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What's right with the Berg Report and what's left of its critics?

The Berg Report, *Accelerated Development in Sub-Saharan Africa: an Agenda for Action* (World Bank, 1981), was written in response to a request in 1979 by the African Governors of the World Bank for a review of sub-Saharan Africa's economic prospects. The Report reviews progress since 1960, in particular the improvements in education, health and infrastructure. The major focus of the Report is on the persistence of balance of payments deficits, which worsened during the 1970s. Although external factors, especially unfavourable movements in the terms of trade, are acknowledged to have contributed to these deficits, the Report argues that the main cause of increased current account deficits in the 1970s has been the slow rate of growth of exports. This poor export performance is attributed to policy biases against both agricultural and export production, to rapid population growth which increases consumption and hence reduces the exportable surplus, and to the inflexibility of African economies.

The key policy recommendations are as follows: devaluation, improved price incentives for exports and for agriculture, lower and more uniform protection for industry, and a decrease in the use of direct controls. The Report also argues that the public sector is over-extended, given the scarcity of financial resources, skilled labour and

organizational capacity, and that this over-extension 'has resulted in slower growth than might have been achieved with available resources, and accounts in part for the current crisis'. Thus the Report is highly critical of domestic economic policy in Africa, and although a strong case is made for an increase in the volume of aid, the emphasis is on changes in domestic policy as the key to improved economic prospects.

● The starting point for this paper is that the Berg Report (World Bank 1981) highlights certain problems which are important, and for which solutions have to be found. In particular, many sub-Saharan African (SSA) countries have been experiencing severe balance of trade deficits, falling volumes of exports, and hence a diminishing capacity to import the consumer, intermediate and capital goods needed for economic growth. Part of this is attributed by Berg to overvalued exchange rates, which is very difficult to deny. Berg also discusses the difficulties associated with, and the negative effects resulting from, the use of administrative controls on imports: corruption, delays, underutilisation of capacity, etc. Import-intensive industry has been encouraged, while industrialisation based on the use of local raw materials and labour has been discouraged. In the context of severe shortages of foreign exchange, efficiency in its use of particularly vital. Furthermore, the Berg Report indicates that limited benefits have stemmed from public sector activities in many African countries; the large shares of public expenditure allocated to administration and defence; the huge expansion of unproductive employment, are all common characteristics of the public sector in African countries. Furthermore, marketing boards and parastatals remove large proportions of potential producer incomes. Trends in world market prices cannot explain the degree to which African agricultural producers have been forced to accept low returns for their crops.

We start by criticising the response of some of Berg's critics (IDS 1983; Sau 1983; Clough and Williams 1984; Loxley 1984). The first section of this paper is entitled: What's Left of Criticisms of Berg? and is divided into eight sub-sections. The second section is entitled: What *is* wrong with Berg? and outlines a somewhat different critique from those discussed in the first section. Finally we have a section called: What's left of the Alternatives to Berg? in which we criticise the alternative economic strategies put forward by the left as substitutes for the Berg strategy. We will make a virtue of our deficiencies in not detailing our own alternatives. This can be justified on the grounds that the contents of any alternative should vary as between different SSA countries, for example, the degree of priority which should be accorded to the establishment of a capital goods industry in Nigeria is very different from that accorded in Upper Volta or Mali. We will, however, discuss some of the criteria which any credible alternative must fulfil.

What's left of criticisms of Berg?

A common strand in most critiques of the Berg Report is a 'defence of the state'. A defining characteristic of these critiques is a naive and utopian view of the actual or potential role of the state. Some quotations will demonstrate this: Colclough states that, 'In the case of poor rural and urban populations... government expenditures simultaneously promote both growth *and* distributional goals' (Colclough 1983: 28); Philip Daniel argues that, 'In marked contrast to the thrust of World Bank policies in the recent past, the Report makes very little mention of the redistributive role of the public sector' (Daniel 1983: 12); finally, Sau, on explanations for slow growth rates of food output, states that, 'the post-independence governments wanted to respond to the needs and aspirations of people in remote and disfavoured regions of their countries. They hoped to achieve greater *regional balance* in development, since in the previous decade resources had been concentrated on export-oriented sectors and regions' (Sau 1983: 190, emphasis in original).

This approach involves a major contradiction; it implicitly or explicitly rejects the notion of 'trickle down' concerning private economic activity, but asserts a powerful 'trickle-down' process concerning state activity. Perhaps this is based on the hope that a huge increase in the already phenomenal level of public sector employment will eventually ensure that all the rural population has a bureaucratic job. Some proponents of this view, for example

Table 1:
Percentage Distribution of Government Expenditure 1978

	African Countries		All Countries		
	Low Income	Middle Income	Low Income	Middle Income	Industrial
General Public Service	22.9	20.5	18.4	14.2	8.2
Defence	11.2	6.5	11.3	11.5	6.9
	34.1	27.0	29.7	25.7	15.1

Source: World Bank, 1981

Colclough, recognise the contradiction to a certain extent. He reproduces Berg Report figures (see Table 1) and then states that what governments ought to do, instead of cutting public expenditure, is, first, reduce expenditure on administration and defence, and increase expenditure on education, health and public services; secondly, they should reduce public sector wages. No explanation is given of the political processes whereby this dramatic change might occur.

