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The Structural Adjustment of Politics in Africa

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Summary. — It has long been recognized that the structural adjustment programs currently being proposed by the World Bank and the International Monetary Fund in Africa have important political consequences. However, there has been almost no attention devoted to what structural adjustment, if implemented, means for the way that politics is actually carried out in African nations. The failure to examine the long-term consequences of economic reform for politics is particularly surprising given that the major instruments of structural adjustment — public sector reform, devaluation, elimination of marketing boards — threaten to change not only the constituencies that African leaders look to for support but the way in which leaders relate to their supporters in the countries south of the Sahara. The paper examines how structural adjustment, if actually implemented, would affect politics in African countries. The paper finds that structural adjustment makes the political climate much riskier for leaders while weakening the central apparatus of the state on which rulers have long relied to stay in power. The implications of the analysis for donors are also discussed.

1. INTRODUCTION

The structural adjustment programs currently being proposed by the World Bank and the International Monetary Fund (IMF) in Africa have important political consequences. Given that these programs entail significant income transfers among different groups (e.g., from food importers in the cities to peasants growing export crops) and that one of the major obstacles to adopting the new programs has been the violent objections of those who lose out in domestic economic reform, it is clear that, for African leaders, restructuring of their economies is as much a political as an economic question. However, there has been almost no attention devoted to the political implications of structural adjustment in African nations. The failure to examine the long-term consequences of economic reform for politics is particularly surprising given that the major instruments of structural adjustment — public sector reform, devaluation, elimination of marketing boards — threaten to change not only the constituencies that African leaders look to for support but the way in which leaders relate to their supporters in the countries south of the Sahara. Understanding the ultimate political logic of structural adjustment is also important because the state's position in an economy subject to a long-term reform program may be so unattractive to African elites that they may refuse to reform their economies after a certain point, even if they can withstand the short-term shocks that instruments such as devaluation impose. The implications of the analysis for donors are also discussed.

2. THE POLITICAL LOGIC OF STATE INTERVENTION IN AFRICA

Most African leaders operate in political systems where votes do not matter. Instead, rulers try to institutionalize their regimes by establishing webs of patron-client relations to garner the support necessary to remain in power. However, African governments are often not able to make direct transfers to those they would like to reward because of their weak tax bases. Indeed, given their dependence on import and export taxes, African countries as a group probably have the weakest tax bases in the world (Anderson, 1987, p. 6). As a result, it is sometimes extremely difficult for leaders to reward important constituencies with direct transfers or the kind of "pork barrel" projects that are so familiar in the West. Instead, African regimes often rig markets through direct state intervention in order for resources to flow to constituencies important to their continued tenure in office. To illustrate the political logic of state intervention in African markets, I will examine three areas that the World Bank (1981, p. 4) noted were in need of significant reform in its major 1981 document *Accelerated Development in Sub-Saharan Africa:* the public sector, exchange rates, and agricultural policies.

The paradigmatic example of state intervention in the economy to cement patron-client relations is the state-owned enterprises which blossomed throughout Africa as soon as countries began to receive their independence in the 1960s. For instance, in Tanzania, the number of public enterprises increased from 80 in 1967 to 400 in 1981 (d'Almeida, 1986, p. 56). Similarly, public enterprises in nominally capitalist Kenya grew in number from 20 at independence to 60 in 1979. In Ghana, parastatals also expanded in number from virtually zero prior to independence in 1959, to over 100 in the early 1960s. Other countries such as Zambia, Tanzania, Senegal, Mali, Côte d'Ivoire, Mauritania, and Madagascar have also experienced tremendous growth in their public enterprise sectors (Hyden, 1983, p. 97; Nellis, 1986, p. 56; Constantin *et al.*, 1979; Dutheil de la Rochère, 1976, pp. 49–51). Accordingly, Short's data suggest that the share of public enterprises in the gross domestic product (GDP) of African countries is roughly twice as high as in developing countries generally (17.5% compared to 8.6%) and that the African public enterprises' share in gross fixed capital formation is roughly 20% higher (32.4% versus 27.0%) than that in the average developing country (Short, 1984, p. 118).

