

African Economics and the Politics of Permanent Crisis. *By Nicolas van de Walle*. New York: Cambridge University Press, 2001. xii + 291 pp. tables, notes, index. Cloth, \$60; paper, \$20. ISBN: cloth 0-521-80364-0; paper 0-521-00836-0.

Reviewed by Jennifer Widner

The past three years have brought us several trenchant critiques of structural adjustment from policy insiders and neoclassical economists. Nicolas van de Walle's book, *African Economics and the Politics of Permanent Crisis*, is one of these. Like Joseph Stiglitz (*Broken Promises*), Van de Walle wades into a highly politicized subject that demands thoughtful, fact-based evaluation.

Structural adjustment is as a bundle of policies that aim, in part, to reduce opportunities for rent seeking. Bureaucrats and politicians occupy positions of power over entrepreneurs and firms in most developing economies. Like their peers in the United States, these office holders in Africa sign off on licenses and grant permission for construction and other projects. Each point of contact creates an opportunity for the service provider to obtain special payments. Similarly, state-run marketing boards that license limited numbers of exporters or transporters can use their monopoly position to collect a premium. They collect rent for their services, just as a landlord collects money for the use of his land. Writ large, liberalization of markets is a way to minimize the distortions these practices introduce, usually by reducing oligopoly and introducing competition.

How well has structural adjustment performed in generating this result and enhancing rates of economic growth? Does the policy produce the intended effects? Several problems have bedeviled our ability to provide answers to these questions. The policies that make up structural adjustment include liberalization of markets and sale of public assets, often preceded by an effort to achieve macroeconomic stabilization through budget cuts. The component policies have a variety of effects, and some may hurt the pocketbooks of particular groups while others help. More seriously, African governments have rarely carried out the policies fully, often dodging the steps required for implementation after signing agreements.

Van de Walle uses the problem of partial implementation as a point of departure for analyzing policy consequences. Political scientists have the advantage over scholars in other fields, as they have a better understanding of the reasons that international institutions and African leaders alike have tolerated the situation and have neither insisted on full implementation nor completely rejected the terms imposed on them. He offers a variety of useful explanations to account for this pattern, marshaling evidence that is intriguing and generally convincing despite its unsystematic presentation.

Van de Walle makes three basic claims. The main one is that partial liberalization creates new rent-seeking opportunities and is therefore useful to leaders who are primarily interested in either securing resources and sending them out of the country or preserving minimal support from their elites. In a region where authority rests heavily on the dispensation of favors, van de Walle argues that preserving the ability to turn public policies into private benefits is crucial to maintaining support. He offers examples of leaders transforming liberalization policies into a source of new rents and provides a rough indication of the magnitude of the resources involved.

A second claim is that some African leaders have engaged in only partial reform because they do not consider the policies to be viable and they doubt the capacity of their countries' enterprises to compete in the global market. This claim is less developed and not as persuasive as the first. The evidence is largely anecdotal. Nor is the causal import clear. Even leaders who strongly believed the policies would not work might have found themselves forced by the IMF and World Bank to comply. There is no serious discussion of the options these leaders considered and discarded, an oversight that weakens the argument.

The author's third contention is that stabilization policies have accelerated economic decline. Because stabilization usually precedes liberalization and eventual adjustment proper, it is logical to think that deficit reduction and the cuts in resources it entails make it more difficult for the government to carry out functions that are important to the economy, including tax collection. Reducing finances for securing regular revenues, operating courts, and paving roads could certainly interfere with the aims of economic liberalization. Eliminating ghost workers in an effort to balance the budget should have no effect on liberalization, save to anger some of those affected. Moreover,

as van de Walle notes, money disbursed by treasuries often does not reach its destination. As a result, the effect of deficit reduction on, say, local school services, is very hard to determine. Improvements in transparency could make more money available at the local level even in a time of austerity, although intermediaries would find their incomes reduced because better policing would make it more difficult for them to divert funds into their own pockets. In short, the broad argument that deficit reduction is often ill timed or inappropriate in African contexts holds some water, but van de Walle's qualifications point to the difficulty of discerning real trends.

Reticence in saying that some of the policies were simply poorly thought through back in Washington may undermine the effectiveness of the book in some circles. The book does not foreshadow Stiglitz's claims that the conditions set by the International Monetary Fund (IMF) were often ill conceived. Bank economists had gone public with their concern about the implications of conditions for policy "ownership," and although van de Walle alludes to these issues, he does not develop them as strongly as he might.

The author makes a number of tantalizing subarguments but does not pursue them in a sustained fashion. For example, he suggests that the refusal to adopt parliamentarism (as opposed to presidential forms of government) is evidence of the neopatrimonial syndrome he describes here and elsewhere. The logic of this claim may not be quite as strong as he suggests. Most African countries have either separately elected legislatures and chief executives, on the presidential model, or have adopted premier-presidential systems, in which a prime minister and a president share power. Whether it is possible for the legislature to check rent seeking by the president depends on the existence of provisions that enable its members to earmark funds and exercise oversight, including the power to veto and override legislation. It is not automatically the case that a president can do what he likes between elections. The critical variable is whether legislators have the constitutional power to exercise oversight and whether they use the powers available to them. In neither the presidential nor the premier-presidential systems is there much evidence that they do so. This pattern is not inherent in the choice of institutions but instead has its roots in the character of the new party systems now developing and in learning by legislators.

The book is gutsy and hard hitting. It is gutsy in its scope and in the author's willingness to assemble data on topics many won't mention for fear of being "politically incorrect": the extent of the transfer of resources abroad, the degree of political corruption, and the collapse of basic infrastructure. The figures are stark, and they are an important part of the picture. They are neglected less by Africans than by foreign observers. The book is hard hitting in its tone, which is highly critical of policy makers in Africa and implicitly critical of the international financial institutions. It also provides a solid introduction to the subject matter.

Jennifer Widner is professor of politics and international affairs at Princeton University. She writes on Africa, democratization, and public law. Her most recent book is Building the Rule of Law (2001), a study of judicial system change in Africa.