Governance, Wealth Creation and Development in Africa: The Challenges and the Prospects

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Abstract: Available evidence shows that human conditions in most African countries have deteriorated significantly in recent years. In fact, since many African countries began to gain independence in the 1960s, the standard of living for most Africans has either not improved or has done so only marginally. The general consensus among many observers--including researchers, aid donors, and even African policymakers--is that unless appropriate (and drastic) measures are undertaken, economic, social and human conditions in the continent will continue to worsen. Today, most African countries are unable to generate the wealth they need to deal fully and effectively with mass poverty and deprivation, and as result, must depend on the industrial North for food and development aid. This paper examines impediments to wealth creation in Africa and argues that continued poverty and deprivation in the continent are made possible by the institutional arrangements that Africans adopted at independence. In order to prepare for sustainable development in the new century, Africans must engage in state reconstruction to provide themselves with governance structures that minimize political opportunism (e.g., bureaucratic corruption and rent seeking), and resource allocation systems that enhance indigenous entrepreneurship and promote wealth creation.

Introduction

Many developing countries have been able to achieve self-sufficiency in foodstuff production as a result of rapid economic growth during the last four decades. In addition, they have significantly improved the quality of life for their citizens. Unfortunately, the kind of strong macroeconomic performance that has allowed many of these countries to successfully deliver major improvements in the national welfare has not been universal. Although a few countries have performed relatively well economically, the post-independence period in the majority of African countries has been characterized primarily by extremely poor economic performance. In addition to the fact that most African countries suffer from food insecurity, the majority live in poverty. It appears that unless appropriate institutional reforms are implemented and the structures that enhance wealth creation are provided, the continent will continue to deteriorate [1].

In 1997, only thirteen African countries had per capita incomes of more than US $1,000 [2]. In sub-Saharan Africa, there appears to have been little or no improvement in the quality of life for the bulk of the people. In fact, today, most people who live in this region are no longer able to meet their basic needs and must depend on foreign aid--including food aid--for survival. According to Cornwell, these economies "must grow at least 4-5 percent annually to achieve food security, provide jobs and register a modest improvement in living standards" [3]. Recent

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data on macroeconomic performance in the region, unfortunately, do not indicate that the region will be able to achieve such growth, given existing incentive structures. According to World Bank, only Botswana (4.4%), Equatorial Guinea (6.0%), Mauritius (4.4%), Seychelles (3.7%), Uganda (3.3%), and Egypt (2.5%) had reasonable rates of economic growth-as measured by changes in the gross national product (GNP) per capita-during the 1987-1997 period. Most countries in Africa had negative rates of economic growth--Angola (-13.1%); Cameroon (-5.6%); Cape Verde (-9.7%); Democratic Republic of Congo (-9.5%); Sierra Leone (-4.4%); and Republic of Congo (-3.5%), just to name a few [4].

Of the thirty poorest countries in the world today, as measured by the UNDP's human development index (HDI), twenty-five of them (83%) are found in Africa. According to a study by the Washington, D.C. based Population Crisis Committee, over 90% of the countries with the highest levels of human suffering in the world can be found in Africa [5]. In addition to the fact that Africa is the poorest region of the world, it is also the only region whose prospects for the new millennium look relatively bleak [6].

Several studies have revealed that success in moving beyond structural adjustment into long-term sustainable development will be determined by how well African leaders are able to provide what the World Bank calls an enabling environment for the productive use of resources [7]. Although there does not appear to be agreement on what constitutes an enabling environment, in this paper we will argue that some of its components include institutional arrangements that guarantee economic freedoms; minimize corruption, rent seeking and other forms of opportunism; and enhance indigenous entrepreneurship and, subsequently, wealth creation.

Many scholars have examined the causes of poverty and underdevelopment in Africa and several variables have been identified as major contributors. Among these are political opportunism, which includes such behaviors as corruption and rent seeking; excessive population growth; political violence, including destructive ethnic conflict; racial intolerance; poorly developed and non-sustainable economic infrastructures; high debt levels; military intervention in politics and governance; a global economy that places African producers at a competitive disadvantage; an international financial system that discriminates against African traders; and the economic policies of the developed market economies [8].

Some researchers have argued that the critical determinant of poor macroeconomic performance in Africa and, hence, continued poverty and underdevelopment has been policy mistakes made by incompetent, ill-informed and poorly educated but well-meaning policymakers. This latter argument has informed the movement to recruit and bring to the public services more competent, better educated, honest, and well disciplined individuals. Recent studies by public choice scholars, however, have uncovered evidence that points to political opportunism as the major determinant of underdevelopment on the continent [9]. Many of the so-called policy mistakes are actually deliberate and purposeful programs promoted by opportunistic, but not necessarily incompetent, civil servants and politicians seeking ways to enrich themselves. The institutional arrangements that African countries adopted at independence endowed the ruling elites with significant regulatory and redistributive powers. These laws and institutions enhanced the ability of the post-independence leaders to engage in inefficient income and wealth redistributions in their favor. Although the perverse economic policies implemented by these elites imposed significant economic, human and social costs on the rest of society, they generated enormous benefits for civil servants and politicians.

