How Do We Thrive?

An Introduction

Since the board game *Settlers of Catan* was first released in 1995 it has sold more than 25 million copies. It works like this. Play starts after tiles of different land types – mountains producing iron ore, pastures sustaining sheep, and so on – are laid out – and numbers between 2 and 12 are randomly assigned to each tile. Every player picks a spot on the board to establish his or her first village. When the dice is rolled, a player receives a resource that matches the number on the dice if his or her village is located next to that resource. So, if the pasture next to my village has 9 on it, and the two dice thrown add up to 9, I receive one sheep. Those resources I then use to buy roads and villages and cities – and so expand my empire. If my resources are not quite appropriate, I can also trade them for other resources with other players or with the 'bank'. The first person to reach a specified empire size wins. But here is the key takeaway: by the time the game ends, everyone has a flourishing network of towns and cities, some just more so than others.

The game of *Monopoly* offers a very different challenge. You are a landlord, acquiring titles to property and charging rent to those who are forced (by the dice) to visit your property. The game starts with every player having an equal amount of cash. It ends with one player owning everything.

The world can be divided into two types of people. The first group believes the world is like a game of *Monopoly*: only the strongest, smartest or most fortunate survive. For this group, life is a zero-sum game; for you to win, I need to lose. If you have a world view like this, then you will inevitably also believe that wealth is acquired through the acquisition of something owned by someone else, whether it is their property (as in the game), their land or their forgone wages. The second group, by contrast, believes that the world is more like a game of *Catan*. They hold the belief that you can prosper while I prosper too. In fact, those in this group might even believe, as do the best *Catan* players, that you *have* to prosper for me to prosper, that our fates are irrevocably joined together.

Unfortunately, *Monopoly* is the board game most associated with wealth and prosperity. It is unfortunate, because the real world is nothing like a game of *Monopoly*. Let me give one example, very close to my home. I teach at Stellenbosch University, in a university town about an hour's drive from Cape Town. The population of Stellenbosch increased by a factor of eight between 1911 and 2016 – from almost 22,000 people to more than 170,000 in little more than a century. Back in 1911, according to the census, there were only ten people who owned cars in the entire town. Today that number is at least 62,000 – we don't know exactly how many cars that is, as the census only counts one car per family. The point is that the number of car owners has gone up from 1 in 2,000 inhabitants to 1 in 3. If Stellenbosch was a game of *Monopoly*, then only one person would have ended up with all ten initial cars – and the game would be over. But because it is more like *Catan*, because our prosperity depends on that of our neighbours, there is far more wealth to go round. Instead of just one family monopolising everything, thousands of Stellenbosch families now own cars.

We find it hard to believe that the modern world is less like *Monopoly* and more like *Catan*. One reason is that we are constantly bombarded by negative economic news – of tech billionaires and their ballooning fortunes; of company closures and job losses; of debt and deceit and destitution. Our world view is also informed by our experience. Behavioural scientists have identified that we have a 'negativity bias', that negative things have a greater impact on our psychological state than positive things, even if the two are of equal proportion.[1] It is therefore very human to focus disproportionately on the negative and ignore the positive.

A third reason we find it hard to believe that the world is not a zero-sum game is that our education curricula have shortcomings. History courses focus almost exclusively on political and social history. Economics courses focus on formal models and technical tools. Economic history courses have almost disappeared from university programmes. The shift towards postmodernism, as we will see in Chapter 1, has not helped. Topics that deserve our attention, such as slavery and colonialism, have been appropriated by fields of study where empirical fact has been displaced by subjectivity, relativism and a general suspicion of evidence and reason. Power and ideology, instead, are touted as the only tools to understand the past. While there is ample reason to doubt the 'objectivity' of colonial sources of evidence, that is no reason to throw the baby out with the bathwater. The only way we can uncover what happened, and why, is to construct a theory, collect source material – sometimes using innovative new (statistical) methods – and test whether the hypothesis holds up against the evidence. This book is based on research that uses such an empirical approach. Alternative approaches, I would argue, can only result in reinforcing the researcher's own beliefs and biases. History, then, becomes the study of our own fantasies.