Evidence on the distribution of public expenditure *within* categories of health, education and housing does not support the equity arguments. Even an 'acceptable' state, such as that alleged to exist in Tanzania, has a less egalitarian record than is usually assumed: the overwhelming majority of state expenditure on health favours urban and relatively high income sections of the population.[1] Mbilinyi's work on education (1973) and Coulson's data on the distribution of the benefits of public sector activities also call the 'equity' argument into question (Coulson 1982).

The argument that public expenditure is a 'good thing', or at least that exhortation can lead to it becoming a 'good thing' in terms of its impact on equity and the welfare of the poor, is an utterly apolitical one. It does not attempt to address the question of why public expenditure is what it is, has the effects it has – and implicitly assumes that the politics of public expenditure can be transformed with ease.

The Berg Report's political analysis is said by all critics to be inadequate, yet these critics defend the public sector on the grounds that it is already, or can with ease become, a caring and sharing distributor of Basic Needs. The political analysis of Berg's critics leaves everything to be desired.

'Bogey theories of awfulness'

Many criticisms of the Berg Report amount to variations on 'Bogey theories of awfulness' and the finger is pointed at foreign agencies such as the World Bank and IMF as Major Bogies. One critique (Daniel 1983) is devoted entirely to demonstrating that the structural adjustment loans and other strategies advocated by the Berg Report are very much consistent with, in fact in his view suspiciously similar to, the IMF approach to adjustment and conditionality.

No critique of IMF practice is offered – it is, apparently, enough to indicate similarity to anything done by the IMF to prove that it should be rejected. One problem with these arguments is that Berg is recommending a massive increase in aid, and a switch from project to programme aid. In the past, criticisms of aid have stressed the niggardly level of rigidly project-tied nature of aid. Furthermore, there have always been substantial elements of effective conditonality attached to even low levels of project aid disbursed by the IBRD. What new factors have caused the critics to see these positive changes in such a negative light?

For those who regard the IMF as a bogey there are certain additional points which it might be useful to stress: as has recently been pointed out by Killick (1982) and Griffith-Jones (1981) criticisms of the IMF have frequently diverted attention from domestic policy failures, involving gross neglect of the productive capacity of the economy, absurdly ambitious and long-gestating infrastructure projects, and welfare expenditures that subsidise middle class consumption behind egalitarian rhetoric. Moreover, the IMF has not systematically discriminated against socialist states. The fact that some attempts at 'transition to socialism' have generated financial chaos is not primarily attributable to the IMF. This tells us that such transitions are difficult for poor economies attempting to establish or sustain a manufacturing base, and that the capacity of the economy to earn the foreign exchange required for accumulation has to be assured. In fact, a far more substantial and immediate enemy of transitions to socialism than the IMF, apart from domestic class forces opposed to such transitions, is the Reagan regime. The Reagan administration's attempts to restrict IMF resources and IDA ought to tell us something important about the demands that the left should be making with regard to the future role of the IMF.

Daniel's substitute for a critique of the new World Bank-IMF double act is to pose a number of questions (Daniel 1983: 16), three of which we will quote, briefly answer and/or dismiss as irrelevant.

'Is a largely uniform approach to domestic policy appropriate across the whole range of countries in SSA?'

The IMF does not take a uniform approach to domestic policy, nor have the terms of its intervention been uniform across countries (see for example Killick 1982).

'Is a sharp move to export orientation justifiable or even practicable in current and expected international conditions?'

In section A.4 below, we argue that it is not only justifiable and practicable, but also essential.

'Why have questions of income distribution suddenly become unimportant?'

This question assumes that these issues have been important in the recent past. To whom were they important and what difference did it make? In what ways, apart from naive presumptions about the state, can it be demonstrated that Berg's recommendations will lead to particular patterns of income distribution?

Income distribution

The third issue is income distribution. Nearly all critics are united in asserting that Berg's recommendations will inevitably and obviously lead to a worsening income distribution. Aside from those which rely on the very dubious assumption that the public sector invariably has a positive distributional effect and that, therefore, a smaller public sector will worsen distribution, the basis of the 'distribution' criticisms of Berg is not made clear.[2]

What are the distribution critics arguing? To what aspects of distribution are they referring: between men and women, poor, middle and rich peasants, farm owners and capitalists, recipients of wages, profits, rents and dividends? Without any clarity about the categories of income recipient being referred to, the argument that Berg's proposals will 'worsen' things is no more than empty rhetoric. If the group whose fate is being lamented is 'the poor', it might be instructive to consider whether 'the poor' are worse off, in terms of nutritional status, life expectancy, etc., in areas of growing export crop output, or in areas of stagnant, falling or no export crop output. We are unlikely to find that it is the former.[3]

The fourth set of criticisms of Berg concerns the terms of

Table 2:
World Market Share of Sub-Saharan Africa in Selected Export Commodities, 1976-78