Indeed, state-owned corporations are a particularly good source of patronage for African leaders because they can employ large numbers of people (by African standards); they can also direct important resources to specific areas and operate in greater secrecy than the government in general. As early as 1962 the Coker Commission found that the Action Group in Western Nigeria was siphoning off money from parastatals to fund political activities (Coker Commission, 1962). Since then, control of public enterprises has become an important part of the power structure for many African leaders. As Rondinelli, Nellis and Cheema note:

> Many political leaders emphasize the primacy of the public sector, which provides positions in the civil service and parastatal institutions with which to reward loyal political followers. They keep under central government control those factors — such as wages, prices, tariffs, food subsidies, and import and export regulations — that are considered to be most important for maintaining political stability. Clearly, policies promoting centralization usually pay off, at least in the short run, in material and political returns for the dominant elites.[1]

Precisely because they are such good conduits for patronage, however, African state-owned enterprises have performed exceptionally poorly since independence. Not surprisingly, their political functions cause African state-owned enterprises to be "pressured to increase employment, to deliver outputs at low prices to key groups, and to shape investment decisions other than with economic and financial returns in view" (World Bank, 1981, p. 38). What little systematic analysis there is reinforces the conclusion that African state-owned enterprises have performed extremely poorly. For instance, in one study of West African countries, 62% of the public enterprises showed net losses while 36% had negative net worth (Nellis, 1986, p. 17). Similarly, a study of state-owned transport enterprises in 18 Francophone countries found that only 20% generated enough revenue to cover operating costs, depreciation and finance charges; 20% covered operating costs plus depreciation; 40% barely covered operating costs; and a final 20% were far from covering operating costs. Thus, in Kenya the average rate of return of public enterprises was .2%, while in Niger the net losses of public enterprises amounted to 4% of the country's GDP in 1982. In Tanzania in the late 1970s one-third of all public enterprises ran losses (Nellis, 1986, p. 20). Other studies indicate that in Benin, Mali, Sudan, Nigeria, Mauritania, Zaire, Sierra Leone and Senegal public enterprises have accumulated losses which sometimes amount to a significant percentage of the total economy (Nellis, 1986, pp. 17–19).

The second area where African governments have tended to intervene in the economy for political reasons has been the import regime. Countries have two basic ways of controlling imports so that they do not exhaust their foreign exchange reserves: the market (i.e., a correctly valued exchange rate) or administrative controls (e.g., tariffs and quotas).[2] African countries have consistently chosen to control imports administratively, in large part because this type of import regime yields greater political benefits. Under a market-determined import regime, no importer can be discriminated for or against because all face the same prices. However, in a system of tariffs and quotas, a government is able to selectively allocate import licenses and apply different levels of protection to different industries in order to reward clients. Indeed, in impoverished African countries, allocation of an import permit is almost a license to print money because those few who are able to bring in foreign goods will be assured of making a large profit.

Unfortunately, reliance on an administrative system to control imports almost inevitably leads in practice to an overvalued exchange rate. If leaders rely on administrative controls rather than the exchange rate to ration imports, they do not feel compelled to adjust the exchange rate to reflect differences between domestic inflation and the inflation rates of their trading partners. Indeed, in a perverse manner, use of administrative

import regimes actually encourages overvaluation of exchange rates. The more the exchange rate becomes overvalued, the greater the benefit a government can bestow on those few who gain access to foreign goods. As the World Bank noted:

> Governments have relied increasingly on import restrictions rather than devaluation to conserve foreign exchange. More and more countries have imposed higher tariffs, quotas, and bans on "nonessential" imports. Quantitative restrictions have been the favored means of import restriction (World Bank, 1986, p. 24).

As is now well recognized, these overvalued exchange rates have a significant deleterious impact on African economies. The overvalued exchange rates make it extremely difficult for exporters to remain competitive in world markets that are priced in US dollars. The World Bank noted in 1981 that "trade and exchange-rate policy is at the heart of the failure to provide adequate incentives for agriculture production and for exports in much of Africa" (World Bank, 1986, p. 24). Overvalued exchange rates are particularly damaging for African countries because exports account for such a high percentage of the total economy. Exports of goods and nonfactor services accounted for 23% of GDP across all of sub-Saharan Africa in 1979, compared to 20% for all middle-income countries and 11% for all low-income countries (World Bank, 1986, p. 147).

