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More Information

1

Understanding Institutional Development in Africa

An Introduction

For many countries in East and Central Europe, Latin America, and Asia, the implementation of political and economic reforms over the last quarter century has constituted a sharp break from the past. Words such as "transition," "transformation," "schism," and "shock therapy" suggest ruptures of momentous proportions. Many countries have become democratic and adopted market economies. Prices have increased; imports have risen. Workers, consumers, and citizens now rely on blogs or newspapers, the ballot box, or street demonstrations to demand secure jobs, free elections, or fair trade.

In Africa, no less than in the former Soviet Union or Latin America, political and economic changes have been just as transformative. Many African governments now practice some form of democratic electoral politics and many citizens enjoy basic political rights and civil liberties that were denied to them just twenty years ago. To varying degrees, countries have also liberalized trade, set up investment centers, established stock markets, and passed privatization laws. Governments in Mali and Uganda have sold their parastatals to foreign and domestic investors. Malls, fast food restaurants, and cafes selling flavored coffees have sprouted up from Kampala to Cape Town. A dizzying array of consumer goods are hawked on the streets of Lagos or displayed in upscale shops in the northern suburbs of Johannesburg.

As in Europe or Latin America, transition in Africa has come with costs. Fraud and violence have marred elections in Kenya, Madagascar, and Zimbabwe; citizens in Senegal and Mozambique are less enthusiastic about democracy today than they were just a few years ago.[1] Political parties are poorly

[1] Afrobarometer Survey Findings, "Summary of Results, Round 3 Afrobarometer Survey in Senegal, 2005" and "Summary of Results, Round 3 Afrobarometer Survey in Mozambique, 2005," question 47; "2008 Round 4 Afrobarometer Survey in Senegal" and "2008 Round 4 Afrobarometer Survey in Mozambique," question 43, compiled by Michigan State University, accessed 9/7/2010, http://www.afrobarometer.org.

organized in many countries, and many of them prefer to rely on patronage or threats instead of programmatic manifestos to gain votes. Furthermore, the shift to market economies has produced rising inequality, a decline in formal sector employment, and increased casualization of the workforce. In Mali, Madagascar, Mozambique, Niger, and Zambia, more than half the population lives below the poverty line: formal sector employment now constitutes a mere fraction of total employment in these countries. Even in South Africa, which is routinely cited as the most developed country south of the Sahara, nearly half of the economically active population is un- or underemployed. Like their counterparts elsewhere, citizens across Africa have thus demanded better representation and greater equity. Facing rising prices for basic amenities such as food, water, and electricity coupled with bleak prospects for a stable and sustainable income, they have used the available political space to articulate and advance their interests.

Although countries in Africa have experienced changes as profound as those in Latin America or East Central Europe, the scholarly literature on political and economic transition has treated the changes in Africa unevenly. As the book will discuss, African countries are well represented in studies that explore why transitions to democracy have occurred; whether democracy is likely to become institutionalized; how varied patterns of democracy have been; and what types of political parties exist. However, theoretical and comparative work on the development of economic institutions or the relationship between political and economic reforms in Africa has been limited. Whereas in Latin America and East Central Europe, scholars have asked how formal and informal institutional arrangements shape the economic preferences of individual and collective players, what credible commitments look like and how they are made, and why some governments stick to the rules while others abuse their discretionary authority, most of these questions remain unanswered and undertheorized in the literature on Africa.

This book contributes to comparative scholarship on transitions by examining how new formal institutions and fluctuating political dynamics have interacted to shape the process of economic reform in African countries over the last two decades. Focusing specifically on privatization – one of the most controversial and far-reaching of the economic reforms adopted by transitional, developing countries – I discuss the institutional arrangements enacted by African governments in order to create or expand their private sectors. Tracking their development over time, I assess the effectiveness of new institutions alongside continued uses of discretionary power by the state. Further, I explore the distributional conflicts triggered by the implementation of privatization and how democratic governments have resolved them. I demonstrate that differences in the quality of democracy and the nature of the party system combined to influence divergent trajectories of institutional development in Africa.