	%		%
Beef	1.6	Cotton	11.3
Palm Oil	5.7	Tobacco	8.9
Bananas	4.6	Rubber	4.8
Maize	0.4	Hides	4.4
Timber	5.1		

Source: World Bank, 1981, Table 3.5

Table 3:
Africa's Share in World Exports of Selected Commodities, %

	1970-72	*1976-78*	*1982*
Cocoa	80.1	69.3	65.0
Groundnuts	53.5	35.5	26.8
Groundnut oil	55.7	43.2	42.2
Palm oil	20.8	5.7	2.5

Source:
1970-72 and 1976-78, World Bank, 1981; 1982: FAO, *Production Yearbook*, 1983

trade and elasticities of demand for primary commodities: it is, apparently, still received wisdom that the terms of trade for ldc's and for primary commodities are inevitably subject to a secular decline, despite the well-trodden ground indicating that empirical evidence does not support such clear and simple conclusions (Spraos 1982). Sau (1983) and Loxley (1983), for example, assert the secular decline without discussion. Godfrey (1983), more sophisticated than the latter two, uses a different argument: that the elasticities of demand and large share of world markets for many of SSA's primary commodities are such that increasing the volume of primary exports will be a recipe for reduced, rather than increased, foreign exchange income. This is unconvincing: first, there are also 'many' primary commodities for which SSAs share in world markets is very small indeed (see Table 2). There are, in addition, other primary commodities produced on a large scale in Africa that hardly figure as exports at all, whose share in world markets is therefore miniscule. The exports of these could certainly be increased without any impact on world prices. Secondly, in the case of a long list of agricultural commodities, non-African countries have been increasing exports whilst Africa's share has been falling (cocoa, groundnuts, groundnut oil, palm oil, bananas, maize, timber, tobacco, rubber, hides and skins, sisal). Table 3 shows the sustained rapidity with which Africa has lost its share of the world market for some of these commodities. It should be noted that even if Africa's share was 50 per cent, one would have to assume a price elasticity of demand with respect to exports of less than 0.5, if one wishes to argue that an increase in the volume of Africa's exports would lead to a reduction in Africa's export earnings.[4] Thirdly, price movements for several primary commodities have been favourable during 1970-80: of those commodities which experienced positive rates of growth of price during the 1970s, *only* coffee increased in export volume from SSA (out of coffee, cocoa, timber, rubber, sisal). Fourth, if we consider export unit values and volumes for African agricultural exports as a whole, we find that in the aggregate, price trends cannot be regarded as the source of falling export earnings, with export volume in 1982 more than 10 per cent less than in 1971 (see Table 4).

Finally, of those countries which experienced a reduction in their income terms of trade during the 1970s (14 countries), only one (Liberia) had a positive rate of growth of export volume. For the Godfrey hypothesis to be convincing, we would expect that more than one country would have shown a negative association between export volume and export income. In some cases, the decline in export volume has been, and continues to be, dramatic – see Table 5. Note that, in addition, between 1979-82, in Tanzania,

Table 4:
African Agricultural Exports

	Export Unit Value	Export Value	Export Volume
1971	53	52	99
1974-76	100	100	100
1982	132	119	89

Source: FAO Production Yearbook, 1983

Table 5:
Selected SSA Economies: Average Annual Export Growth Rate, Volume, Percentage

	1970-79
Benin	−11.4
Sierra Leone	− 6.5
Tanzania	− 6.6
Sudan	− 4.4

Source: World Bank, 1981, Table 7

Table 6:
Total Growth of Cereal Imports, Volume, Percentage

	1974-81
Kenya	3460
Ivory Coast	260
Nigeria	527
Ghana	45

Source: World Bank 1983a, Table 6

the volume of cotton and sisal exports has halved; the volume of cashew exports fell to a quarter of 1979 levels, and the volume of tea exports fell to less than three-quarters of 1979 levels (IMF 1983: 17). How can the left deny the significance of these declines and fail to consider their policy implications?

It is possible, then, to agree with Godfrey that 'The consequences of increasing export incentives on a continent-wide basis have to be looked at extremely carefully, commodity by commodity' (Godfrey 1983: 40), but it is not clear that the results of such careful scrutiny would support Godfrey's arguments. It is not, however, possible to agree with Griffith-Jones' pessimistic critique of Berg's 'unrealistic' projections of growth in the volume of world trade in primary commodities of interest to African exporters. Griffith-Jones argues that the volume of world trade in these commodities is unlikely to grow as rapidly as Berg suggests, and is generally pessimistic about export growth in the context of slow growth of world trade in the 1980s. This point is irrelevant: the rate of growth of exports of a range of African primary commodities in the 1970s was substantially *below* the growth of world trade of those commodities (copper, iron ore, zinc, tin, lead, sugar, groundnuts, groundnut oil, beef, palm oil, bananas, timber, cotton, rubber, and hides and skins).

