Setting Africa free

GUEST’S is the best book I’ve ever read on Africa. His recent post as Africa Editor for The Economist magazine has taken him to countries most reporters never visit, let alone write about. His stories of genocide in Rwanda, disease in Zambia, and corruption nearly everywhere are told with immense sympathy for the personal tragedy visited on so many. He tells the story of Nestor Nebigira who fell in love with the wrong woman: a Hutu marrying a Tutsi was unacceptable in Burundi. The family fled to the Congo and then to Tanzania, where Guest talked to him in a refugee camp. Formerly a successful businessman, Nestor was now selling combs from a tiny shack with a mud floor. He lives with the knowledge that his children will always be in danger. Having mixed tribal parents renders them outcasts; as Nestor recounts, there is a local saying: “the son of a snake is a snake.”

Guest’s admiration for the Peruvian economist, Hernando de Soto, is obvious in his analysis of the grave harm caused by lack of property rights in most African countries. He concisely explains how tribal conflicts and disputes over mineral rights led to the systematic death of hundreds of thousands, and displacement of millions, in Angola, Rwanda and Burundi, Congo, and Sierra Leone.

Guest also documents the petty hindrances that stand in the way of doing business in poor countries, another theme of de Soto’s work. Traveling on the beer run with a truck driver for the Guinness company, Guest finds that a 360-mile journey that should have taken 18 hours turns into a four-day, sweat-inducing nightmare. Occasionally extorted and continually delayed by 47 roadblocks, the truck finally arrives at the destination with only two-thirds of the original cargo. One tedious delay of 10 hours was over a bribe of $12. Remarkably, Guinness still manages a small profit in Cameroon and remains in business, for now. But with roads wasting away and rarely repaired, the outlook is not good.

**Robert Guest**

*The Shackled Continent: Power, Corruption, and African Lives*


Guest contrasts these tales with stories of great hope: the success story of Uganda in battling AIDS; the political stability and rapid growth of Botswana; and South Africa’s growth since it threw off the shackles of apartheid. He is cautiously optimistic too, that South Africa will not go the way of Zimbabwe. Even though their histories have similarities, Guest reckons the differences are probably more important: a powerful business class in South Africa, its recent ability to attract pro-black foreign investment, and—perhaps above all—free elections.

Few have abused democracy so thoroughly as Zimbabwe’s Robert Mugabe, according to Hill, African correspondent for the Washington Times newspaper (among other affiliations). In his book, he narrates the history of Zimbabwe, from colonial times to independence in 1980 and to the fateful past few years. He treats Mugabe fairly, reporting that, at least until 1989, he was far less violent than many other African leaders. But since then Mugabe’s performance has been far less satisfactory.

The IMF’s Executive Board this September “regretted that weak governance, corruption, and the lack of respect for the rule of law have undermined confidence, and led to capital flight and emigration, with negative spillover effects on neighboring countries.” Hill, less constrained in what he can say than the IMF’s Board, notes that, by all reliable accounts, the Zimbabwean president has brought about the intimidation and torture of thousands of his citizens, had many of his political opponents killed, and stole the last election in 2002. In the process, he has also run the economy into the ground and blamed it on the IMF, among others. Hill reports that Zimbabweans now translate IMF as: “It’s Mugabe’s Fault.”

Despite the challenges facing the continent, Guest is largely positive about its future. But he says that it is only through the institutions of a free society, not external aid, that Africa will join the ranks of the globalized, and healthier, world. External aid given to countries that are not broadly democratic and free has always failed, he argues, and the more aid given to corrupt countries (even for combating AIDS) the slower Africa’s advance will be. Hill, exasperated that few African leaders have so far taken a strong stand against Mugabe, adds that unless the continent’s leaders choose democracy over despotism, Africa is unlikely to really flourish. When change does come in Africa, one hopes that the authors of these fine books will be there to herald and describe it.

**Geoff Hill**

*The Battle for Zimbabwe*


Roger Bate
Director, Africa Fighting Malaria and Visiting Fellow, American Enterprise Institute
"Don’t blow it"

India is notorious for blowing its chances, not only in cricket...” writes Kaushik Basu in the preface to this collection of essays on the country’s economic performance in the 1990s—its best decade of growth since gaining independence and perhaps its best in the past century. India did nearly throw away its economic gains of that decade in a big way: Nuclear tests conducted by India in May 1998, and the tests Pakistan carried out in response that same month, threatened to launch a full-blown nuclear conflict on the Indian subcontinent. Strobe Talbott’s book is about the intense diplomatic effort to get India to take a few steps back from the edge of disaster. Together, the two books offer a reminder that prosperity depends not only on seizing economic windows of opportunity but also on not shutting diplomatic and political doors.

