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Strategies of State Control of the Economy

Nationalization and Indigenization in Africa

Ernest J. Wilson III

Despite repeated and impassioned pleas by students of comparative politics to “bring the state back in,” there is, arguably, a shortage of studies that bring it back by asking theoretically driven and consistently comparative questions.¹ If the state is brought back into the center of our analyses in a largely descriptive way, it does little to advance our understanding of more general patterns of comparative politics. If we fail to take cross-national causal explanations seriously, we can not expect to gain more than another series of interesting, yet idiosyncratic, case studies.² Instead, we should be able to construct theories of the causes and consequences of different kinds of state interventions in different kinds of societies.

In this essay we want to push the state debate further in the direction of greater theory building by tightly focusing our analysis on state-economy relations, in lieu of the sometimes overly broad and insufficiently rigorous treatment of state-society relations.

The search for answers to questions of state economic intervention and the content of economic policy leads some scholars to focus on the state side of the equation. They insist that state intervention is a function of certain attributes of the state itself—the iron law of bureaucratic expansion, its “need” to modernize industry, or the ideology of its political elite.³

Other scholars examine the opposite side of the equation. For them, market structure explains the varieties of state intervention. Economists might insist that we examine barriers to market entry, such as an industry’s capital intensiveness or technological complexity.⁴ Or market failures will typically call forth a certain degree and kind of state intervention.⁵

However, if we are to take seriously the exhortation to “bring the state back in,” we should bring it back by moving beyond dichotomous state or market centered explanations. In doing so we should be guided by carefully designed research questions consistently and rigorously applied to a cross-section of nations.

This article attempts to bring back the state in three ways. First, it aims for conceptual precision by distinguishing among kinds of interventions. States do not simply intervene; they do so through a variety of instruments and policies that range from the direct to the indirect. We can get a good sense of this range by analyzing two kinds of economic policies that are widely used in developing countries, nationalization on the one hand and indigenization on the other. Second, we try to be more deductive and theoretically explicit than some of the recent work on the state, by setting out our theoretical propositions and hypotheses and specifying dependent and independent variables.⁶ Third, we expand the theoretical discussion of the state by analyzing a set of African countries, thereby widening the empirical base from which we can derive and test theoretical propositions.⁷

In so doing, this author focuses largely on cross-national differences of social structure to explain variance in the degree and kind of state intervention in the economy.⁸ The argument here recognizes the impact that state structures and ideology can have in shaping state policy and the contributory importance of market structure. But the single variable that best explains the most interesting aspects of international variety is social structure.

Concepts of State Control

Both nationalization and indigenization are state strategies to exert greater domestic control over a political economy. Typically, the two policies are used to counter what many less developed country (LDC) governments see as the negative effects of direct foreign investment. Multinational ownership and management may distort consumer tastes, use inappropriate technology, export more capital than they bring in, cause political and social distortions, and generally exclude nationals from the process of economic development in their own country.⁹ Governments use policies of indigenization and nationalization to counter the negative effects of external power.

Nationalization is the more direct policy. It refers to government requirements that private foreign firms sell or transfer all or part of their equity to the government. By contrast, indigenization occurs when government requires that private foreign firms sell their equity to citizens of the country.

Virtually all African countries have mixed economies with private firms and public enterprises operating side by side; many have implemented policies of indigenization and nationalization. Yet there is considerable cross-national variety in the extent to which governments employ either policy as their principal development strategy.

In the general literature and in the African materials in particular, nationalization has been by far the preferred subject for political economy analysis. It conjures up images of big struggles between big capital and the state over copper mines and oil wells and industry. The work of Moran on copper comes to mind.¹⁰ Rarely are indigenization and nationalization policies systematically contrasted or compared. Nor are we told their differential causes and consequences. Instead, we find separate descriptions of nationalization and indigenization. Many of the separate studies are individually quite good, as with Sklar, Shafer, and Libby on the nationalization of the Zambian copper industry and Akeredolu-Ale and Biersteker on Nigerian indigenization policies.¹¹ Yet each tends to be embedded within what is essentially a country study. Rare is the work that examines both policies as twin sides of a general Africa-wide (or indeed worldwide) phenomenon.¹²