The third area where African governments have widely intervened for political reasons has been agricultural producer prices. African governments have consistently adopted monopsonistic systems to buy food from peasant growers. Governments often set these prices below the true market price in order to subsidize urban customers who are politically important to African regimes. Peasants are usually unable to pressure the government to change prices for several reasons. They are fragmented; the state has the ability to crush most rural protests; and the state's control of the marketing system as well as the supply of inputs allows it to give selective "side-payments" to potential leaders of rural protests in order to buy them off (Bates, 1981). These low producer prices lead to underproduction by peasants for the market, and thereby contribute to the agricultural crisis affecting most countries in sub-Saharan Africa (World Bank, 1981, p. 55).

The incentive to intervene in the market for political reasons has been reinforced by several other coincidental factors. First, African governments inherited inverventionist state structures from the colonialists. As Nellis (1986, pp. 12–13) notes, "the national elites which came to power in the 1960's were thoroughly accustomed to legally strong, hierarchically organized and centralized, and economically intrusive governing systems." Second, the prevailing conventional wisdom in the 1960s and 1970s, endorsed by the World Bank, favored significant state intervention in the economy in order to foster development. Third, state intervention in the economy was attractive to African leaders because their regimes were insecure; greater control of the economy through administrative regulation and outright government ownership was a means of countering powerful foreign agents — multinational corporations and minority groups such as the Lebanese — that were perceived as operating against the national interest (see, for instance, Biersteker, 1987, p. 91).

The logic of political intervention in the economy had other important ramifications for the development of patronage systems in Africa. In particular, African leaders had little need to strengthen the weak political parties with which they began the independence period (Bretton, 1973, p. 3; Bienen, 1967). Given the state's own intervention in the economy and its distribution of extensive resources to the leader's clients, there was little reward for most African leaders to devoting time to building their party's administrative structure and mobilizing support through the party. The state already controlled the really important levers in society. Zolberg's early use of the phrase "party-states" to describe West African regimes is indicative of how much the patronage functions that might normally be carried out by parties had been taken over by the governments (Zolberg, 1966). In systems where votes do not count, there were no other compelling reasons for African politicians to devote significant resources to the development of political parties.

African regimes therefore created political economic systems that worked from the perspective of the leaders. While the perversion of state-owned enterprises, administrative controls of imports, and regulated and low agricultural producer prices brought disastrous consequences for African economies and a large proportion of the population, they did establish "arrangements by which uncertainty and potential instability can be reduced and some degree of political predictability obtained" (Jackson and Rosberg, 1982, p. 38). Indeed, the impetus for economic reform, which the Organization of African Unity now officially recognizes as necessary, came largely from outside Africa. The reluctance of African leaders to adopt changes in their political systems can best be seen by *The Lagos Plan of Action* which blamed all of the continent's problems on the outside world and looked to fanciful international economic unions to reverse the economic decline, even while the World Bank was making incisive criticisms of the policy failure of

African governments (Organization of African Unity, 1981). However, the fact that African leaders were able to tolerate economic decline for so long should suggest just how well the patron-client systems worked for them.

3. WHAT IS THE POLITICAL LOGIC OF STRUCTURAL ADJUSTMENT?

As has now been widely recognized, structural adjustment programs of the type commonly prescribed for Africa can impose severe economic shocks which may have important political implications. Reform of public enterprises or privatization usually entails the loss of thousands of jobs when unemployment is already quite high; devaluation (routinely done in large shocks to prevent speculation) may raise food prices and the cost of other imports by 20% or more overnight; and increases in agricultural producer prices will also boost the cost of food. Analysis of the politics of structural adjustment has therefore concentrated on the question of how these shocks can be survived and which ones different types of governments are able to absorb. For instance, as Haggard and Kaufman (1989, p. 210) noted, "the central political dilemma is that stabilization and adjustment policies, no matter how beneficial they may be for the country as a whole, entail the imposition of short-term costs and have distributional implications" (see also, Nelson, 1984; Bienen and Gersovitz, 1986). Understanding the immediate political ramifications of structural adjustment is, in fact, exceptionally important because the consequent alienation of important constituencies may imperil economic reform programs at birth.