Briefly, my argument is the following. Much of the conventional wisdom on the role of formal institutions in Africa claims that governments consistently devalue or ignore them, often because they are imposed by outside actors such as Western donors or the World Bank. By contrast, I find that although the World Bank was often the exogenous proponent of institutional reform, many African governments modified the institutional prescriptions they received from the Bank in order to fit local circumstances prior to adoption. For example, laws on private property rights might contain special provisions acknowledging and protecting communal, rather than individual, property rights in the rural areas as they did in Mozambique, or investment laws might require foreigners to partner with indigenous investors or the state in order to purchase strategic assets as in Mauritius.[2] As a consequence, I find that formal arrangements enacted by African governments demonstrate greater variation than scholars have previously recognized.

Furthermore, I claim that the kinds of institutional arrangements created by African governments in order to build a private sector are strongly associated with the degree to which these institutions operate effectively at a later moment in time. To illustrate this point, I rely on a theoretical distinction between two types of credible commitment made by Kenneth Shepsle and develop a pair of indices that assesses these two types of commitment at different points in time for twenty-seven countries in Africa. The approach captures empirically and temporally the degree to which the enactment of formal institutions ultimately becomes embedded in the ordinary practices and everyday norms of individual and collective actors. Moreover, it highlights those instances in which governments employ their discretionary authority to bend or break the rules.

As many institutionalists acknowledge, institutional development is enormously complex. Even when the rules are clear and consistent, the dynamics accompanying transformative political and economic change can produce unintended consequences. Some change agents may see in new rules an opportunity to advance their interests, and in doing so, they help to institutionalize the rules; while those who are disadvantaged by new rules may endeavor to subvert them.[3] The privatization process especially has generated multiple forms of resistance by parastatal administrators, bureaucrats, organized labor, consumers, and the unemployed over the loss of jobs, benefits, or status; over rising prices or declining services; over unfair or unwelcome competition.

I assume that authoritarian governments can simply turn a blind eye to these outbursts or resort to coercion if they wish to proceed. Alternatively, they can cancel the whole project if they are politically threatened. As Olson points out, "any autocracy must sooner or later have a short time horizon," and short time

[2] Mozambique, Assembleia da República, Lei no. 19/97, October 1, 1997; Percy Mistry, "Commentary: Mauritius-Quo Vadis?," *African Affairs*, 98 (1999): 551–569.

[3] Although they are examining incremental change rather than institutional development following a transition, James Mahoney and Kathleen Thelen identify four analytically distinct roles played by change agents, see "A Theory of Gradual Institutional Change" in James Mahoney and Kathleen Thelen, eds., *Explaining Institutional Change: Ambiguity, Agency and Power* (New York: Cambridge University Press, 2010), 22–28.

horizons eventually encourage autocrats to become roving bandits, to subvert the rules that they themselves have created.[4] As other scholars have shown, these settings are not particularly conducive to the maintenance of credible commitments.[5]

Democratic governments face a different but no less problematic set of trade-offs between rules and discretion. In theory, democratic governments must navigate between maintaining regime credibility by adhering to their commitments or responding to constituents by using their discretion to bend or break rules if those rules cause harm to a favored group. To offer a stylized example from the privatization process, this may mean choosing between the sale of a highly indebted public utility, with expected job losses and higher prices for consumers if a private investor purchases it, or continuing to run it at a loss in order to protect workers' jobs, to subsidize rates for consumers, and to favor insiders. In the former case, the government follows the rules and gains credibility with those who favor privatization. In the latter case, the government uses its discretionary authority to ignore the institutional arrangements it just adopted. By continuing to retain a loss making parastatal, it illustrates that it is accountable to several sets of constituents, but it may lose credibility with those who favored privatization if it bends the rules too often. The political and economic trade-offs inherent in such decisions have long-term consequences. If the government decides to sell a parastatal, unemployment may rise, and the government may lose office at the next election as a result; if it reneges on agreements to privatize, growth may be jeopardized; reform may be curtailed; and the government may be punished at the polls for not sticking to its commitment.

How do Africa's new democracies resolve these dilemmas and what are the consequences for emerging markets? My theoretical argument is that under conditions where governments have already adopted formal institutional arrangements consistent with creating or expanding their private sectors, the trade-off between rules and discretion that governments negotiate depends on the quality of democracy and the logic of party politics. Democratic quality and party system logics interact with each other. They can vary over time and across cases. Where democratic quality is high and the party system is stable, governments exercise their discretion to manage conflicts arising from privatization, but they do so within the limits of the law and without reneging on the policy choice. As such, the privatization process will reflect the compromises that governments make in order to sustain the policy. Where democratic quality

[4] Mancur Olson, "The New Institutional Economics: The Collective Choice Approach to Economic Development" in Christopher Clague, ed., *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries* (Baltimore: Johns Hopkins University Press, 1997), 47.