Poorly designed, weak, and inappropriate institutional arrangements are the critical determinant of poverty and underdevelopment in the continent. These laws and institutions promote opportunism (e.g., corruption and rent seeking); restrict economic freedoms, and subsequently, the ability of individuals to engage freely in exchange; impede entrepreneurial activities and consequently, wealth creation; and generally endanger sustainable development. The institutional arrangements that the African countries adopted at independence enhanced the ability of those who had captured the evacuated structures of colonial hegemony to misuse the positions entrusted to them. In the process, they stunted the emergence of an indigenous entrepreneurial class and, subsequently, the creation of the wealth that the post-independence society needed to deal with massive and pervasive poverty.

The real obstacle to development in Africa, then, is the absence of institutional arrangements that effectively constrain the state and prevent its agents (civil servants and politicians) from engaging in opportunism; enhance indigenous entrepreneurship and the creation of wealth; and improve the ability of all individuals within each country to participate fully and effectively in national development. In order to prepare each African country for sustainable development in the new century, citizens must engage in reconstruction of the state through proper constitution making to provide governance and resource allocation systems that minimize political opportunism; enhance indigenous entrepreneurship; maximize wealth creation; promote peaceful coexistence of population groups; and generally increase the national welfare. In the following sections, we take a more detailed look at parts of this transition program [10].

GOVERNMENT AND THE "ENABLING" ENVIRONMENT FOR WEALTH CREATION IN AFRICA

During the last forty years most governments in Africa have either been unwilling or unable to perform their traditional duties-providing public goods and maintaining a framework of security. In fact, in several regions of the continent, governments have become irrelevant to the lives of the people, hence the proliferation of non-governmental organizations (NGOs), many of which have replaced the government in the provision of services such as health care, education, and water [11]. The "good" or appropriate government enhances the wealth of the nation; upholds the constitution and maintains law and order; protects and enforces property rights, including the protection of the individual from domestic and foreign aggression; promotes both entrepreneurial activities and the creation of wealth; enforces freely negotiated contracts but does not engage in activities that impede trade or free exchange; effectively and fully enforces rules against theft, fraud, and other activities that involve the illegal redistribution of wealth and income; minimizes opportunistic behaviors such as bureaucratic corruption and rent seeking; and provides public goods and services efficiently and equitably.

Although each society should be allowed to determine its own government through proper constitution making, the "good" government has certain universal attributes. First, the state must be limited constitutionally in order to make certain that civil servants or the state's other agents do not engage in political opportunism. Proper constitutional constraints will make certain that lawmakers, for example, do not enact fiscally discriminatory legislation and that the state's structures cannot be used by interest groups to plunder the economy for their own benefit. Such limitations should minimize rent seeking and other forms of opportunism, while at the same time advancing entrepreneurship and healthy macroeconomic performance. Second, the political system must not be allowed to degenerate into unlimited majoritarian rule, which could result in the erosion of individual liberty. The latter, which is the cornerstone of any effective democratic system, must not be allowed to become a casualty of majoritarianism. During constitutional deliberations, limitations should be inserted into the constitutional compact to make certain that the majority does not oppress and marginalize the minority. Third, the effective governance system is one that is consensual, secured primarily by voluntary agreement between the relevant stakeholders, and designed to enhance their well-being [12]. Members of society must see the "good" government as a social arrangement put together by them to protect their "person" and their "property" as defined and elaborated in the constitution. In most African countries today, most governments pursue and advance primarily the interests and objectives of a few individuals and groups--mostly those of the ruling elites and their supporters.

In recent years, public choice scholars have embarked upon a research agenda whose primary objective is to provide the framework for developing the appropriate model of government for each society. Such a framework can be used to develop governance structures for each African country [13]. Since the end of the Cold War and the collapse of the apartheid regime in South Africa, Africans, energized by these monumental global events, have been engaged in efforts to transform their critical domains and prepare for more effective governance, and economic development in the new century and beyond. Unfortunately, there has not been much success, as the majority of the polities in the continent are still characterized by antiquated, anachronistic, and non-viable governance structures, many of which were inherited from the colonialists. These structures were not designed to enhance the ability of Africans to govern themselves and generate the wealth to meet their needs, nor were they expected to advance peaceful coexistence of groups. In fact, during colonialism, peaceful coexistence was not achieved through cooperative agreements but by force, deceit, co-optation of traditional rulers, bribery, and other forms of coercion. Instead, the colonial institutional arrangements were specifically developed to help the Europeans exploit the Africans and their resources for the benefit of the metropolitan economies.