Yet, there is clearly a political logic beyond the initial stabilization shocks of structural adjustment. Structural adjustment involves not only the switching of constituencies by African governments (a feat that most governments find exceptionally difficult) but an entirely new mechanism through which leaders relate to their clients. Under the political systems established after independence, governments were able to provide a variety of resources — jobs, low prices for basic goods, preferential access to government projects — to favored constituencies. The whole point of structural adjustment is to eliminate, or at least significantly curtail, governments' ability to offer these kinds of advantages to their constituencies. As Elliott has noted,

> there is a fundamental asymmetry between the way the political system [in African countries] actually operates and the way economic decision-making would have to operate if the demanding conditions of equilibrium — i.e., noninflationary balances on internal and external account — were to be achieved (Elliott, 1988, p. 218).

Changing the way in which leaders relate to their constituencies is qualitatively more difficult than simply changing the constituencies that they look to for support. For instance, the African Development Bank and the Economic Commission for Africa noted that the reforms in the public sector that are now being implemented amount to nothing less than "[a] fundamental change in the economic structure itself" (African Development Bank and Economic Commission for Africa, 1988, p. 14).

At a more abstract level, state intervention in Africa led to systems where goods were allocated through state coercion, a process which inhibited the market from providing information. Structural adjustment requires states to cede much of their coercive powers over the economy, and pay much more attention to the information that real prices provide. As Apter noted in his discussion of the requisites of government, "the mixture of coercion and information that a government employs has an effect on the type of system, because if the proportions are substantially altered the structural relations of government will also be altered" (Apter, 1965, p. 240).

The point is not simply that all African countries will now adopt structural adjustment programs and therefore be forced to change the basis of their political systems. Clearly, many will not. Yet it is obvious that the logic of structural adjustment must be understood because some countries may adopt the program and others will partially adjust their economies. Therefore, many political systems across the continent which had as a central feature the ability to distribute patronage will be threatened to some degree by structural adjustment. At the very least, the disadvantages and advantages that structural adjustment poses to leaders will be a consideration in the adoption of programs of economic reform throughout the continent.

There has been very little speculation about the long-term functioning of the state under structural adjustment, even though the World Bank and many other commentators have traced much of Africa's current economic crisis to the present role of the state in African economies. The World Bank is reluctant to explicitly outline the role of the state under a long-term program of structural adjustment. The Bank is already sensitive about the political implications of structural adjustment, and the charges that foreigners are determining too many domestic policies in African countries. Still, given the Bank's incisive analysis of many of the current problems of the African state, it should make some suggestions as to what the state in

Africa would look like during long-term structural adjustment. If a vision of the economic role of the state under structural adjustment is presented, it should then be possible to infer both the political functions of the state during a program of long-term economic reform and how the state will relate to its constituencies in the future.

The World Bank's general writings on the role of the state in Third World countries during economic reform has been remarkably vague. For instance, in the 1983 *World Development Report* which focused on "management in development" the World Bank did try to outline its conception of the proper role of the state. The result, unfortunately, is not much more instructive than an introductory economics text:

> Markets may not perform perfectly because of insufficient information or because they do not take adequate account of indirect losses and benefits (the so-called externalities such as pollution or worker training). Nor can free markets handle public goods (such as national defense), where the cost of supply is independent of the number of beneficiaries, or natural monopolies. Finally, markets do not act to correct inequalities in income wealth. Some market failures are so evident that they cannot be ignored; in addition, governments will always have legitimate noneconomic objectives that can be pursued only by intervention (World Bank, 1983, p. 52).

This kind of statement means little in Africa where market failure is relatively common, information does not flow well, and there are many structural bottlenecks. Indeed, all the Bank seems to suggest is that the trajectory of state growth should be negative, but no desired vision of the proper economic role of the state is expressed. Without an understanding of the economic role of the state, it is impossible to set the parameters of its political functioning in the future and, in particular, how it will relate to important constituencies.