[5] See also Timothy Frye's comment on this point, *Building States and Markets After Communism: The Perils of Polarized Democracy* (New York: Cambridge University Press, 2010), 33–34 and ch. 1, fn. 25.

is low and the party system is fragmented, uses of government discretion are more arbitrary and the consequences for privatization are more unpredictable. In these cases, the process may lose focus and become ad hoc.

The theory will be more fully elaborated later, but two examples will suffice to illustrate the claim. Just two years after coming to office, the democratic government of South Africa announced plans to privatize three hundred parastatals, including several large state-owned enterprises in sectors such as transport and electricity. As privatization proceeded, resistance to job losses and higher prices for services intensified, aided by the many outlets for expressing grievances afforded by South Africa's liberal (or high-quality) democracy. At the same time, the kind of democracy that existed in South Africa increased the likelihood that the government would respond to protesters *and* maintain its commitments.

The high quality of the democratic setting in which these struggles were played out also interacted with the nature of party politics in South Africa. For an emerging democracy, party politics in South Africa has been relatively stable. Parties are well organized and have identifiable constituencies. Party loyalty tends to endure over time. This means that the governing party can depend on a devoted base to sustain it through a tough transition, but it cannot take that base for granted.[6] If policy outcomes are likely to harm the base of the party, the leadership may have to bend the rules. In South Africa, the combination of a democratic setting that encouraged contestation and participation and a stable party system, where supporters of the ruling party were able to hold it accountable, promoted compromises around the privatization policy. Over time, these compromises affected the trajectory of economic reform in South Africa. Instead of outright privatization, the government commercialized and corporatized parastatals so that they operated according to market principles. While the government continued to embrace a private sector economy, it also financed public works projects in order to provide formal sector employment to likely supporters.[7]

By contrast, consider the political dynamics surrounding privatization in Zambia. After a nearly twenty-year hiatus, the Zambian government returned to multiparty politics in 1991. Democratic elections brought a new party to power, the Movement for Multiparty Democracy or MMD, under the leadership of its charismatic president, Frederick Chiluba. Consistent with its election manifesto, the new government adopted a privatization law, created an agency to value and sell parastatals, and changed the land law to favor private property rights. But when the outcome of initial sales failed to meet the expectations of a broad spectrum of Zambian civil society, anger and disappointment ensued. Unlike South Africa, outlets for the expression of grievances were more restricted in Zambia and the Zambian government reacted more harshly to

[6] The recent formation of Congress of the People in South Africa illustrates this point.
[7] Chapter 6 will discuss (and reference) more fully the process of privatization in South Africa.

popular contestation than its South African counterpart. Rather than using its discretionary authority to forge compromises as the South African government did, the Zambian government subverted new economic and political institutions for its own ends.

Alongside the low quality of Zambia's democracy, party fragmentation also explains state responses and the subsequent outcome of privatization. Parties were poorly organized; party loyalty was weak; and volatility was high. Although the MMD remained the ruling party throughout the 1990s, the base of the party was unstable as were those of many opposition parties in Zambia. Uncertain about the electoral impact of privatization policies on a shifting base, Zambian governments adopted inconsistent approaches to sales of parastatals; to relations with the business sector; and to land, labor, and financial reforms. President Chiluba disbursed companies to allies in a failed effort to use privatization to build partisan support for his presidency during the 1990s. After 2001, President Mwanawasa stalled privatization in favor of populist appeals to the electorate. The result was that although economic institutions appeared to be reasonably effective nearly a decade after they were adopted, the ensuing political dynamics produced partial, ad hoc reforms characterized by extensive uses of patronage.

To explore the dynamics of the privatization process and its consequences for the character of capitalism in Africa, I employ a multidisciplinary and multimethod approach. I rely on two databases assessing the institutional development of privatization over time in twenty-seven countries, descriptive statistics, interviews with key stakeholders, comparative analysis of other regions, and process tracing to examine the nature of commitment to reforms. I explore the distributional conflicts that arose from reform implementation and how states responded to them; I also investigate how different state responses contributed to the diverse reform trajectories witnessed across the continent. As I develop the theoretical argument, I also vary the sample size to illustrate patterns and trajectories more effectively. First, I broadly evaluate the privatization experiences of twenty-seven democratic and authoritarian countries in Africa; second, I examine more specifically the political dynamics of the process in nine African democracies with different party systems. Finally, I offer detailed case studies of three countries in Southern Africa. To more fully delineate patterns of economic and political development in one of the poorest regions of the world, I discuss below the substance of debates regarding institutional change in Africa, the comparative literature that informs them, and the theoretical approach taken by this book.