At independence, the new African leaders were expected by the African peoples, especially those who had been marginalized by colonialism, to engage all sections of society in a national debate on state reconstruction and provide more effective governance structures and resource allocation systems that guaranteed individuals the right to freely engage in exchange and contract--in other words, resource allocation systems that guaranteed economic freedoms. Many of these new leaders, however, undertook primarily opportunistic institutional reforms that significantly increased their political power and enhanced their ability to monopolize the supply of legislation and the allocation of resources (14). Emerging from these reform efforts were highly oppressive, exploitative and intrusive states, not unlike those that had existed in the continent during the colonial period. Throughout most of the post-independence period, bureaucratic corruption and rent seeking became pervasive as civil servants and politicians promoted perverse economic policies in an effort to plunder the economy for their own benefit. Through this process, many Africans, especially vulnerable groups--women, children, rural inhabitants, and the unemployed and underemployed youth relegated to the urban periphery--were severely impoverished and marginalized.

Economists generally argue that the appropriate model of government has two main functions: "to maintain law and order and to provide public goods" [15]. As has been argued by James M. Buchanan, these functions are equivalent to what he terms the protective and productive state [16]. A protective state engages in activities that enhance entrepreneurial activities and the creation of the wealth that can be used to confront poverty and deprivation, and advance the national welfare. According to Gwartney and Wagner, such a state accomplishes this objective by providing a "framework of security and order," which implies the effective enforcement of laws against illegal activities, including the protection of property rights [17]. During deliberations to design the nation's constitution, members of society may grant the government the power to monopolize the use of legitimate coercion. The government uses the latter to protect citizens from internal and external aggression. In other words, the protective state shields its citizens from harm and provides them with a framework of laws within which they can freely engage in trade with each other. In addition to enforcing contracts, the state also enhances free exchange through its activities, implying that the state cannot pass or enact laws that restrain the individual's ability to trade.

More than a hundred years ago, the American constitutionalist and politician, Thomas Jefferson, elaborated what he believed were three attributes of the "good" government. According to him, "good" government must (1) be able to prevent citizens from injuring each other; (2) engage in as little trade regulation as possible, implying that citizens, acting as private individuals or business owners, should determine their own economic interests and freely engage in them; and (3) minimize takings--that is, the government should not impose heavy taxes on productive activities. Today, we see Jefferson's argument as a description of a governmental system that effectively protects and guarantees economic freedoms, including the maintenance of low marginal tax rates, and, as a consequence, enhances wealth creation [18]. During the last forty years, no such government can be said to have existed anywhere in Africa. While one may argue that governmental structures in Mauritius and Bostwana were quite close, truly protective and productive governments are yet to be established in the continent.

The post-independence state in Africa not only failed to perform its protective functions well, but its structures were actually turned into instruments of plunder and exploitation in order to help the incumbent maintain a monopoly on political power and continue to generate extra-legal income for the ruling elite. For example, under the apartheid system in South Africa, whites used the nation's framework of security and order effectively to marginalize the majority black population, create and sustain artificial privileges for themselves, and generally stunt the economic, social, and political transformation of Africans [19]. Instead of performing its duties and protecting all citizens and their property, the apartheid state became the primary source of most of the violence that was directed at the African peoples. Additionally, the South African state at this time failed to maintain an enabling environment for the development and sustaining of indigenous capitalism and the effective and full participation of Africans in national development. As the evidence now shows, the apartheid state purposefully engaged in activities that stunted the political and economic development of the African peoples and as a consequence, failed to enhance the national wealth.

Of course, the apartheid regime in South Africa was not the only political system whose structures had been converted into instruments of violence against its citizens. In practically all parts of the continent, ruling coalitions--many of them dominated by specific ethnic and/or racial groups--had captured governance structures at independence and used them effectively for the private capital accumulation of the ruling class. In many of these countries, the institutions that make up the national security framework were either destroyed or made subservient to the interests of the ruling elite. In many instances, civil servants engaged in illegal activities to extract income for themselves; judicial officers adjudicated cases based primarily on the wealth and political status of the defendant; judges often used their positions to punish their enemies and those of their relatives and supporters; and senior military elites routinely converted resources destined for their troops into their personal property. In a study of Zaire in 1989, Gould and Mukendi determined that these activities were pervasive throughout the country during the reign of Mobutu Sese Seko. In fact, such activities were common in many other African countries as well [20].