What are the prevailing economic and political explanations for state policies of nationalization and indigenization? Is it something in the character of the African states themselves that determines the choice between indigenization and nationalization? For example, does the individual national leader determine nationalization or indigenization? If so, psychosocial explanations of the ruler's personality or personal style will account for policy differences.¹³ Alternatively, one could locate the cause of state expansion in state doctrine and ideology. It is hardly novel to argue that countries with socialist ideologies opt for nationalization; capitalist state doctrines lead to indigenization. However, this "explanation" is too circular and simple, as we shall argue below. Perhaps the Weberian

imperative of bureaucratic expansion, or the administrative structure of the state, accounts for the cross-national variety of nationalization in Africa. Finally, it may be that states nationalize and indigenize according to an international demonstration effect as country after country learns from the experiences of others.¹⁴ Stephen Kobrin argues persuasively that oil exporting governments learned that significant structural opportunities existed to enhance their bargaining power vis-à-vis the multinationals as they watched other states, notably those of North Africa, nationalize the foreign oil industries in their countries.¹⁵

Conventional neoclassical economic models argue that market structure and performance broadly determine the choice between the two strategies of control. A poorly performing market may call forth state intervention when, for example, entrepreneurial supply is low and local businessmen lack the resources to break into certain national markets. Markets most likely to be controlled and owned by foreigners are those with high barriers to entry, complex technologies, higher capital costs, and the need to operate on a large scale to be efficient. In most LDCs, only governments can mobilize the requisite domestic resources to operate these industries (such as mining or heavy manufacturing), and they are most likely to be nationalized. Conversely, many services, crafts, and small-scale industries are less complex, and local entrepreneurs with more modest resources and skills can compete in them more effectively. This segment of the domestic market structure is most likely to be indigenized.¹⁶

According to this explanation, the question of choosing one or the other policy is therefore a false choice since even small countries in Africa are likely to have a mix of both kinds of markets. We should be able to explain cross-national differences in the degree of nationalization or indigenization by referring to differences in national market structures. Figure 1 illustrates this argument, with a high barrier market, a low barrier market, and a middle market.

In Africa as elsewhere the “commanding heights” of the LDC economy are typically nationalized irrespective of national political ideology, with high levels of state ownership in transportation and utilities and low levels of state ownership in agriculture and other market segments with lower entry barriers.

The most challenging findings for political scientists are precisely those that can not be accounted for by economic explanations alone. Two issues remain unresolved. First, why, in an identical industry, do some countries indigenize and others nationalize? In Market B, for example, there should be an interesting middle range of industries and markets that in some countries are nationalized, in others indigenized, and in still others ignored by governments.