Debates About Economic Reform in Africa

Over the last two decades, many African countries have designed economic reforms for the purpose of selling state assets, attracting investors, expanding their private sectors, and creating market economies. Governments from

Benin to Zambia changed their constitutions and land tenure laws to favor private property and to reduce arbitrary appropriations by public officials. In thirty-eight out of forty-eight Sub-Saharan African countries, governments established agencies to value state assets, to choose the appropriate method of sale, to find buyers, and legally to transfer state-owned enterprises to private sector ownership.[8] They created investment centers to advertise potentially profitable sectors, to lure foreign firms, to advise domestic investors, or to promote public private partnerships. Finally, they altered domestic regulations and signed regional and world trade agreements in order to create environments conducive to private sector–driven economic growth.

These measures produced tangible results. By 2005, approximately 3,000 privatization transactions had taken place across the continent. They included not only the sale of state-owned enterprises through competitive tender or the exercise of preemptive rights to them, but also the creation of joint ventures, the signing of management contracts, or the offering of public shares in key sectors such as telecommunications, electricity, water, and sanitation. The revenue from sales reached US$8.8 billion. In addition, after sluggish growth in the 1990s, foreign direct investment (FDI) into Sub-Saharan Africa totaled about $70 billion by 2007. Countries such as Senegal, the Seychelles, Madagascar, Botswana, and Mozambique saw yearly FDI inflows increase dramatically from 1990 to 2007. Whereas total annual FDI inflows for these five countries averaged around US$44 million between 1991 and 1995, they had skyrocketed to an average of nearly US$1 billion between 2000 and 2007.[9]

Scholars and policymakers have responded to these changes with praise, skepticism, and outrage. For some, the adoption of institutional arrangements that protect private property, the creation of agencies to sell state-owned enterprises, and sales of parastatals suggest that African countries finally *committed* to market reforms.[10] By the early 1990s, several scholars and policymakers had begun to argue that commitment, rather than conditionality imposed by the World Bank and the International Monetary Fund (IMF), would lead to the successful implementation of reforms by governments in developing countries. The justification that advocates gave for emphasizing commitment to reforms was that if a government voluntarily enacted reforms rather than acting under

8 Jean-Claude Berthélemy, Céline Kauffmann, Marie-Anne Valfort, and Lucia Wegner, eds., *Privatisation in Sub-Saharan Africa: Where Do We Stand?* (Paris: OECD, 2004), 23.

9 World Bank, *World Development Indicators (WDI) and Global Development Finance (GDF)*, *World dataBank*, accessed 11/22/2011, http://databank.worldbank.org.

10 Oliver Campbell White and Anita Bhatia, *Privatization in Africa* (Washington, D.C.: The World Bank, 1998); Jose Campos and Hadi Esfahani, "Credible Commitment and Success with Public Enterprise Reform," *World Development*, 28, 2 (2000): 221–244; World Bank, "The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience," Research Paper, Development Economics Vice Presidency 2002, 42–46, accessed 2/10/2007, http://econ.worldbank.org.. Ownership and commitment tend to be used interchangeably in the literature. I shall discuss this further in Chapter 2.

pressure from outside agencies, it was more likely to sustain them through the challenges of the implementation process. Convinced that the government's commitment was credible, investment would increase and the outcome would be successful.[11] Although donor pressures on African countries were considerable in the 1990s, the breadth of reform efforts by governments indicated that they had begun to "own" or commit to neo-liberal economic policy approaches.[12]

Yet not everyone agrees that these commitments were *credible*. Many scholars find that the positive aggregate data mask significant cross-national differences in both the implementation and the outcome of these reforms. Scholars adopt at least two positions regarding these findings. On the one hand, from Madagascar to Zambia, they document erratic approaches to implementation, continued state intervention in the largest and most profitable firms, the sales of firms to cronies of the government, and widespread rent seeking by insiders.[13] Extrapolating from these results, they conclude that African governments were afflicted with the "partial reform syndrome," where reforms generated some structural economic changes but rent-seeking opportunities and clientelistic practices by "neo-patrimonial" elites persisted, notably through continued state regulation of prices, manipulation of supply chains, the formation of quasi-private organizations, and the maintenance of parastatals in key economic sectors.[14]

[11] Miles Kahler, "External Influence, Conditionality, and the Politics of Adjustment" in Stephan Haggard and Robert R. Kaufman, eds., *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State* (Princeton: Princeton University Press, 1992), 114. World Bank, *Bureaucrats in Business: The Economics and Politics of Government Ownership* (Oxford: Oxford University Press, 1995), ch. 4; Henry Bienen and Jeffrey Herbst, "The Relationship between Political and Economic Reforms in Africa," *Comparative Politics*, 29, 1 (1996): 31.