In the majority of African countries that were ruled by the military (e.g., Nigeria and Zaire), the state ceased performing its protective function. State structures were used regularly to suffocate civil society, impose the will of the military on the people, and to help military elites continue to monopolize the allocation of resources [21]. Military rulers used the regulatory powers of the state to redistribute income and wealth in their favor, and in the process, severely impoverished and marginalized the majority of citizens. Despite its enormous earnings from petroleum, Nigeria is today, one of the poorest countries in the continent. In 1982, Nigeria had a gross national product (GNP) per capita of US $1,110, but by 1989 it had fallen to US $270. Thanks to continued military interference in economic and political affairs, the economy continued to deteriorate, as per capita income reached a new low of US $230 in 1994 before rising to US $260 in 1997 [22]. During the period, 1980-1997, per capita income in Nigeria was falling at an average annual rate of 8.42%. Despite the OPEC oil price increases of the mid-1970s and Nigeria's enormous windfalls from oil, Nigerians are today among the poorest people in Africa. Their development potential has been squandered by perverse economic programs promoted by the military elites who have ruled the country during most of its existence as a sovereignty [23].

The conversion of the state's framework of law and order into instruments to suffocate civil society and plunder the economy for the benefit of politically dominant groups has been the rule not the exception in many African countries. For example, in Cameroon, the country's first president, Ahmadou Ahidjo, engaged in institutional reforms in the immediate post-independence period that re-enforced the presidency and concentrated most political power in the central government [24]. From 1960 to 1982, he ruled the country by decree and employed the country's large security apparatus to exploit, oppress, and marginalize the people for his own benefit and that of his supporters. Instead of protecting the liberties and property of Cameroonians, the nation's security institutions were used effectively by the president and other members of his ruling coalition to torture the people, suffocate civil society, destroy the independent media, oppress and marginalize popular forces, stunt indigenous entrepreneurship, subvert justice, and, in the process, totally marginalize the Cameroon people, in an effort to help Ahidjo continue to monopolize political power and the allocation of resources [25]. In 1982, Ahidjo handed the government to his prime minister, Paul Biya. Unfortunately for Cameroonians, Biya retained the nation's existing laws and institutions, forcing the country to remain a de facto one-party political dictatorship [26].

In order for the state in Africa to perform its protective functions, it must guarantee the security of its citizens. At minimum, the protective state must maintain law and order, provide the wherewithal for popular participation, enhance entrepreneurial activity, and maximize the national welfare. Included among these institutions are (1) a properly constrained police force; (2) an independent press; (3) a professional civil service; (4) a professional and politically neutral military, subordinate to the civilian government; (5) an efficient and representative legislature; (6) an independent judiciary; and (7) an independent central bank.

The second function of the state is to enhance the national welfare by organizing those productive activities that cannot be carried out efficiently by the private sector. In its productive role, the state is expected to produce the goods and services that citizens acting in their individual and separate capacities cannot undertake efficiently. A theory of public goods has been developed by economists to explain why the state may be required or called upon to produce certain goods and services. For example, in the presence of externalities, the state has the opportunity to significantly enhance the national welfare by organizing the affected activities. One must caution, however, that states should not become engaged in the production of goods and services that can be organized efficiently and effectively by the private sector. This warning is directed especially at governments in the African countries, which during the last forty years, have dominated virtually all sectors of their economies, engaging in activities that were supposed to be the exclusive purview of the private sector. In the process, these governments established and artificially sustained a plethora of unprofitable and poorly managed public companies, maintained large, bloated and parasitic bureaucracies, and significantly impoverished their citizens. In order to provide the subsidies that these unprofitable public enterprises needed so as to continue to operate, and to meet the financial needs of the large civil services, these governments accumulated relatively high external debts. In fact, by the mid-1980s, the majority of African governments were no longer able to meet their financial obligations [27].

Although it is true that a state has the potential to improve national wealth through the production and distribution of goods and services that cannot be organized efficiently by the private sector, such a function can only be carried out efficiently if the country's institutional arrangements adequately and effectively constrain the exercise of government agency, and subsequently the ability of civil servants and politicians to engage in political opportunism. As the evidence from post-independence Africa has indicated, governments are able to stray, often quite significantly, from the path prescribed by the conceptual models. What the government is expected to do in order to maximize the national welfare, protect the liberty and property of individuals, enhance wealth creation, and promote peaceful coexistence of groups, is not necessarily what governments actually do. The state may lack the human capital to perform its assigned functions efficiently [28].

In some cases, the government may be unwilling to undertake the activities as required. The ruling elites may desire different public policy outcomes from the ones desired or demanded by greater society. There is ample evidence to indicate that the failure of the post-independence state in Africa to perform its protective and productive functions efficiently has been due primarily to opportunism on the part of public servants. In other words, the absence of skilled individuals in the public services of the African countries has not been the major determinant of poor macroeconomic performance. Political opportunism (e.g., rent seeking and corruption) on the part of civil servants and politicians has been the primary determinant of continued economic deterioration [29].