Food self-sufficiency

This leads logically to the next problem: of food imports, food self-sufficiency, food self-insufficiency, self-sufficiency and insufficiency in general. Food imports seem to be regarded very widely as a Bad Thing, that ought to be stopped or at least, made unnecessary, yet it is not clear why this has become a tenet of left thinking. In fact it is amazing that it should have become so. What matters is how much people have to eat, which is not determined by whether countries import food or not. In fact, countries that can afford food imports are more likely to be characterised by sufficient food availability than those which cannot.

The world's largest food importers are Japan and the USSR, the SSA countries which increased food imports most rapidly in the 1970s were among the fastest growing (see Table 6), Kenya, Ivory Coast and Nigeria. On the other hand in Ghana, were GDP 1970-81 fell by an average 0.2 per cent pa, and where the recorded fall in domestic food output per capita was among the largest, the growth of food imports was relatively tiny. This should not be surprising, since historically, rapid economic development has often been associated with rising food imports – Holland in the seventeenth century, Japan in the twentieth (see Wagstaff 1981).

There is no discernible relationship between changes in food output per head and trends in food imports. There is, instead, a relationship between trends in export earnings and in food imports: of total food imports by sub-Saharan Africa, 50 per cent of all animal and vegetable oils and cereals, and more than 50 per cent of sugar, meat and wheat imports are accounted for, not by the poorest countries facing the most disastrous trade experience, but by oil-exporting countries. In fact, it was only in the category of Middle Income Oil Exporting SSA countries that the share of food imports in total imports failed to fall between 1960-78 – it remained constant at 14 per cent. Wagstaff has shown, for the world as a whole, a significant positive relationship between changes in food imports per head and changes in GDP per head. Furthermore, despite the rapid growth of food imports in Ivory Coast and Kenya, the share of food in total imports fell during 1960-80, from 12 per cent to 8 per cent in Kenya, and from 18 per cent to 15 per cent in Ivory Coast. Only in five SSA countries did food imports rise as a percentage of total imports: Central African Republic, Uganda, Sudan, Liberia, Congo. To the extent that there is a relationship between food imports and food availability, it is more likely to be positive than negative, in contrast to the presumptions of many critics of Berg.

Devaluation – 'not on your nelly'

Another feature unifying Berg's critics is their attitude to devaluation, which can be aptly summarised as the 'not on your nelly' (NOYN) approach. This approach excludes posing the most important question, which is: under what circumstances would devaluation increase foreign exchange earnings? This question involves others, concerning the elasticity of demand for imports and of supply of exports. Furthermore, the domestic inflationary consequences need to be analysed, as well as contractionary implications. In addition, there are important questions concerning the form that currency depreciations should take, ie the costs of large infrequent devaluations as compared to small frequent depreciations. Bird's survey of devaluation indicates a dearth of empirical studies of either the short-run or long-run effects of devaluation on SSA countries (Bird 1983). This is, unfortunately, not surprising given the NOYN approach of perhaps the majority of development economists. Aside from precluding the asking of crucial questions, the NOYN approach involves problems concerning alternatives: Bird argues that alternatives to devaluation have proved to be far more administratively cumbersome, and that most foreign exchange controls in practice involve considerable delays in the acquisition of imports, generating underutilisation of domestic industrial capacity; that foreign exchange controls in practice frustrate, rather than reduce, the demand for imports. The administrative difficulties of implementing a Kaldorian export-subsidy-cum-multiple-exchange rate system in the SSA context also have to be faced and discussed by the left.[5]

Before concluding our discussion of Berg's critics, it is by no means a waste of time to note some criticisms which are so obviously flawed that they merely discredit the left, allowing the dominant neoclassical 'get the factor prices right' strategies to present themselves as the only viable basis for economic policy in ldc's.

Sau (1983), for example, presents a three-sector model (export crops, superior food and inferior food), in which a decline in the terms of trade will lead inexorably to a reduction in the output of inferior food, and an increase in the output of superior food. This remarkable conclusion is arrived at by a tautological analysis in which resources are perfectly mobile between export crops and superior food, so the terms-of-trade induced decline in export output leads to an increase in superior food output and, since the reduction in export output is assumed to generate fewer domestic resources for total food production, output of inferior food must fall.

Sau states, in addition, that since the deterioration in ldc's' terms of trade for primary exports is largely attributable to the price manipulation of transnational corporations (TNCs), Berg's arguments concerning domestic taxation and price policies are, therefore, irrelevant. Presumably the conclusion is that it is easier to abolish TNCs, and thereby increase export producer prices than it is to change bureaucratic or parastatal price policies.

Further, Sau advocates both an indiscriminate (or undiscriminating) reduction in export output and an equally indiscriminate increase in exports of 'resource-based industrial exports'. Aside from the inconsistency, no attempt is made to discuss the feasibility or consequences of these policies for foreign-exchange availability in particular countries, or even particular commodities.

Finally, Sau resorts to the utopian advocacy of industrialisation based on regional economic integration, without any reference to the fact that ldc experience with economic cooperation, let alone integration, allows very little ground for optimism.

A further criticism in this category is by Allison and Green, who substitute nationalism for class analysis: they state that 'only Africans are primarily concerned with the well-being of Africa' (Allison and Green 1983: 9). To whom are they referring? The dominated classes, or members of Haile Selassie's family, or ex-Emperor Jean Bedel Bokassa?