Having self-reinforcing fantasies rather than solid evidence of how the world works has consequences. If we believe that everyone is competing in a zero-sum game, that I can only become successful if I overpower and subdue you, then that will make us dislike rich people, the implication being that they could only be where they are because they took advantage of others. But if we believe that success requires cooperation and interaction, that we can only be successful because we depend on and trust others, then we will come to appreciate that wealth creates more wealth. You don't have to worship at the feet of Bill Gates, Jeff Bezos or Elon Musk to appreciate their companies' contributions to the profound improvement in our standards of living. Recognising that wealth requires a shared dependence also allows us to identify where wealth is unsustainably, unethically or illegally obtained. A government official misappropriating taxpayers' money or a business manager cooking the company books breaks down our trust and cooperation, weakening our economic freedom; whereas an entrepreneur who builds a thriving business increases it.

The good news is that economic history suggests that it is the builders rather than the burglars who ultimately win out. The empirical evidence is unequivocal. Over the last two centuries, our economic freedom – the ability of every human to work, produce, consume and invest in the way they please – has increased exponentially. True, the process has not been uniform. In some places, such as South Africa and many other parts of Africa, economic freedom for most was suppressed until quite recently. Where economic freedom was, on the other hand, allowed to flourish, it has created immense prosperity. The economic historian Deirdre McCloskey calls it 'the great enrichment'.[2] The average human is today at least eighteen times richer than in the year 1800.[3] To put that another way (and here I borrow from McCloskey): the average person in 1800 could only possess one pair of shoes – probably of shoddy quality. That person's great-great-great-grandchild today can own eighteen pairs of shoes, one for every occasion.

This prosperity allows us to buy not only shoes but also health and happiness. Today, we live much longer and healthier lives than previously. To give just one example: 43 per cent of babies in 1800 died before they were five years old. Today that number is 4.3 per cent, a tenfold decrease. Although we do not have measures of 'happiness' dating back to 1800, we do know that general happiness, measured by surveys, has increased over the last half-century. What is more, people in countries with a higher GDP per capita are also generally 'happier' than people in low-income countries.[4]

How and why this incredible increase in human prosperity happened – and why it has been slow to take off in some places – is the topic of this book. We begin in the distant past – 100,000 years ago, to be precise – and, in thirty-five chapters, cover all of human history. This can never be a comprehensive global economic history, of course. It is, rather, a personal and somewhat eclectic selection of the economic history topics that, I believe, are most informative about our long walk to economic freedom.

The book is unashamedly written from a South African and African perspective. Africa usually receives little treatment in global economic history courses – and when it does, it is usually as an afterthought or, worse, as an example of where 'things fell apart'. There are valid reasons for why Africa is pushed in this way to the periphery. Africa is indeed the continent with the lowest levels of income. Whereas the average global citizen is eighteen times more affluent than their great-great-great-grandparents, the average

African is only six times more affluent. We live better lives than our ancestors, but it is clear that there is still much room for improvement. Another reason for the neglect of Africa in economic history books is that, in contrast to the rest of the world, the economic history of Africa is generally poorly understood. This book, informed by an exciting new research agenda in the field of African economic history (as Chapter 1 explains), hopes to enlighten.

By the very end of the book we turn from the past to the future. It is very possible that the world will become a much more prosperous place over the next decade. But it is also possible that growth will stagnate, and average living standards will decline. There is no guaranteed outcome. This is especially true for Africa, the continent I call home. The difference between the optimistic and pessimistic scenarios will depend on whether we can secure the economic freedoms many Africans still do not have. And that will depend on the policies we implement, the politicians we elect into office and, ultimately, the stories of prosperity and wealth creation we tell ourselves and our children.

Join me on this epic journey through our history – and the story of our long walk to economic freedom.

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More Information

1 Who Are the Architects of Wakanda?

African Economic Historians and the Stories We Tell

When Marvel Studios released its superhero film *Black Panther* in 2018, kids across the continent of Africa began to salute one another Wakanda-style. They crossed their arms (in a gesture like the pharaohs of ancient Egypt, who were laid to rest with their arms on their chests) and would end the greeting with the words 'Wakanda forever'.