The theory of public choice states that the incentive structures within a market determine the behavior of traders and, as a consequence, explain market outcomes. Thus, one way to understand post-independence policy outcomes in African countries is to examine incentive structures in these societies. Market incentive structures are determined by the country's institutional arrangements. Existing institutional arrangements in the majority of African countries make political opportunism (especially rent seeking and bureaucratic corruption) the inevitable outcome to public policy. According to Gwartney and Wagner, "[t]he central point of departure taken by these scholars [i.e.,public choice scholars] is that the incentives contained within a particular system of government will determine whether or not government's power to tax, spend, and regulate is used as envisioned by the normative justifications" [30]. In other words, the incentive system within each society will determine the extent to which the state will perform its productive and protective functions. Therefore, even if the government has the capacity and capability to perform these functions effectively, it may still not do so if the institutional arrangements do not provide the appropriate incentive structures. Thus, the incentive structures must be considered an important and critical part of state capacity and capability.

As mentioned above, the incentive structures are determined by the country's institutional arrangements. A country's constitution determines the power of the different political jurisdictions within the country, provides structures for the peaceful resolution of conflict, and defines the type of resource allocation system that society will have. In other words, the nation's constitution determines the kinds of incentive structures to be faced by participants in both economic and political markets, and provides the foundation for the establishment and sustaining of the country's institutions. To make certain that the state performs its functions effectively, citizens of each African country must engage in proper constitution making to reconstruct the state and provide their societies with what public choice scholars call the constitutionally limited government, and a resource allocation system that guarantees economic freedoms [31].

POLITICAL OPPORTUNISM AND POVERTY IN AFRICA: NKRUMAH'S GHANA

Like many of the new African countries, Ghana believed that it could achieve rapid economic growth and development by adopting an import substitution industrialization (ISI) program. The government of Kwame Nkrumah, Ghana's first head of state, expected to anchor the ISI program on its regulation of the international trade sector. To meet the goals set under the ISI program, the government introduced a number of policy instruments. These included (1) protection of domestic producers through tariffs, exchange controls, and import quotas; (2) subsidies to foreign firms to encourage them to establish and maintain import production facilities within the country; and (3) the creation of development and investment banks that were expected to provide subsidized loans to individuals and groups willing to invest in the government's so-called "priority development sectors."

The government usually determined the priority areas. In addition, the state created a significant number of public enterprises, which were expected to produce a variety of goods and services. Specific sectors of the economy were targeted for control by the government. These included public utilities (which the government considered too critical for national development to be left under the control of the private sector, especially if non-Ghanaians dominated the latter); exploitation of the country's natural resources; and the ownership and operation of airlines, radio, and other forms of communication. Nationalist fervor demanded that the government create firms to exploit the country's environmental resources and ensure that certain important areas of the economy were placed under the firm control of the indigenous people. As a consequence, industries such as mining, air and rail transportation, electricity and telecommunications, as well as the financial sector, were expected to be controlled and dominated by the government.

Unfortunately, two important constraints made public policy failure inevitable in Ghana. First, the institutional arrangements adopted shortly after independence did not adequately constrain the state, allowing civil servants, whose job it was to implement the ISI program, to deliberately mismanage it for their own benefit. Second, Ghana did not have non-governmental agencies that were capable of counterbalancing elite interests and forcing civil servants and politicians to become accountable to the people. The absence of an effective civil society to serve as a check on the exercise of government agency and the inability of existing institutional arrangements to adequately constrain the state resulted in widespread policy failure. The large number of state enterprises that the government had created to implement the ISI program were, instead, turned into instruments of patronage and corruption, and regularly employed by civil servants to extract extra-legal income for themselves, and by politicians to purchase regime security for the regime.

According to results of research on Nkrumah's ISI program [32], the perverse incentive structures made possible by the country's institutional arrangements encouraged political and bureaucratic corruption; destroyed any chances that the ISI may have had for success; and enhanced the ability of civil servants and politicians to use the government's regulatory powers to enrich themselves at the expense of greater Ghanaian society. Referring to Ghana's former trade minister, A. Y. K. Djin, Leith remarks that the system (i.e., regulation of the foreign trade sector) which the government had designed to "meet the apparent national needs and to minimize capricious discrimination among importers was frequently set aside in favor of Mr. Djin and his associates" [33]. Djin and other Ghanaian civil servants used the foreign exchange rationing and import licensing systems--which were designed to enhance the implementation of ISI--to extort bribes from prospective importers, discriminating against any entrepreneurs who were either unwilling or unable to pay the required bribes. Thus, the regulatory system set up by the Nkrumah government at independence in Ghana was easily transformed into an instrument for the enrichment of the ruling coalition. The ease with which civil servants and politicians in Ghana were able to turn governmental structures into instruments of plunder was due primarily to the existence of institutional arrangements that failed to adequately constrain the state and subsequently the behavior of its agents and the absence of a strong civil society to force accountability in government [34].