[12] Steve Kayizzi-Mugerwa, "Privatization in Sub-Saharan Africa: On Factors Affecting Implementation" in Steve Kayizzi-Mugerwa, ed., *Reforming Africa's Institutions: Ownership, Incentives, and Capabilities* (New York: United Nations University Press, 2003), 250.

[13] Roger Tangri, *The Politics of Patronage in Africa: Parastatals, Privatization and Private Enterprise* (Trenton, N.J.: Africa World Press, 1999); John Nellis, "Privatization in Africa: What Has Happened? What Is to Be Done?" in Gérard Roland, ed., *Privatization: Successes and Failures* (New York: Columbia University Press, 2008), 109–135; Berthélemy et al., *Privatisation in Sub-Saharan Africa*, 102–107, fn. 1; Peter Lewis, "Economic Reform and the Discourse of Democracy in Africa: Resolving the Contradictions" in Mark R. Beissinger and Crawford Young, eds., *Beyond State Crisis? Postcolonial Africa and Post-Soviet Eurasia in Comparative Perspective* (Washington, D.C.: Woodrow Wilson Centre Press, 2002), 290–320.

[14] The term derives from Kevin Murphy, Andrei Shleifer, and Robert Vishny, "The Transition to a Market Economy: Pitfalls of Partial Reform," *The Quarterly Journal of Economics*, 107, 3 (1992): 889–906 and was popularized by Joel Hellman in his work on Eurasia, see "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 50, 2 (1998): 203–204. For its application to Africa, see Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979–1999* (New York: Cambridge University Press, 2001) and "Economic Reform: Patterns and Constraints" in E. Gyimah-Boadi, ed., *Democratic Reform in Africa: The Quality of Progress* (Boulder: Lynne Rienner, 2004), 54–56; Tony Addison, "Do

On the other hand, several scholars highlight the disastrous consequences of structural adjustment.[15] In some countries, the combination of reduced state intervention, increased capital flows, and more open trade weakened national states and channeled revenue to natural resource extraction or private city building projects in isolated, securitized enclaves. Where states withdrew, "horizontal contemporaries" such as international financial institutions, transnational nongovernmental organizations, and private investors stepped into the breach, assuming functions that most states routinely exercised twenty years ago.[16] In the worst cases, global liberalization allowed rulers to create privatized and personalistic alliances with shadow networks of drug cartels and other illicit enterprises, resulting in the "criminalization" of states such as Chad, Angola, or Nigeria.[17] Some states such as Congo, Sierra Leone, or Somalia collapsed all together partially due to the impact of reforms.[18]

Each of these interpretations captures part of the experience of private sector creation and expansion across the continent, but also each embodies conceptual and theoretical inconsistencies. First, those approaches that stress the importance of commitment rather than conditionality differ with regard to what factors or combination of factors (institutions, partisan control, reputation, signaling, external agencies of restraint, etc.) made a commitment credible

Donors Matter for Institutional Reform in Africa" in Steve Kayizzi-Mugerwa, ed., *Reforming Africa's Institutions: Ownership, Incentives, and Capabilities* (New York: United Nations University Press, 2003), 59–61; Lise Rakner, *Political and Economic Liberalisation in Zambia 1991–2001* (Stockholm: Nordiska Afrikainstitutet, 2003); M. Bratton, Robert B. Mattes, and E. Gyimah-Boadi, *Public Opinion, Democracy, and Market Reform in Africa* (Cambridge: Cambridge University Press, 2005), 20–23; Antoinette Handley, *Business and the State in Africa: Economic Policy-Making in the Neo-Liberal Era* (New York: Cambridge University Press, 2008).