Secondly, Green states that real producer prices for agricultural producers in general 'paralleled the evolution of prices at a global level' (Green 1983: 32). This is incorrect: real producer prices fell faster than world market prices in a number of well-documented cases (Ellis 1983; Muhtar 1983). Further, Allison and Green state that the export targets set by the Berg Report 'are not feasible' (1983: 6). No arguments or data are adduced to show this. 1983 data indicate that world market prices of non-oil primary commodities exported by African ldc's rose by 8.4 per cent over 1982, and that, for all low-income ldc's the 1983 increase in export volume was 6.1 per cent (IMF 1983: 183).

The final criticism to be noted in this section is by Griffith-Jones, who argues that the Berg Report is recommending a programme of ultra-orthodoxy similar to that adopted in Chile, involving the rapid elimination of all tariffs and other import restrictions. This is not the case, nor has this ever been a condition of IMF loans (see Killick 1984). Indeed, in another context Griffith-Jones herself has argued that the ultra-orthodox policies adopted in Chile had less to do with the requirements of the IMF than with the strength of right-wing domestic political forces (Griffith-Jones 1981).

Specificity deserves a brief mention. All critics agree that Berg suffers from not enough of it, but demonstrate very little of it themselves. We have given some indication already of the kinds of specific questions which urgently require answers – such as the conditions for a successful devaluation, the type of distributional questions which need to be addressed, which crops can be exported in increasing quantities with positive effects on income, etc. The problem which arises is that traditional left ways of approaching these issues often lead to the wrong questions being asked. Because of the baggage that many on the left carry around with them, eg the public sector is a good thing; devaluation is a bad thing; TNCs and the World Bank and the IMF are very very bad things; primary products are a bad thing; prices of primary products decline secularly; external factors are more important in the explanation of ldc economic misfortune than internal factors; regional cooperation among ldc's is a serious possibility; etc., it is not surprising that persons such as Deepak Lal write what they write (eg Lal 1983). This is not to say that all of the people believe in silly things all of the time, but that enough continue to carry around so much of this baggage for it to be a problem.

What is wrong with the Berg Report?

In this section some of the more important objections to the analysis and, particularly, to the policy prescriptions of the Report will be discussed: these concern the nature of the state, the Report's exaggerated pessimism, the analysis of import-substituting industrialisation, and the central role of 'getting prices right' in Berg's policy recommendations.

Politics and the nature of the state

According to Berg there are several 'mistakes' that most African states have made during the 1970s. The origins, or the historical and political context in which these mistakes arose, are only very briefly and crudely discussed, suggesting that, although Berg's political analysis has some interesting points of similarity with some mechanical marxological simplicities (eg the desire to identify and heap opprobrium upon a bureaucratic bourgeoisie), the most obvious defect of Berg's approach is how very little it has to say about political forces, wars and class realities in Africa. Consequently, the impression conveyed by the Report is that merely reading the lessons of ten years' experience, plus the careful perusal of certain econometric studies helpfully provided by the

Bank, (plus, of course, a little bit of Bank co-ordinated donor leverage), will – like a sudden flash of pure light – illuminate areas of policy choice that were previously murky, allow those silly 'mistaken' policies to be jettisoned immediately and the 'correct', cost-effective paths for state activity automatically to be chosen.

In sum, Berg relies on the notion that ignorance and mistakes (or, at best, the shortsighted selfishness of bureaucrats) can account for the pattern of state intervention in SSA. The Report offers no analysis of how the balance of political and economic forces has changed historically and how these changes have affected different regimes in Africa in the 1970s. This approach leads to naive exhortations and policy prescriptions that are rather confusingly contradictory. For example, we are told that it is the finance ministries in Africa that represent the general interest in the struggle for resources (World Bank 1981: 83) – as if there were such an animal as the 'general interest', and that a package of technocratic reforms would improve the quality (and reduce the quantity) of state intervention: so, improved collection of statistics, the establishment of Project Preparation Units (armed with the most up-to-date Little and Mirrlees Manuals to screen out the line-ministries' non-viable investment proposals), and a reform in the terms of reference of the Planning Ministry – constitute the kernel of the magic institutional reforms that would give the technocrats the upper hand in the allocation of resources and the design of policy. These types of technocratic solution, together with some ritual genuflections in the direction of cooperatives and the beauties of small-scale organisations, would suffice, according to Berg, to override such 'mistakes' as the allocation of excessive investment to those projects that provide substantial benefits to the political/ethnic supporters, or the home village, of the Ministers of Health, Agriculture, Transport, etc. This is naive.

The contradictions arise because, while the general ideological tenor and thrust of the Report is anti-planning, denying that the state can do anything other than have a retrogressive effect on economic development (as a result of crowding out, for example), the Report at the same time attempts to provide a series of apolitical prescriptions for improved planning and benevolent state interventions in the interests of society as a whole.