The extent of venality and public malfeasance in Ghana during the government of Kwame Nkrumah is well documented. Many Ghanaians believe that even though the overthrow of Nkrumah by the military could be considered opportunistic, the public still welcomed the action because of the exceptionally high level of corruption that pervaded the government. As Werlin has stated,

"Many Ghanaians attribute the downfall of Kwame Nkrumah and his Convention People's Party to their corruption. 'It was lucrative to belong to the Party; nepotism was the rule', notes T. Peter Omari. During the Nkrumah régime, corruption was not merely practiced by the politicians alone. Attu Kwaminia adds, 'but by those who held various degrees of power in the civil service, in commercial concerns, in corporations, in political parties, in traditional authorities, and so on'" [35].

After Nkrumah's regime was overthrown in 1966, several commissions of enquiry were engaged by the new military government to investigate and determine the extent of corruption in the public sector. Although the military may have attempted to use these commissions of enquiry to discredit the Nkrumah government, many scholars have attested to the judiciousness and fairness of the commissions (36). The more than 40 commissions revealed that during Kwame Nkrumah's reign, [a] kickback of from 5 to 10 percent was expected in return for government contracts. The CPP garnered about 90 percent of its income in this way, amounting to over $5 million between 1958 and 1966, which Nkrumah freely used for his own purposes. For example, the properties of A. G. Leventis were purchased in 1962 at an inflated price with the understanding that $2.4 million would be turned over to Nkrumah for his own use [37].

While in power, Nkrumah did respond to his critics and made an effort to deal with corruption. For example, in 1965, Nkrumah sacked his trade minister for mismanaging the import-licensing scheme and replaced him with Mr. Kwesi Armah. In addition, the government published for the first time the foreign-exchange budget. Unfortunately, these reforms were only superficial and failed to affect the existing incentive structures, including the country's institutional arrangements. As a consequence, there was no incentive for the new minister to engage in behavior that was significantly different from that of his predecessor. On the contrary, shortly after he took office, Mr. Armah became engaged in the same types of opportunistic behaviors that had characterized Mr. Djin's tenure in office. In fact, instead of limiting his activities to "profiting" from only a fraction of the licenses issued by his office, Mr. Armah developed and implemented a system that enhanced his ability to profit from all licenses issued.

According to one of the commissions,

"He [Mr. Armah] introduced the system whereby all applications for import licenses had to be addressed to him personally under registered cover and he alone was responsible for processing the said applications… [T]here was open corruption and malpractices in the matter of grant of import licenses during this period. Import licenses were issued on the basis of a commission corruptly demanded and payable by importers on the face value of the import licenses issued. The commission was fixed at 15%, but was in special cases reduced to 7.5 or 5%" [38].

While he was the Minister of Foreign Trade, Mr. Armah and his subordinates routinely denied applications for permits to import essential inputs for local industries. On the other hand, licenses were being granted for the purchase of non-essential commodities (primarily luxury American and European goods). Since the latter generated significantly more monopoly profits, prospective importers were willing and quite eager to invest in the bribes that were demanded by the civil servants at the trade ministries. Corruption in the foreign trade ministry eventually thwarted the government's development goals as presented to the Ghanaian people at independence.

Subsequent Ghanaian governments have attempted to deal with pervasive corruption, rent seeking and other forms of opportunism. Military dictator Jerry Rawlings, who has since "civilianized" himself and is now the elected Ghanaian head of state, has on several occasions dealt ruthlessly with those convicted of corruption and other forms of public malfeasance. He executed three former national rulers for their complicity in corruption and financial mismanagement and two bank executives who were "judged and found guilty" of corrupt enrichment and other fraudulent activities in connection with the Ghana Commercial Bank [39]. Rawlings' ruthless, brutal and non-constitutional approach to corruption cleanup in Ghana was condemned, as well as praised. His harsh measures, however, had only a short-term impact on corruption. Corruption control programs that are most likely to be sustainable and have long-term positive effects on civil service efficiency require fundamental changes in existing institutional arrangements and subsequently, the incentive structures faced by market participants. Unless such changes are undertaken and Ghanaian society provided with more participatory, transparent and accountable governance structures, corruption will remain a serious constraint to development.