Wakanda, of course, is a fictional country. It was created, so the story goes, when a massive meteorite made up of an equally fictional metal, vibranium, crashed into a location somewhere in East Africa. Understanding the value of vibranium, the leaders of Wakanda concealed this rare and valuable energy-giving resource. Many of the best scholars of Wakanda were sent to study abroad and, on their return, their work turned Wakanda into one of the world's most technologically advanced countries. Although Wakanda appears from the outside to be a poor, developing country, it is actually prosperous beyond belief.

We want to believe the story of Wakanda because it is so different from the reality of many African countries. All ten of the poorest countries on earth are in sub-Saharan Africa. According to the World Bank, sub-Saharan Africa has an average annual income of one-seventh of the world average.

This book is about understanding why this is so. We want to know why because we want to see things improve. We want to see all Africans thrive, much like the Wakandans in their technologically advanced city. We want to understand what the roots of Africa's prosperity will be, and what policies could help to achieve that.

How will we do that? In our search for answers, we turn to the study of global economic history. The logic is simple: we can learn from other places and from other times to help us understand why Africa has lagged behind these regions – and what can be done to accelerate Africa's fortunes.

Economic history is, as the name suggests, a combination of economics and history.[1] Economics is not just about money or wealth or fortunes: it is about how humans behave and interact with one another. Much as natural scientists develop theories about how the natural environment works, and medical scientists about how the human body works, so economists construct theories about how society works. History is our laboratory. History provides the raw data that allow us to test our theories; it is the evidence upon which our theories are accepted and survive or are refuted.

But humans are complicated beings. We do not all behave in the same way. We have different preferences, beliefs and biases. That is why, like the natural or the medical scientists, we cannot always find answers that are easily replicable. It is also why we need to continually test our theories in different settings and time periods. Our 'cures' for society are contingent on time and place, and so the same problem won't always have the same solution. It is the job of the economic historian to understand what solutions worked in the past, and why.

The good news is that many economic historians are now beginning to study African economic history to find ways to solve the continent's challenges. The rest of this book will review some of this exciting new work, but first it is important to understand where research in African economic history started. The present renaissance in African economic history builds on previous generations of scholars, each of whom developed their own theories to explain Africa's fluctuating fortunes. Anthony Hopkins, one of the leading scholars of African economic history, has identified six schools of thought that characterise the field since its establishment in the 1950s.[2] Let us briefly review how each of these schools understood African development.

African economic history only became a serious field of study after most African countries had gained independence from colonial rule. The first school of thought, modernisation theory, assumed a sharp distinction between 'traditional' and 'modern' societies. Adherents of this approach proposed that if 'successful' policies that had been implemented in the West were simply transferred to or replicated in the newly independent African societies, they would inevitably lead to development and prosperity. The actual transfer of policies took place, however, without consideration of the history and context particular to each region. When, by the early 1970s, many African economies had not transformed sufficiently or, in some cases, had stagnated, modernisation theory was found wanting.

The dependency school replaced modernisation theory. The two stand in diametric opposition to each other. The new school maintained that the solutions to Africa's underdevelopment were not to be found in the West – indeed, the West was to blame for Africa's condition. The arguments in Walter Rodney's seminal book *How Europe Underdeveloped Africa* were attractive to many African scholars.[3] Since it suggested that foreign capitalism had created underdevelopment, the policy response was to sever ties with the West. The dependency school allowed African governments to craft their own solutions without learning from other places in the world. Yet despite their contrasting views, dependency theory ultimately fell into the same trap as modernisation theory. Hopkins remarks that 'the emphasis on external influences obliged adherents to adopt the position that indigenous societies had only a limited ability to shape their own history'.[4] In other words, because Africa's malaise was entirely the fault of the West, it suggested that Africans were not (or, worse, could not be) the agents of their own destiny.