Exaggerated pessimism

One of the most progressive aspects of the Report is that it makes a serious attempt to argue for the necessity of substantial additional flows of concessional finance. However, these arguments are weakened and the analysis is flawed in more general ways, by Berg's assumption that the more you exaggerate the disastrous performance of capitalism in SSA, the stronger will be the case for accepting the pro-aid argument, and all other arguments in the Report.

Take the case of agricultural production – central to almost all of Berg's conclusions. The Report states that 'Low agricultural growth rates typify all but a few African countries in recent years' (p 49), and claims that there has been a continued, systematic decline in agricultural production over the last two decades (p 45). We would argue that this, and similar statements in the Report, are exaggerated and misleading:

(a) Using the Report's own data, several (seven) African economies had growth rates of agricultural output well over 2.5 per cent pa, 1969/71 to 1977/79. We would also question what Berg means by 'low' agricultural growth rates. Low relative to what? If one takes a sensible criterion of comparison, such as the rates of growth of agricultural output achieved by France or the UK during their experience of industrialisation in the nineteenth century – when growth rates very rarely rose above one per cent per annum and at their very fastest were of the order of 1.5 per cent – then it should be stressed that over half the population of SSA lived in economies that achieved a faster rate of growth of agricultural production than this (ie a general average rate of growth of agricultural output of more than 1.6 per cent over the decade) (see Heywood 1981).

There are even more serious problems with the report's treatment of agricultural and food production data. First, all of Berg's stories about declining rates of growth of food production ignore data on the production of fruit, vegetables, fish and meat.[6] Clearly there are problems in collecting consistent time series data for these commodities, although it is hard to believe that the available data covering these items are systematically *less* reliable than the data on cassava, maize and other cereals that the Report does attempt to provide. Jane Guyer has pointed out that roots and tubers are very much more important in accounting for calorie consumption in Africa than are all the cereals taken together, and that the production figures for roots are nothing like so gloomy as those presented by Berg for cereals: the rate of growth of production of roots and tubers has been more stable than that of any other major food crop, varying between 1.8 per cent and 2.0 per cent pa, and the growth rate of per acre yields has been higher than that of almost all other food crops. Furthermore, Guyer presents good micro-based and historical evidence which strongly suggests that the Berg Report has understimated actual levels of yield for these crops in the 1970s (Guyer 1984: 188).

The failure to provide a satisfactory discussion of roots and tubers and, more generally, the pessimism regarding non-export crop performance can probably be traced to the ludicrous equation in the Report of all non-export agricultural production with 'subsistence'/'traditional' production (p 12), and to the implicit notion that anything which is not collected in the official export statistics (a) is not marketed and (b) probably is not produced. Given the prevalence of smuggling, the limited and in many countries decreasing coverage by official marketing agencies of the domestic food sector, are there any adequate grounds for making unqualified statements about production levels and trends – let along dogmatic pessimistic assertions?

There are similar tendencies toward exaggerated pessimism in Berg's statements concerning current account deficits and debt crises. Here, one of the methods employed (eg p 3) is to provide data in terms of billions of current dollars on current account deficits and external indebtedness – while neglecting to note that between the beginning and end of the 1970s, inflation was by no means an insignificant phenomenon. Another method employed is to measure current account deficits as a percentage of GDP by a procedure that excludes the contribution to the current account of foreign aid grants. Note that even with the use of this procedure current account deficits in Africa only averaged about nine per cent of GNP in 1980. Debt service as a percentage of GNP or as a percentage of exports of goods and services amounted to about two and seven per cent respectively for SSA in 1979 – figures that were dramatically lower than those for other developing countries. For example in the late 1970s newly industrialising countries' debt service amounted for 21 per cent of export earnings. Unfortunately, most of SSA was unable to finance the enlarged real current account deficits that would have been required if imports were to grow at a satisfactory rate.[7] Exaggeration of the size of Africa's current account deficits and its debt burden is misleading, because it is clearly desirable, and part of Berg's own project, to argue for the necessity of financing much larger import levels than those achieved by SSA over the last decade.

The final comment that we wish to make concerning Berg's exaggerated pessimism relates to certain of his remarks on import substituting industrialisation (ISI). In common with a major strand of left-dependency theorising, Berg argues that ISI behind protective walls is 'quite effective in encouraging simple IS industries, but, once these have been established, industrial development faces an impasse' (p 27). Does the evidence from SSA provide unambiguous support to this prognostication? We think not: there are about ten African economies that have experienced average annual rates of growth of industrial production of over six per cent for well over a decade. We are still waiting for the apocalyptic moment when the 'easy' stage of ISI will peter out and industrial stagnation becomes the order of the day in these SSA countries.

These countries, as well as many other ldc's (such as Brazil), have sustained historically unprecedented rates of growth of industrial output over remarkably long periods, on a basis that was precisely ISI behind protective walls.

'Getting prices right'

These comments on industrialisation serve as a convenient starting point for a far more fundamental set of critical points regarding Berg's proposed policy strategy.