ENHANCING INDIGENOUS ENTREPRENEURIAL ACTIVITIES

The most critical need in Africa is wealth that can be used to alleviate poverty. Throughout the continent, few economies are able to generate the resources needed to confront pervasive poverty and deprivation. The inability to generate enough wealth to meet even basic needs has been due primarily to government-imposed restrictions on economic freedoms. Such restrictions have stunted indigenous entrepreneurship and made wealth creation virtually impossible, especially in the formal sector. While such restrictions have generally created many benefits for the ruling elite, they have imposed significant costs on the people, especially the historically deprived and marginalized. During the last several decades, the African economies have been so mismanaged that today many Africans have become almost totally dependent on the industrial North for survival. Due to changes in the global economy during the 1989-1991 period, Africans now have another opportunity to engage in state reconstruction through proper constitution-making.

As a result of the development model adopted by many African countries after independence, most economies on the continent are heavily regulated, suffer from high rates of corruption and rent seeking, and have bureaucracies that are very hostile to entrepreneurs and the private sector. Most of the regulations that exist function as major impediments to private exchange and trade. Research has determined that while competitive exchange minimizes the incidence of rent seeking and other forms of opportunism, the latter tends to flourish in monopolized markets [40]. Monopolistic (and monopsonistic) markets in the African economies are usually maintained with the help of government regulations. Such monopolized markets, whether developed and maintained by domestic or foreign firms, will have a significantly negative impact on indigenous entrepreneurship and subsequently, efficient wealth creation in the country. To insure competitive exchange (i.e., to minimize monopolization) and provide the appropriate environment for capitalist development, the constitution of each country must guarantee economic freedoms and create structures that protect private markets.

According to Mueller, the ability of political coalitions or interest groups to engage in opportunism and to restrict the ability of other individuals and groups to participate in economic markets, can be constrained through constitutional design [41]. Appropriate constitutional provisions can minimize rent seeking and other forms of opportunism, which have contributed significantly to the inefficient allocation of resources in many African countries. Thus, to improve macroeconomic performance in the African countries so as to generate the wealth that the people need to solve their problems, it is necessary that each country be provided with the institutional arrangements that guarantee economic freedoms, promote entrepreneurship and enhance the creation of wealth [42].

In a study published in 1996, Gwartney, Lawson and Block identified four components of economic freedom, which they argue, can be elaborated in the constitution in order to provide the society with the enabling environment to create wealth. First, the government should provide traders with a currency that is stable and has a relatively predictable value. In carrying out this function, the government should make an effort to maintain relatively low rates of inflation. In addition, citizens should be granted the right to have free access to foreign currency and also maintain bank accounts in foreign financial institutions. Without stable money, individuals cannot undertake the complex exchanges that are an important part of a modern economy, or participate effectively in global markets. Gwartney, Lawson and Block argue that "the general ingredients of economic freedom in the monetary area include (1) slow monetary expansion that maintains and protects the value of money, (2) price level (or inflation rate) stability, and (3) the absence of restrictions limiting the use of alternative currencies" [43].

Second, the private sector and not the government should determine the goods and services to be produced in the economy. During most of the post-independence period, the government has determined most of what should be produced in the economy, and in many cases, how these goods and services should be distributed. In the post-Cold War era, central development planning should be de-emphasized in favor of greater reliance on the market. It is important that trade be based on mutually beneficial voluntary exchange and state influence restricted to broad areas consistent with the concept of economic freedom as guaranteed in the constitution. The state would provide public goods and protect the liberty and property of individuals. Government-imposed production constraints, such as price control regimes and interest rate ceilings, interfere with economic freedoms and should be eliminated from each economy [44].

Third, the government should not pass legislation that creates benefits for some individuals and groups at the expense of others. Economists have identified three public policies that can generate benefits for some individuals while imposing significant costs on greater society. These include income transfers and state subsidy programs, high marginal tax rates, and conscription to secure soldiers for the military. Such public programs directly infringe on the economic freedoms of many citizens, stunting entrepreneurship and wealth creation.

Finally, restrictions on international trade are an important infringement on the right of citizens to free exchange. During the post-independence period in Africa, most of the laws imposed on international trade have come at the request of interest groups seeking enrichment. Although such restrictions have created many benefits for special interest groups, they have imposed enormous costs on greater society. In addition to impeding trade, these regulations have produced reductions in both consumer and producer surpluses. Excessive economic regulation is widely considered the most important source of bureaucratic corruption in African economies. For example, civil servants at the central banks regularly extort bribes from entrepreneurs seeking scarce foreign exchange permits. The outcomes of most international trade regulation in Africa have been increased corruption and opportunism, as well as continued deterioration of general economic conditions.

Shortly after independence, many new African leaders told citizens that government regulation was an important policy tool that could be used to protect domestic industries, improve macroeconomic performance, and industrialize the economy. Despite their now obvious negative effects on exchange and wealth creation, many countries have continued to promote such policies. Of course, regulations generate the resources necessary to provide regime security and allow the monopolization of political space and allocation of resources. Controls on agriculture have generated significant resources that have been used to subsidize the politically volatile urban sector. Such regulatory programs have only further marginalized and impoverished many rural communities.