In publications specific to Africa, the World Bank is even vaguer as to what the role of the state should be. For instance, the Bank's influential report, *Accelerated Development in Sub-Saharan Africa* (1981), presents cogent criticisms of many states' interventions in the economy but does not outline what the role of the state should be. Other general reports have been equally vague. Similarly, the 1984 report *Towards Sustained Development in Sub-Saharan Africa* claimed only that:

> The need for flexibility and adaptability is the single most important lesson of experience. Economic institutions should be responsive to fast-changing circumstances: prescriptions and policy signals need to be assessed, analyzed, and internalized in the country's decision-making process (World Bank, 1984b, p. 39).

Also, the 1986 report *Financing Adjustment with Growth in Sub-Saharan Africa* noted with approval that the size of the state across Africa was shrinking, but coupled that statement with the somewhat paradoxical warning that cuts in the size of the state had led to excessive reductions in equipment, maintenance, operating funds, and materials (World Bank, 1986, p. 22). The recent report by the United Nations Development Program and the World Bank also does not comment on what the actual role of the state should be in Africa (United Nations Development Program and World Bank, 1989).

Nor does the World Bank develop a fuller picture of what the state should look like during a process of long-term structural adjustment in its specific country reports. For instance, in its report on Ghana, the World Bank does not describe a vision of the future state at all except to list what liberalization entails:

> Removing controls and regulation in factor, commodity and foreign exchange markets; de-regulating domestic commodity markets; reducing tariff and non-tariff barriers; elimination of price controls, non-price allocation of credit, interest rate ceilings; and reducing restrictions on financial intermediation (World Bank, 1984a, p. 68).

In its report on Guinea-Bissau, the Bank notes nothing about the future of the state except that, due to the large public sector deficit, the government should endeavour to price all services according to cost and that expenditures should be reduced in real terms (World Bank, 1984b, p. 14). At no point does the Bank actually detail what the limits of state intervention in the market should be, and thereby establish at least the parameters of how the state is going to interact with its constituencies.

African organizations involved in economic reform might also be expected to address the issue of the long-term effects of structural adjustment on African states. These sources, however, are also exceptionally vague about eventual state functions and future relationships with constituencies. For instance, in the Economic Commission for Africa's (ECA) important report, *ECA and Africa's Development, 1983–2008*, the ECA notes repeatedly how important it will be to change the political environment in Africa but specifies only that:

> What is required from African Governments is to make it possible for the population to interrelate positively with all the development variables: natural and financial resources, development institutions, local and foreign technologies (ECA, 1983, p. 97).

Similarly, the Organization of African Unity's submission to the United Nations on the continent's economic crisis does not detail the future role of

the state in Africa except to say:

> In many countries of the region, new measures are actively being pursued to increase government revenues through selective increases in consumption taxes and charges, and taxes on travel. . . . Many Governments, in the circumstances, are focusing attention on the improvement and development of appropriate institutional machinery in order to improve tax collection and to encourage domestic savings (OAU, 1986, p. 74).

There is no real vision of the state here. Nor is the absence of such a vision surprising given that it is not in the interests of African leaders to acknowledge that the economic reforms to which they are now nominally committed also entails significant political reforms which might weaken their power structures further.

The US government, which has been at the ideological forefront of the push to convince African governments to fundamentally change the role of the state, has a slightly more detailed vision of the state, but one which does not suggest how it would work politically under long-term structural adjustment. In the end, the US prescription simply supports state shrinkage along the lines of the World Bank's proposals: agricultural pricing and marketing reforms, privatization of parastatals, and better access to markets (Whitehead, 1985, p. 39). The United States only suggests the areas in which the state should begin to withdraw. The actual extent of the state is left as a vague residual to be determined after programs such as privatization have been adopted. This vagueness is really not surprising, because the US government is aware how sensitive African governments are to even its current statements on how African economies should be restructured. Also, although former President Reagan certainly used his bully pulpit to press for market-oriented reforms throughout the world, the United States has only recently developed a special initiative that would press for structural adjustment and that would have the analytical capacity to formulate an alternative vision of the role of the African state in the economic and political spheres.

