.H., Collier, P. and Soludo, C.C. (eds), *Political Economy of Economic Growth in Africa, 1960–2000*, Volume I (Cambridge: Cambridge University Press).
- Jerven, M. (2010), 'African Growth Recurring: An Economic History Perspective on African Growth Episodes, 1690–2010', *Economic History of Developing Regions*, 25 (2): 127–54.
- Kalema, V. (2011), 'Sub-Saharan Africa: Outlook and Challenges', *World Economics*, 12: 105–15.
- Kishtainy, N. (2011), 'Social Orders and Growth Fragility', Department of Economic History, London School of Economics.
- Lynch, G. and Crawford, G. (2011), 'Democratization in Africa 1990–2010: An Assessment', *Democratization*, 18 (2): 275–310.
- MacLeod, C. (1988), *Inventing the Industrial Revolution: The English Patent System, 1660–1800* (Cambridge: Cambridge University Press).
- Maddison, A. (1995), *Monitoring the World Economy, 1820–1992* (Paris: OECD).
- Maddison, A. (2010), 'Statistics on World Population, GDP and Per Capita GDP, 1-2008 AD', Groningen Growth and Development Centre, <http://www.ggdc.net/MADDISON/oriindex.htm>.
- Malanima, P. (2011), 'The Long Decline of a Leading Economy: GDP in Central and Northern Italy, 1300–1913', *European Review of Economic History*, 15: 169–219.
- Mwega, F.M. and Ndung'u, N.S. (2008), 'Explaining African Economic Growth Performance: The Case of Kenya', in Ndulu, B.J., O'Connell, S.A., Bates, R.H., Collier, P. and Soludo, C.C. (eds), *Political Economy of Economic Growth in Africa, 1960–2000*, Volume II (Cambridge: Cambridge University Press).
- Ndulu, B.J. and O'Connell, S.A. (2008), 'Policy Plus: African Growth Performance, 1960–2000', in Ndulu, B.J., O'Connell, S.A., Bates, R.H., Collier, P. and Soludo, C.C. (eds), *Political Economy of Economic Growth in Africa, 1960–2000*, Volume I (Cambridge: Cambridge University Press).
- North, D.C. and Weingast, B. (1989), 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *Journal of Economic History*, 49: 803–32.
- North, D.C., Wallis, J.J., and Weingast, B.R. (2009), *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press).
- O'Brien, P.K. (2011), 'The Nature and Historical Evolution of an Exceptional Fiscal State and its Possible Significance for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson', *Economic History Review*, 64: 408–46.
- OECD (2012), *African Economic Outlook 2012* (Paris: OECD Publishing).
- Radelet, S. (2010), 'Success Stories for "Emerging Africa"', *Journal of Democracy*, 21: 87–101.
- Reno, W. (1998), *Warlord Politics and African States* (London: Lynne Rienner).
- Reno, W. (2000), 'Clandestine Economies, Violence and States in Africa', *Journal of International Affairs*, 53 (2): 433–59.
- Wickham, C. (2006), *Framing the Early Middle Ages: Europe and the Mediterranean, 400–800* (Oxford: Oxford University Press).
- World Bank (1958), *The Economy of Nigeria* (Washington, DC: World Bank).
- van Zanden, J.L. and van Leeuwen, B. (2012), 'Persistent but Not Consistent: The Growth of National Income in Holland, 1347–1807', *Explorations in Economic History*, 49: 119–30.

The CAGE–Chatham House Series

This is the fifth in a series of policy papers published by Chatham House in partnership with the Centre for Competitive Advantage in the Global Economy (CAGE) at the University of Warwick. Forming an important part of Chatham House's International Economics agenda and CAGE's five-year programme of innovative research, this series aims to advance key policy debates on issues of global significance.

Other titles available:

Saving the Eurozone: Is a 'Real' Marshall Plan the Answer?, Nicholas Crafts, June 2012

International Migration, Politics and Culture: the Case for Greater Labour Mobility, Sharun Mukand, October 2012

EU Structural Funds: Do They Generate More Growth?

Sascha O. Becker, December 2012

Tax Competition and the Myth of the 'Race to the Bottom': Why Governments Still Tax Capital, Vera Troeger, February 2013

Financial support for this project from the Economic and Social Research Council (ESRC) is gratefully acknowledged.



About CAGE

Established in January 2010, CAGE is a research centre in the Department of Economics at the University of Warwick. Funded by the Economic and Social Research Council (ESRC), CAGE is carrying out a five-year programme of innovative research.

The Centre's research programme is focused on how countries succeed in achieving key economic objectives, such as improving living standards, raising productivity and maintaining international competitiveness, which are central to the economic well-being of their citizens.

CAGE's research analyses the reasons for economic outcomes both in developed economies such as the UK and emerging economies such as China and India. The Centre aims to develop a better understanding of how to promote institutions and policies that are conducive to successful economic performance and endeavours to draw lessons for policy-makers from economic history as well as the contemporary world.

Chatham House has been the home of the Royal Institute of International Affairs for ninety years. Our mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

Stephen Broadberry is Professor of Economic History at the London School of Economics and a Research Theme Leader at CAGE. He is currently Editor of the *Economic History Review* and President of the European Historical Economics Society. His research interests cover the development of the world economy from 1000 AD to the present, using a historical national accounting framework. His recent publications include: 'When Did Britain Industrialise? The Sectoral Distribution of the Labour Force and Labour Productivity in Britain, 1381–1851', *Explorations in Economic History* (with Bruce Campbell and Bas van Leeuwen, 2013); and the 2-volume *Cambridge Economic History of Europe*, edited with Kevin O'Rourke (Cambridge University Press, 2010).

Dr Leigh Gardner is a lecturer in Economic History at the London School of Economics. After completing her PhD at Oxford University, she was appointed as a lecturer in Economic History at the University of Cape Town (2009–10). Her research focuses on African economic and financial history during the 20th century. She is the author of *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford University Press, 2012), the first book-length study focused on colonial fiscal systems and their legacies in sub-Saharan Africa.

The authors would like to thank the Africa Programme at Chatham House for helpful input, and André Astrow and the Chatham House publishing team for editorial assistance.

Chatham House
10 St James's Square
London SW1Y 4LE
www.chathamhouse.org

Registered charity no: 208223

Chatham House (the Royal Institute of International Affairs) is an independent body which promotes the rigorous study of international questions and does not express opinions of its own. The opinions expressed in this publication are the responsibility of the authors.

© The Royal Institute of International Affairs, 2013

This material is offered free of charge for personal and non-commercial use, provided the source is acknowledged. For commercial or any other use, prior written permission must be obtained from the Royal Institute of International Affairs. In no case may this material be altered, sold or rented.

Cover image © istockphoto.com
Designed and typeset by Soapbox, www.soapbox.co.uk