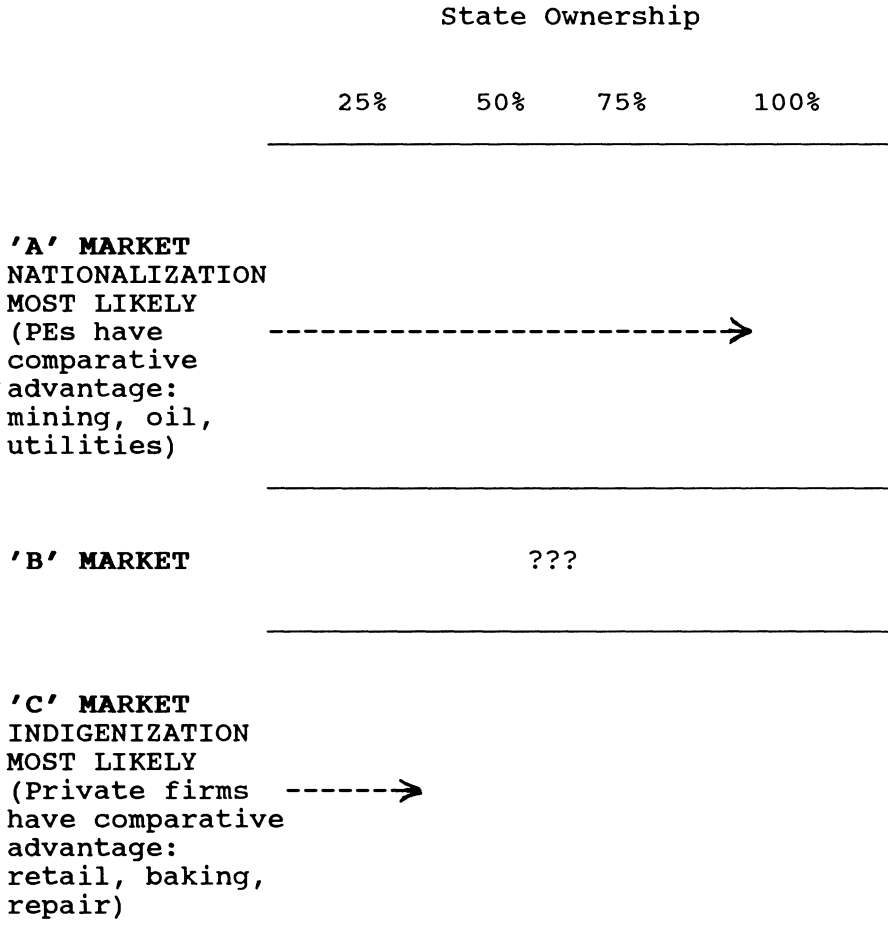
A second unresolved issue is why some countries aggressively pursue one or the other policy while others do not. Two countries may have indigenization policies but will pursue them with different levels of commitment. Both Nigeria and Zambia have such programs, but whereas Nigeria commits enormous political, administrative, and financial resources to its own, Zambia’s is far more modest and even then rarely implemented. A pure market explanation will not fully resolve this issue.

Strategic Restructuring as Concept and Theory

The State Elite and the Indigenous Commercial Class There is a considerable and

Figure 1 Market Structure Determines State Policy

What Economists Might Predict



well-substantiated body of writing on Africa that recognizes the existence of a politically relevant split between public sector civil servants and private sector businessmen. In East Africa, Mahmood Mamdani, Issa Shivji, and Colin Leys have written extensively on this topic. Baylies and Szeftel describe this distinction vividly in south-central Africa, while Bonnie Campbell and Tessy Bakary describe the same phenomenon in West Africa. Terisa Turner, writing on the Nigerian oil industry, also agrees on the relevance of these

distinctions and pays close attention to their relationship to foreign capital.¹⁷ More generally, Markovitz, Sklar, and Iliffe see this distinction as socially important and politically and economically relevant throughout the continent.¹⁸

For these writers the interesting issue is not whether the social split exists, but the degree to which it is politically salient. These scholars remain sensitive to the many ambiguities of the African social structure and, especially in Baylies and Szeftel, trace in minute detail the interpenetration of public and private elites. They recognize, as one must, that the two groups blur at the edges. In Africa as elsewhere there are clearly individuals who move back and forth across the line over the course of their careers. And African businessmen of whatever stripe depend very heavily on government contracts and protection for their profits. For many writers, like Sklar and Markovitz, the state elite and the indigenous commercial class share enough features that together they constitute a separate dominant class or ruling group distinct from farmers, factory workers, and clerks. They share privileged control over the process of surplus production and accumulation and privileged access to the fruits of that surplus. They struggle to expand and maintain their privilege in the face of threats by foreign capital and domestic popular classes. As such, they are two wings of a single dominant class.