Berg's whole emphasis, what he calls 'the centre of his analysis' (p 55) is on the positive effect of a change in farm gate prices on agricultural output. The fact that an increase in domestic industrial production, via its effects on the availability of incentive goods and producer input, might have an equal or even larger effect on real incentives and the ability to increase agricultural output, is systematically underemphasised. The accumulation of extra kwacha, cedis or shillings is presumably of much less immediate interest to producers than the possibility of exchanging their output with such manufactured goods as soap, kerosene, cooking oil, sugar, batteries, pots and pans, corrugated iron roofing material, radios, bicycles, cloth, etc. Similarly, the decision and ability to invest in increasing yields in the short run will be determined, to an important extent, by the assured availability of pesticides, fertilisers, storage construction materials, agricultural implements, transport equipment, etc. In many African countries the supply of these manufactures can be readily increased by improved capacity utilisation, or an expanded domestic import substituting industrial sector. The acute difficulties faced by domestic infant industries resulting from the reduced protection and other policies stemming from Berg's critique of IS will have a serious negative impact on agricultural output.[8] Besides, Berg chooses to ignore the fact that those SSA countries which achieved high rates of growth of agricultural exports (Ivory Coast, Kenya) can hardly be characterised as having spurned the import substituting road.

At a broader level the incentive issue must be viewed as a complex and many-sided one (Sen 1983), and Berg's simplistic analysis of the effects of price manipulation requires considerable qualification. Labour shortages or bottlenecks at peak periods are often the critical constraint on raising the marketed output of particular crops (Richards 1983); it is, therefore, vital to appreciate the determinants of labour supply, which will include the relative returns to labour in a range of non-agricultural activities as well as in those agricultural activities (including processing) that are competing for labour in the same season.[9] These features of the production process have been important in accounting for the failure of simple price elasticity of supply models to explain marketed groundnut output in Nigeria (Muhtar 1983), and marketed cassava flour output (Guyer 1984). Access to education and health facilities in particular rural areas is also likely to influence labour availability (and productivity), and thus the degree to which output can respond to price changes.[10]

Neither Berg, nor IMF research by Bond (1983) on the empirical response of agricultural output to prices in SSA, show that short run increases in agricultural export volume will be achieved by devaluation or increases in nominal producer prices. Berg, however, often appears to be suggesting that devaluation would be both a necessary and a sufficient condition for achieving increased export volumes. Econometric work suggests that, although short-run own price elasticities may be positive for some export crops, these are very small. This undermines one major thrust of Berg's prescriptions: the immediate problem addressed by Berg, ie the recent falls in export volume of many SSAs, will *not* be alleviated rapidly by price changes.

What is left of the alternatives to Berg?

It is, first, necessary to remind ourselves of the central issue addressed by Berg, namely the persistence of structural balance of payments disequilibria: the inability of most African countries to generate enough foreign exchange to cover their import requirements. Berg advocated two sets of measures: and certain domestic policy changes to increase export earnings. The alternatives to Berg must be judged, at least in part, in terms of their effectiveness in relation to this objective.

Three critics of Berg – Bienefeld (1983), Loxley (1984) and Sau (1983) – provide general alternatives, while Godfrey provides some suggestions on alternatives for Kenya. The latter are unobjectionable, in proposing specific primary processing activities as a basis for increased export earnings, plus an argument for gradual, as opposed to sudden, changes in trade policy. Neither of these are inconsistent with Berg, in fact Berg explicitly recommends the former.

Sau's recommendations are the most easily dismissed, so we will start with these. They are as follows:

(a) reduce output of export crops;
(b) increase output of food crops;
(c) promote regional economic integration as a basis for further import-substituting industrialisation;
(d) increase resource-based exports.

The third has been mentioned already in terms of its (in)feasibility; the first and second are presumed to go hand-in-hand on the grounds that export crops and food crops are substitutes in production, a presumption which is at variance with experience. Those countries which have had relatively successful trends in export output are also those with relatively successful trends in food output. The second, taken alone, is based on the implicit assumption that domestic food supply is the single most important determinant of whether people have enough to eat, and of whether their food intake is secure or insecure. This assumption is also at variance with both historical and cross-country experience. So nothing is left of Sau that is of any use for serious thought on African economic problems and policy.

Bienefeld and Loxley both present similar alternatives, so they will be discussed together. Bienefeld's alternative is as follows: 'some states – under present or new management – may cut back on and change consumption patterns for elites drastically, and place primary emphasis on securing the population's basic necessities on the basis of a less volatile and more controllable domestic production structure which operates with a lower import to output ratio. That would certainly require extensive state intervention, usually by governments which are differently constituted politically than those presently in power' (Bienefeld 1983: 22).

Loxley's alternative is based on the autocentric model of C Y Thomas (1974), in which production is geared 'to utilising local resources to meet democratically defined needs and foreign trade is simply an extension of domestic production, not its determinant.... This model presupposes collective ownership of the means of production, economic planning in physical terms, and the desire to build a socialist society. The political prerequisites for implementing this model are obviously very demanding' (Loxley 1983: 203).