15 Thomas Callaghy, "Vision and Politics in the Transformation of the Global Political Economy: Lessons from the Second and Third Worlds" in Robert Slater, Barry Schutz, and Steven Dorr, eds., *Global Transformation and the Third World* (Boulder: Lynne Rienner, 1993), 161–257; Peter Gibbon, "Structural Adjustment and Structural Change in Sub-Saharan Africa: Some Provisional Conclusions" in Peter Gibbon and Adebayo Olukoshi, *Structural Adjustment and Socio-Economic Change in Sub-Saharan Africa: Some Conceptual, Methodological and Research Issues*, Research Report 102 (Stockholm: Nordiska Afrikainstitutet, 1996), 9–47; Béatrice Hibou, "The Political Economy of the World Bank's Discourse: From Economic Catechism to Missionary Deeds (and Misdeeds)," *Les Etudes du Centre d'études et de recherches internationales*, 39 (March 1998), English translation (January 2000).

16 James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (Durham, N.C.: Duke University Press, 2006), 103.

17 Jean-François Bayart, Stephen Ellis, and Béatrice Hibou, *The Criminalization of the State in Africa* (Oxford: International African Institute in Association with James Currey, 1999); Will Reno, "The Privatisation of Sovereignty and the Survival of Weak States" in Béatrice Hibou, ed., *Privatizing the State* (New York: Columbia University Press, 2004), 95–119.

18 Anastase Nzeza Bilakila, "The Kinshasa Bargain" in Thedore Trefon, ed., *Reinventing Order in the Congo: How People in Kinshasa Respond to State Failure* (New York: Zed Books, 2004), 31; David Keen, "Liberalization and Conflict," *International Political Science Review*, 25, 1 (2005): 73–89.

or how governments created it.[19] In the policy-making literature especially, the use of commitment to explain the success or failure of neo-liberal reforms often relies on circular reasoning: If a particular reform succeeded, then the government was committed to it; if it failed, then the government was not committed to it.[20]

Second, those who argue that African governments failed to commit credibly or only partially committed to institutional reforms often minimize the ways in which a major reform such as privatization produced legitimate distributional conflicts that governments had to confront. In emerging democracies, the political expression of these conflicts through the party system, at the ballot box, or via formal or informal channels of influence, and the range of institutional and extra-institutional responses to them undertaken by state officials may have reshaped reforms during implementation. Rather than being manipulated by venal government officials, reforms may have changed because governments were trying to be accountable to particularistic interests, to their base, or to the electorate. Lastly, those approaches that stress the unsuitability or negative impact of reforms such as privatization underspecify the extent to which governments actually enacted formal institutional changes consistent with privatizing their economies and the degree to which they implemented them.

This book addresses these inconsistencies in the literature by examining the ways in which formal economic institutions and political dynamics interacted in African countries undergoing privatization. Despite frequent claims by scholars that formal institutions are merely a veneer behind which African governments engage in more ubiquitous and unseemly informal practices, I claim that the formal adoption of institutions consistent with the creation or expansion of a market economy constitutes a necessary building block in the development of such an economy over time. As I will demonstrate, because their adoption can

[19] For the debate over commitment and what mechanisms might best be used to make it credible, see Dani Rodrik, "Promises, Promises: Credible Policy Reform via Signalling," *The Economic Journal*, 99, 397 (1989): 756–772; Silvio Borner, Aymo Brunetti, and Beatrice Weder, *Political Credibility and Economic Development* (New York: St. Martin's Press, 1995); Pablo Spiller, "Institutions and Commitment," *Industrial and Corporate Change*, 5, 2 (1996): 421–452; Paul Collier, "Learning from Failure: The International Financial Institutions as Agencies of Restraint in Africa" in Andreas Schedler, Larry Diamond, and Marc F. Plattner, eds., *The Self-Restraining State: Power and Accountability in New Democracies* (Boulder: Lynne Rienner, 1999), 313–330; David Stasavage, *Public Debt and the Birth of the Democratic State* (New York: Cambridge University Press, 2003); S. H. Haber, A. Razo, and N. Maurer, *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico, 1876–1929* (Cambridge: Cambridge University Press, 2003); Timothy Frye, "Credible Commitment and Property Rights: Evidence from Russia," *American Political Science Review*, 98, 3 (2004): 453–466. I take up this issue again in Chapter 2.

[20] On the dangers of circularity, see Graham Bird, "The Effectiveness of Conditionality and the Political Economy of Economic Policy Reform: Is It Simply a Matter of Political Will?," *The Journal of Policy Reform*, 2, 1 (1998): 89–113.