To enhance wealth creation in Africa and improve the continent's ability to engage in sustainable development, each country must create resource allocation systems that guarantee economic freedoms through proper constitution-making and state reconstruction. In addition, each country must constrain the power of the government so as to prevent civil servants and politicians from engaging in opportunism. If these reforms are not enacted, Africans will continue to suffer from high rates of poverty and deprivation. Destructive ethnic conflict will remain pervasive.

SUMMARY AND CONCLUSION

At independence, many Africans--especially the historically marginalized and deprived groups and communities--believed that the control of governance structures and economic systems by indigenous elites would provide them with the wherewithal to improve their living conditions. It was generally believed that shortly after the departure of the Europeans, the institutions which they had left behind would be dismantled and reconstructed to produce structures that were more suitable to the maximization of African values. This was never done and, consequently, Africans have been unable to generate the wealth that they need to confront pervasive poverty and deprivation. Today, Africa is one of the poorest regions of the world, and its prospects for the new century look relatively bleak. The causes of economic deterioration in Africa have been examined by many researchers [45]. In this paper, I have argued that the most important determinant of poverty is the absence of institutional arrangements to guarantee economic freedom and adequately constrain the opportunistic activities of civil servants and politicians.

Institutional arrangements are a critical determinant of macroeconomic performance. They determine the incentive structures faced by market participants and, as a consequence, determine market outcomes. To properly prepare Africa for the new century, it is necessary to reconstruct the state through proper constitution making, providing an environment for wealth creation and peaceful coexistence. It is important to caution that the process of designing constitutional rules must involve enfranchising people (especially the historically marginalized groups) and providing them with the facilities to participate fully in constitutional deliberations. If, as was the case during decolonization, the transformation process is controlled and dominated by urban-based indigenous elites and their foreign benefactors, the outcome will be institutional arrangements unable to efficiently direct development on the continent. In this paper, I have examined some of the most important issues facing Africa as it prepares for the new century. These include determining of the appropriate model of government and enhancing indigenous entrepreneurship and wealth creation.

Constitutions can significantly constrain the ability of legislators to enact counterproductive public policies [46]. During constitutional deliberations, members of society can establish a development-oriented constitutional structure. A constitution that minimizes the erosion of economic freedoms by guaranteeing the right to freely engage in trade and constraining the activities of the state is critical for sustainable development. Certain constitutional provisions, including the following, can enhance economic freedom but constrain the state and its agents:

- Monetary provisions: These should provide for an independent central bank, allow citizens to own bank accounts in non-domestic currencies, and create price-level stability.
- Government borrowing: These provisions should make certain that the government borrows only for specific projects, as a way of enhancing fiscal responsibility.
- Income and consumption taxation: Here, the emphasis is on minimizing the possibility of a double tax on saving. The latter is critical for capital formation.
- Procedural limitations on the power of the government to tax: In order to make certain that the government functions as an engine of economic growth and development, its power to tax must be limited constitutionally.
- Provisions for the approval of the public budget: A process that is transparent and accountable to the governed must be put in place so that public budgets can be approved. Ideally, this should involve approval of the budget by the executive and legislative branches of government. However, it is important to note that the exact process adopted would be determined by the existing structure of government. Whatever the process, it must be one that is transparent and accountable to the relevant

stakeholder groups. Thus, a supramajority requirement should be considered since that implies that there will be more of a consensus on matters relating to the budget.

- International trade and the imposition of tariffs: International trade is a very important way to enhance the wealth of a nation. Thus, interference with the flow of trade is counterproductive and limits the ability of the economy to create wealth. As discussed in this paper, restrictions on trade--domestic or international--usually produce benefits only for special interest groups.
- Labor markets: The right to enter into labor contracts that are mutually beneficial to the employer and employee is critical to wealth creation. Interference with this right can lead to significant inefficiencies in the allocation of a nation's labor resources.
- Price controls: Control of prices usually benefits special interest groups (e.g., urban dwellers) and impedes wealth creation.
- Economic regulation: Government regulation of private exchange can and does enhance the wealth of a nation if it is not undertaken arbitrarily, capriciously and opportunistically, as has been the experience of the African countries during the last forty years.

According to Gwartney and Holcombe [47], regulatory "laws should be structured so that they are objective and non-arbitrary, and so that they apply uniformly to all members of a society. In addition, regulations should be instituted only to further the general public interest, not to further narrow special interests." The primary reasons for elaborating these provisions in the constitution is to guarantee economic freedoms and to make certain that they cannot be abrogated through ordinary legislation.

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