4. THE POLITICAL CONSEQUENCES OF STRUCTURAL ADJUSTMENT

Structural adjustment has important consequences for the way that politics is conducted in Africa even if the World Bank and others who recommend reforms are unwilling, or unable, to describe them. At the most basic level, reductions in the size of the state and severe curtailments in its ability to provide patronage will make the state much less flexible in dealing with a political crisis. True adoption of structural adjustment policies will prevent the state from offering subsidies or some other political good if a group becomes disaffected or if a leader suddenly needed to garner public support. For instance, Luke explains that the parastatal sector in Sierra Leone expanded after the death of Prime Minister Sir Milton Margai because the new Prime Minister (his brother, Albert Margai) needed to "consolidate his political base (via the patron-clientelist network of the Sierra Leone People's Party) by opening up new areas for the award of contracts and for appointments to positions in the new or expanded organizations" (Luke, 1984, p. 77). This option would not have been open to the new Prime Minister under a long-term structural adjustment program designed to reduce the absolute size of state-owned enterprises. Similarly, governments often use the levers provided by parastatals to influence the population when public support is necessary. For instance, it took the deficit-ridden National Railways of Zimbabwe 26 months to have a lower than requested fare increase approved by the government because of ministerial interference and a reluctance on the part of national leaders to raise rates before an election (Smith Commission, 1987, p. 74). This kind of price manipulation will be much more difficult if countries do adopt the public sector reforms that are an integral part of structural adjustment.

From the perspective of African leaders, structural adjustment creates a volatile political climate in which the threat of even minor disruptions must be taken very seriously. Without the recourse to parastatals and extensive control of price mechanisms, African leaders will not be able to provide side-payments to restive populations in order to prevent unrest. For instance, further subsidy of foodstuffs or other basic commodities of the urban population can no longer be used to prevent urban riots. Similarly, given the pressures that an IMF program places on government revenue (especially the emphasis of decreasing the fiscal deficit), it may not be as possible for governments to buy off restive militaries through increases in defense budgets and perks as it was in the past. The fundamental problem is that the urban population and the military will still be important to African politicians because leaders must retain physical control of the cities in order to stay in power. However, leaders will not be able to reward groups that can threaten violence, as they did in the past, even though those groups continue to be important to the leaders' political stability. Just as the particular forms of market intervention that African countries adopted made sense given the political needs and vulnerabilities of leaders, the political ramifications of structural adjustment are par-

ticularly dangerous to African leaders who cannot change the nature of their political systems in the short or medium terms. Certainly, structural adjustment poses fewer dangers to regimes that remain in power through votes and have gained a certain legitimacy than regimes that have to depend on a combination of coercion and patronage to endure.

African governments may therefore have to use even more coercion than before structural adjustment to remain in power. Indeed, given that there may be no way to continue previously established clientelistic networks in the new environment, African leaders may have no choice other than to procure future stability by repressing their former clients. The real repression that results from structural adjustments may not be from quelling food riots when IMF packages are first instituted, but from the elimination of some of the noncoercive measures that African governments could previously use to keep potentially threatening groups under control.

In other parts of the world, the liability of reducing patronage would be at least partially compensated for by the fact that groups would no longer look to the state for resources. Clearly, the logic of privatization in the United Kingdom and elsewhere is to deflect popular criticism from the state by reducing its economic role. For instance, consumers no longer protest against the government if a privatized gas company raises prices. Thus, the Ghanaian Finance and Economic Planning Secretary, Kwesi Botchwey, initiated an auction of foreign exchange, instead of the retaining the previous system of formal government control over the exchange rate, in order to "depoliticize" currency adjustments (Agyeman-Duah, 1987, p. 635).

In Africa, however the state will continue to have a dominant economic role, given the poverty of most countries' private sectors. The population will thus continue to look to the state as the only organization that can have an immediate impact on their lives. Also, the long tradition of supporting clientelistic politics through the state and the impossibility of reproducing those relations in the private sector means that the political demands will inevitably be directed at the state for the foreseeable future, even if politicians no longer have the means to address those demands. African states will be caught in the particularly frustrating position of being the dominant economic organizations within the country, but being limited in the extent to which they can actually intervene in the economy.