There are several difficulties with both of these, of which three are outstanding:

(a) It is, politically, a game of Alice-in-Wonderland to presume that Africa's urgent and immediate problems can be wished away by the invocation of a socialist government. Aside from the far from admirable record of socialist governments in the spheres of democracy, economic success and the ability to control the economy, it is as much use as the joke about assuming a can-opener[11] to think that a socialist revolution is on the cards in most African countries in the short term. What do these alternatives have to offer to persons living in places where no such revolutionary options are actually on the agenda? This is particularly serious in the light of the criticisms that these same people make of Berg in terms of its inadequate political analysis. Is 'taking politics seriously' just another way of saying 'socialism now'?

(b) There is the usual recourse to the 'golden egg' approach to poverty, ie that if imports of luxury goods can be cut, and the excessive consumption of the elite reduced, then problems of poverty can be solved. Cutting the consumption of the rich may be important for political reasons, but it will certainly not yield the resources on the scale necessary to significantly affect the lot of the poor. Only a strategy which secures growth of output can make any inroads into the problem of poverty.

(c) The advocacy of autarkic – or more autarkic – strategies is fundamentally flawed. There are complex interrelationships between imports and domestic markets, and between exports and domestic markets. Imports have connections with domestic markets through the availability of inputs and incentive goods, exports through the expansion of demand for domestically produced output resulting from increased incomes. The 'enclave' story about exports is the opposite of the truth – as Hirschman (1977) has shown for Latin America – increased exports in Africa have been associated with generalised linkages, with an increased, rather than a diminished, domestic market for domestically produced output. The importance of imported inputs (both capital and intermediate) and imported incentive goods in production for both domestic and export markets, is so marked that the alternatives which stress reduced involvement in trade, far from reducing the vulnerability, is utterly at variance with historical experience over the last decade, and indeed over a much longer perspective. By increasing incomes, state revenues, and by increasing the demand for domestically produced consumer goods and inputs, increased export production has developed both the home market and the market for imports. It is a major distortion of African economic history to emphasise the latter to the exclusion of the former, aside from the spurious credence which the enclave story gives to disastrous economic policy recommendations. Those economies in Africa with better performances in export production are also those with larger domestic markets, and more advanced industrialisation, and this is no coincidence. Where is the evidence that compares, in any detail, the full array of forward and backward linkage effects associated with the expansion of different crops, minerals or industries in Africa?

It should not be necessary to add, finally, that we are wholeheartedly in favour of policies – such as increased flow of concessional finance – that have the effect of increasing the rate of growth of imports into SSA. A concentration on the remediable defects in the composition of imports should not continue to allow the left to ignore the fact that a very substantial and sustained growth in the total volume of imports is a precondition for the transformation of the productive structure in SSA – and for the alleviations of the brutality of life for most of SSAs inhabitants.

Notes

1 For example, in the early 1970s, 87 per cent of state expenditures on health were concentrated on preventative facilities (Coulson 1982). See also Mukandala 1983.

2 There are major contradictions in the literature: for example, Williams (in Clough and Williams 1984) argues that World Bank *projects* have had unfavourable distributional consequences, while Loxley and Daniel criticise the Berg Report's recommended 'programme' aid approach on distributional grounds.

3 Some evidence relating to these questions is available in Anker and Knowles 1983. This regionally disaggregated study provides no support whatsoever for those distributional critics who assert the negative consequences of export crop production.

4 Take the case of groundnuts: Africa's share of world exports was 26.8 per cent in 1982. If Africa's exports rose significantly, say by 10 per cent, world exports would rise by 2.68 per cent. In order for Africa's export earnings to fall, world prices would have to fall by at least ten per cent, ie the price elasticity of demand would need to be – 0.26. Berg's critics provide no evidence that the relevant elasticities facing Africa are of this order of magnitude.

5 Of the critics of Berg and the IMF in Africa that we have been able to read, only A Singh's work on Tanzania (1983) makes a serious attempt to assess the circumstances in which, in specific countries, the exchange rate should be changed. But does the left really want to argue that, for example, it was an integral part of socialist strategy that in Tanzania between March 1979 and December 1982 the real effective exchange rate should appreciate by 92 per cent, or that in Nigeria the real effective exchange rate should appreciate by 28 per cent between January 1979 and December 1981?

6 For example, small domestic livestock are very important indeed in farming systems and nutritional provision throughout SSA. See, for example, Richards 1983.

7 During the 1970s, middle income developing countries achieved an annual average rate of growth of import volumes of 5 per cent, compared with only 3.3 per cent for SSA (World Bank 1981: 149). It should also be noted that current account deficits as a percentage of GDP during 1973-81 were systematically lower in low income ldc's than in other categories of ldc (IMF 1981: 126).

8 This is especially so if imports of interest to the mass of rural consumers are the first categories to be cut in the face of periodic balance of payment difficulties.

9 Richards (1983) provides the following data on the share of processing in total labour requirements: groundnuts 35 per cent, cassava 50 per cent, palm oil 50 per cent (p 36).

10 For example, labour mobility in SSA has often been a response to rural/urban differences in social infrastructure.

11 A physicist, an engineer and an economist are stranded on a desert island, with only tins of corned beef to eat. None of them has a can-opener. The physicist and the engineer put their heads together to work out what to do. The economist says: 'There is no problem: let us assume a can-opener'.

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