Marxism, the third school, rightly shifted the focus to Africans and their own modes of production. Marxist historians, by the 1970s, were ploughing their way through African archives in search of evidence that would show the pre-colonial roots of class conflict. They then tried to fit the evidence into a preconceived Marxist framework. They soon ran into difficulties, though, as the complexity of African societies that they were uncovering in the archives was at odds with their preconceived ideas. African history simply did not square well with the class structure that Marxism required.

The good thing about the Marxist school was that it shifted the attention to those on the margin of society or, put differently, to a history from below – a history of ordinary people. By the 1980s the

Annales school, associated with the style of an earlier generation of French historians, attracted interest too. Its approach was to focus on long-term social history that included groups usually excluded from conventional history, such as women and children. It also incorporated unconventional topics such as demography, climate and disease. Yet, even though the Annalistes wrote *about* the oppressed, they did not necessarily write *for* them; whereas Rodney's book was a call to political action, the Annalistes were more 'concerned to understand the world rather than change it'.[5]

This lack of political ambition meant that the Annalistes were soon displaced by the postmodernists, the fifth school. But the focus with postmodernism was different: instead of material reality, attention turned to cultural history. As Hopkins explains: 'Unlike its predecessors, postmodernism made no contribution to economic history. Its focus on textual images, its scepticism about the concept of reality, and its limited interest in causality provided methodological grounds for avoiding some of the central preoccupations of historical enquiry.'[6]

By the early 2000s, then, with African economies on the rise, there was a renewed interest in understanding Africa's fluctuating fortunes. Two interwoven branches emerged within the quantitative school, both of which we will encounter in this book. Since its inception the descriptive approach has been interested in using quantitative sources – trade statistics, tax records, military attestation forms – to provide new empirical facts about Africa's economic past. On the other hand, the cliometricians, led by economists using new statistical tools, are most interested in understanding the persistent impact of historical events on contemporary outcomes.[7] Both groups are responsible for a revival in the study of African economic history.[8]

One concern, and one additional reason for writing this book, is that much of this renaissance has been the work of scholars based outside Africa.[9] While their initiative is commendable, the risk is that the lessons learned from this new wave of scholarship are not internalised on the continent, either in research or in policy.

What are these lessons? There are many, and this book hopes to cover most of them. One of the first lessons from studying economic history is that the answers we look for depend very much on the questions we ask. Just as citizens in sub-Saharan Africa are, on average, poorer than those in the rest of the world, there are also large income differences within Africa. Even within cities and towns, neighbourhoods and families, we find large differences in income. The most popular question is to ask why it is that people are poor. That is a good question for certain situations, but, as I hope to persuade you in this book, perhaps it is not the most historically appropriate question. Only five hundred years ago, around 1500, the world was a very different place. Almost everyone was what we would today consider to be impoverished. Even the emperors of China or the caesars of Rome or the pharaohs of ancient Egypt generally lived short, unhealthy lives. The ones we remember were the exceptions.

Throughout history, humans have always been poor. Poverty is the historical norm. Put differently, wealth and high living standards are historical outliers. It is incredibly difficult to create and sustain a prosperous society. If you build a house but then neglect to maintain it, it will, within a few years, become dilapidated and, ultimately, crumble and collapse; entropy, a gradual move towards chaos, is the natural order of things.

So, it is instead more historically accurate to ask: why is it that people are rich? And what are the causes of prosperity, of economic growth, of high living standards? When we switch the question in this way, our focus turns to the mechanisms of economic development. Once we understand the mechanisms, we can begin to ask how we can use them to power African development.

The world has seen significant increases in living standards over the last two centuries. We have already discussed the massive improvements in our prosperity, health and well-being. Another way to summarise this, as Figure 1.1 illustrates, is to show the remarkable decline in absolute levels of extreme poverty, especially in the last three decades. Because it is so deceptively simple, look carefully at this graph. According to the numbers on the axis, the share of people living below the extreme poverty line ($1.90 per day) has fallen from 44% in 1980 to less than 10%. That may seem like just another statistic. But think of it this way: a newspaper editor could have printed the following headline every day between 1990 and 2020, and it would have been true: ‘The number of people in extreme poverty fell by 128,000 since yesterday.’ It is a fact so outrageous that it is almost impossible to believe.[10]