It is possible that ethnic tensions could subside if a significant number of economic decisions were removed from the government, resulting in a net decrease in instability. One of the factors promoting ethnic strife is the need different groups feel to mobilize in order to press the state on important allocation issues. A system where many more allocation decisions were made through the market could therefore decrease the perceived need to mobilize around ethnic symbols. This judgment, however, needs to be tempered. First, ethnic groups with close ties to the current leadership will suffer effective status reversals during structural adjustment because their privileged access to patronage and goods will be lost. Status reversals have in the past sometimes created heightened ethnic consciousness within the newly disadvantaged group. Feelings of resentment can be channeled into stronger attachments to group identities. Second, if one ethnic group were perceived as dominating new economic structures, ethnic strife could increase. There is already tremendous ill-will against Indians and Lebanese because of the perception that these groups dominate the retail sector and some industrial sectors in certain countries. Since the economic growth fostered by structural adjustment may not be ethnically neutral, groups that do particularly well could also become the victims of new ethnic strife. Structural adjustment will certainly change the patterns of ethnic conflict, but it will not automatically raise or lower the degree of group consciousness and division within a society.

In the long term, governments under structural adjustment will be less able to buy ethnic peace through the distribution of patronage and resources. Some governments have established a more or less effective *modus vivendi* among ethnic groups by distributing resources through parastatals and rigging markets so that the major groups do not feel too alienated. As Sandbrook (1985, p. 80) notes, African leaders will condemn discrimination on the basis of ethnicity, but resort to "ethnic arithmetic" in order to "suppress divisive tendencies." Structural adjustment would make this kind of ethnic balancing much more difficult because the opportunities to provide patronage will be more limited. Further, when the ethnic balance is disturbed for factors outside of government control (e.g., changes in population distribution, natural disasters, fluctuations in the international market), African leaders will find it much more difficult to intervene in economies to restore the old ethnic order or to establish a new one favorable to them.

African leaders will therefore face a much riskier political environment if they do enact long-term programs of structural adjustment. They will have fewer means of buying off restive groups, but they will still be vulnerable to violent confrontation with the urban population and the military Ethnic

groups that have been consciously discriminated against for years in order to appease the majority may suddenly become conspicuously wealthy from government instituted reform packages. Repression, which could in the past be used by intelligent politicians alongside patronage to promote stability, will now become much more of a blunt instrument. Governments will have to resort to repression more frequently with the attendant risk that significant segments of the population will become even more alienated.

In the long term, if structural adjustment does promote economic growth, the political situation may become more stable because all groups will receive more resources than before. The proposed reforms, however, will take many years to implement and, moreover, the structural weaknesses in African economies and governments will inhibit immediate, dramatic improvements in the economy (see, Callaghy, 1989, pp. 132–133). The persuasive argument for structural adjustment is not that it will turn African countries into high-growth economies but that, by removing some of the state-imposed distortions, structural adjustment will allow the economy to grow faster than it otherwise would have. Those who were once bought off by government side-payments may find the fact that the economy is not as weak as it would otherwise have been to be insufficient motivation to conform to government policies and demands. At the very least, governments will recognize that structural adjustment poses grave new risks for them because they cannot guarantee that increases in economic performance will produce political quiescence as effectively as direct transfers did in the era before structural adjustment.

A second aspect of African politics that is threatened by structural adjustment is the concentration of political power. In systems where the role of prices was largely abrogated by high-level political authorities, centralized political power was not only inevitable but logical. Leaders felt that they could readily effect economic developments and could observe how their economy was functioning without decentralized systems of administration. In economic systems where prices count, however, governments will be forced to decentralize political structures if they hope to monitor developments and understand what is happening in their economies. Also, given that structural adjustment has as one of its highest priorities reorienting resources to the countryside, governments will want to extend administrative structures to the new rural groups that will benefit from official policies.

However, African governments have yet to face up to this reality. The speculation in Africa and by outside observers has always been whether the current centralized political systems can withstand the shocks of structural adjustment but the long-term threat to the kind of centralized control that African leaders have developed is clear. As the Chinese have discovered, a profound tension develops when economic decentralization is attempted without a corresponding devolution of political power. Since the problem of incompatibility between highly centralized political structures and decentralized market structures has yet to become apparent, it is uncertain how African leaders will react to this profound challenge to their system of rule. It may well be that rulers will balk at shedding some of their political power in order to conform to their new economic systems. In this case, structural adjustment will flounder because of the threats it presents to leaders, not to vulnerable population groups.