The essayists in Basu’s book—drawn from academia, policy circles, business, and civil society—deal with both the nitty-gritty reforms that lie behind India’s economic awakening and its broader underpinnings. In the former category, there are essays describing progress on monetary and financial sector reforms, the halting—at best—progress on fiscal reforms, and factors behind the success of the software industry. Equally fascinating are the essays that deal with the broader changes in social norms, beliefs, and attitudes toward business and markets. "The mistrust of business and profit has been woven into songs and into the remonstrations of parents to children who refuse to study hard that they will end up having to do business when they grow up,” Basu writes.

Such attitudes are changing. Economic reforms have opened up tremendous opportunities for India’s urban youth, who are more likely to view foreign companies as a source of prized jobs than as something to be feared. And the success of the Indian software industry “on the global stage has captured the imagination of Indians in a way that only cricket and hockey successes could in the past.” Basu concludes that globalization and modern markets bring with them many ills, but on balance, and given the new strengths of the Indian economy, these changes will create fresh opportunities for India.

But not all changes in attitudes can be viewed in this favorable light. In his essay, Amartya Sen laments that...
India’s commitments to democracy and secularism “have received some hard knocks in recent years.” Frustration with democracy stems from the belief that not having to deal with “the chaos of democratic politics” allowed the economies of East Asia, and more recently China, to outpace India. Sen argues that the evidence on whether democracy acts as a drag on economic growth is inconclusive. More important, while democracy may not be missed when economic times are rosy, it is essential in the face of economic crises, particularly to give voice to the poor and the vulnerable: “the protective function of democracy is strongly missed when it is most needed.” Sen is also critical of the move away from secularism “toward a manufactured notion of a largely Hindu India.”

This struggle between the secularist and the Hindu fundamentalist strands in Indian politics is the starting point for Strobe Talbott’s book. In the 1990s, those who had long argued that secularism “had turned Hindus into second-class citizens,” gained political ascendency. This group favored the acquisition of nuclear weapons to guarantee “India’s safety and strength” and enhance its international prestige. Talbott stresses, however, that they had the support of many Indians “regardless of political stripe” who regarded the policy of countries with nuclear weapons to keep others from developing them as one of “dominance, discrimination, and double standards.”

After India’s nuclear test, Talbott—who rose to the number two post in the U.S. State Department after a distinguished career as a journalist for Time magazine—held a series of talks with Indian statesman Jaswant Singh. The book provides an engaging account of these diplomatic efforts to keep India and Pakistan away from nuclear war and to press India to limit the development and deployment of its nuclear arsenal. Though these efforts met with mixed success, the dialogue between the U.S. and Indian diplomats led to an unprecedented strategic partnership between the two countries. The dialogue culminated in a landmark trip to India in 2000 by U.S. President Bill Clinton, during which, in a speech, he reminded Indians of the guns versus ghee trade-off: “Only India can know if it truly is safer than before the [nuclear] tests . . . Only India knows if it can afford a sustained increase in both conventional and nuclear forces while meeting its goals for human development. These are questions others may ask, but only you can answer . . .”

Vasuki Shastry
Senior External Relations Officer, IMF

Stanley Fischer

IMF Essays from a Time of Crisis
The International Financial System, Stabilization, and Development

Slow and cautious liberalization is the order of the day and that this message needs more careful articulation.

The IMF’s advice to the Asian crisis countries on macroeconomic policies has also come in for much criticism. Fischer accepts that the Fund’s initial recommendation to East Asian countries to begin fiscal tightening was incorrect, but reminds the critics that these adjustments were quickly reversed and “cannot have had a significant impact” on economic activity. However, Fischer vigorously defends the IMF’s monetary strategy of interest rate defenses of currencies that led to such severe and influential criticism from Joseph Stiglitz and others. It is a strategy about which debate continues.

On the temporary use of exchange rate pegs to reduce inflation, Fischer says he changed his mind while working at the IMF. He notes that “almost every emerging market financial crisis” that occurred during the period he was in office was “in a country that had formally or informally pegged its exchange rate.” He concludes therefore that experience has shown that for countries open to capital flows, soft exchange rate pegs are not sustainable. This warning reflects economists’ recognition of the constraint imposed on policy by the “open economy trilemma” (see F&D, March 2004, page 28).

Other essays in the volume deal with the whole spectrum of international financial issues of our time: the conduct of monetary policy; the impact of inflation; the role of central bank independence; the problems facing the transition economies of the former Soviet bloc; poverty and economic development; and the role of the IMF. On the latter, Fischer recognizes that a major task facing the IMF in the 21st century is to help build a more robust financial architecture that not only contributes to greater economic stability and more rapid development but also emphasizes greater openness, transparency, and accountability.

Throughout his professional life, Fischer has been guided by a firm belief that economists have an important role to play through teaching, research, and active participation in public life. Overall, this superb volume of essays by a master economist reflects these objectives and should be read by any serious student of the international monetary system.

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