One way for leaders to decentralize power while not challenging their own rule would be to reinvigorate their parties. In many countries political parties were previously not viewed as important, in part because leaders in highly centralized states had so many ways of developing support through government intervention. However, the removal of these political levers and the need to monitor economic developments in a more decentralized manner could create the conditions for new energy in, and resources devoted to, political parties. Parties would seem to be one of the few avenues political leaders would have left after structural adjustment to communicate with supporters. Parties could also play an important role in developing ties with the groups that will benefit from structural adjustment and that will therefore be potential new constituencies for the government. Indeed, parties might be especially relevant for African leaders newly interested in developing ties to the countryside, where formal government structures are weak and previous clientelistic networks irrelevant.

Similarly, redirection of resources to the countryside might occasion the development of stronger peasant associations. In many African countries peasants have been unable to organize effectively because of their atomistic nature and because governments did not encourage, or actively discouraged, smallholder associations. Leaders did not always nurture political ties with the peasantry in the past because development of peasant political power threatened the system of collaboration and support between leaders and the urban population. Under a system of long-term structural adjustment, however, information from and ties with the countryside could become much more important to leaders. Ghana, which has proceeded the farthest in Africa with structural adjustment, is also attempting to decentralize at least some aspects of public administration by estab-

lishing new local structures in the country's 110 districts.

A few analysts have gone a step further and argued that the kind of economic decentralization implied by structural adjustment demands that countries move toward some sort of electoral democracy. It is true that at some point political centralization, even with a reinvigorated single party, would almost inevitably interfere with continued structural adjustment because leaders would still be tempted to exercise political power through market interference. However, when a contradiction does develop between structural adjustment and the centralization of political power, surely it will be the structural adjustment process that will be halted. Given that the state will remain the only economically significant prize for a long time, it is hard to imagine African leaders submitting themselves to the vagaries of the electoral process simply in order to foster long-term development. Leaders would also be far more likely to decentralize if they were relatively confident of staying in power. While structural adjustment demands that African leaders radically change their power structures, it cannot guarantee that they will be more secure in power. Politicians will remain vulnerable to groups that threaten violence. The causality between structural adjustment and movement toward any kind of electoral system is problematic when looking at the fragile position in which most African leaders find themselves.

5. IMPLICATIONS FOR AID DONORS

The implication of this analysis for multilateral and bilateral donors who seek to encourage structural adjustment is that there is an inherent dilemma in trying to impose conditionality on African countries. In the short term, the strict tying of further resource flows to proposed reforms will probably be necessary because the political incentives not to implement a structural adjustment program, or to do so haltingly, are very strong. At the same time, for African leaders to carry out a program which is so politically risky requires assurance of long-term flows of concessional aid. African governments cannot be assured of long-term resource flows if donors' further aid is conditional on achieving ambitious goals in the short term. Aid donors will therefore have to walk a very dangerous tightrope between nudging African leaders toward reform and assuring them that politically dangerous reforms will be rewarded in the long term. For countries that have made clear their commitment to structural adjustment, this tension will probably mean that donors should pay less attention to quarterly economic indicators and more attention to helping insure aid flows large enough to moderate some of the long-term risk of structural adjustment.

6. THE DANGERS OF STRUCTURAL ADJUSTMENT TO AFRICAN LEADERS

If structural adjustment programs are actually carried out, the logic of economic reform suggests that African leaders will be put in an even more precarious position than they are now. African governments will be faced with a risky political environment as they will be forced to adopt more decentralized forms of government. Indeed, structural adjustment may impose so many limits on politicians' ability to direct resources to clients that the old networks of support may no longer be viable. At the very least, political life will become much more difficult for African leaders who attempt to reform their economic systems without structurally adjusting their polities. Some leaders may find the necessary political changes so unattractive that they actually balk at the economic reforms being suggested. The real losers in structural adjustment may be African leaders themselves.

NOTES

1. The political importance of centralized economic institutions was noted early on by W. Arthur Lewis (1965, pp. 47–55).

2. This analysis follows from Charles Lindbloom's (1977, p. ix) insight that there are only two ways to regulate a good: through the market or through administrative controls.

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