Nonetheless, most of the writers cited above also insist that the distinction between the state elite and the indigenous commercial class is analytically crucial in understanding contemporary African political economy. Writing of Zambian society, Baylies and Szeftel write that "the most significant structural change . . . since independence has been the rapid proliferation and increasing political prominence of an indigenous owning class."¹⁹

But putting this public-private divide at the center of one's analysis does not prejudice the findings. Some, like Campbell for the Ivory Coast and Leys in Kenya, emphasize the relatively autonomous power of the indigenous commercial class, even when constrained by foreign capital and local labor. This position stands in sharp analytic contrast to other students of African political economy who insist that the indigenous commercial stratum is far too weak economically and disorganized politically to constitute either a real social class or an independent political force in African societies. Writers like Shivji in Tanzania and Tesslim Bakary in Ivory Coast conclude that the state elite is the dominant partner. Indeed, there is a strong tradition of writing on the dominance of the "bureaucratic bourgeoisie" in Africa.²⁰

This author shares the perspective of Markovitz, Sklar, Baylies, and others that there is indeed a property owning class in Africa which is becoming increasingly large and influential in setting public policy. This class is based in trade, commerce, control of property, and only very marginally in industry. Some who today occupy this class position are the offspring of families long engaged in trade and commerce.²¹ Sociological and historical studies show that members often have a well-developed sense of their own position in society relative to other groups, and they develop specific voluntary associations to further their interests. These include the traditional ogboni society of West Africa and African participation in modern chambers of commerce.²² Their political clout derives from the resources they control over long periods of time, their status in traditional and modern communities, and, as Lindblom has argued in another context, their ability to disrupt or advance government economic policies through their compliance or noncompliance. Taken

together, the internal, relational, and transgenerational features of this group suggest that they are best understood as a social class.

Like such classes elsewhere the African business classes typically prefer certain kinds of public policies more than others. They tend to press government for relatively more laissez-faire, less interventionist policies. Evidence of these policy preferences emerges very clearly in the actions and publications of African chambers of commerce, indigenous businessmen's associations, employers' associations, and trade or industry-specific associations (such as transporters and builders).²³

When commercial classes do press for intervention, they typically ask government to promote private markets and private accumulation and to assist local businessmen in gaining new markets and increasing private profits. When the indigenous commercial class presses for limits to private accumulation, as with indigenization, they press to limit the foreign private sector. They press for more rather than less freedom for private businessmen, and this more promarket position sometimes leads them into conflicts with the state elite.

The individuals who occupy the upper offices of the African government—the state elite—draw their power from the positions which they temporarily occupy in the state apparatus. Like senior bureaucrats in other regions, the African state elite links its self-interest to more rather than less government and to the further expansion of bureaucratic rule-making into markets. This puts them at odds with the indigenous commercial class.

While similar in many ways to the indigenous businessmen, the state elite is unlike that class in that its status is much more precarious, and there appears to be far less intergenerational continuity. As many studies have consistently demonstrated in Africa, the state elite has a sense of self-interest quite distinct from that of the commercial class.²⁴

According to the theory of strategic restructuring (SRS), the key dependent variable in this conflict is state economic policy, specifically whether the core policy mix of the state stresses nationalization or indigenization. The independent variables are the size, power, and political capacity of the indigenous African commercial class vis-à-vis the power and capacity of the state elite.

The theory asserts the following. The greater the power of the indigenous commercial class, the more it will be able to impose its preferences on the state elite and thereby gain what it most prefers—policies of indigenization—and to resist what it most fears—nationalization. Businessmen resist state preemption of their sphere of “natural” economic activity (trade, real estate, transportation, banking, etc.). The commercial class thereby constrains the state elite's autonomy. The primary factor that determines power is the relative size of the two strata in the social structure. The fact of relative size sets important outer limits on what the commercial class can achieve politically in a given country. A secondary but important fact that helps determine a stratum's relative power is its leadership and organization. These two features translate the potential or structural power inherent in stratum size into effective political power.

Strategic restructuring is a modified structuralist theory. It is structural because, when we compare forty African countries along a continuum of social structure (placing countries with small commercial classes on the left and countries with large ones on the right), we will find highly interventionist policies on the left side of the range and less interventionist, more liberal ones on the right. Angola, Mozambique, Zambia, and Tanzania lie on the left, while Ivory Coast and Nigeria are more on the liberal end.²⁵ Strategic restructuring is a *modified*

structural theory because it recognizes that structure can tell us only one part of the story; other more dynamic variables must be systematically introduced.

Let us for a moment think of all social science theories as lying along a continuum of greater or lesser reliance on structure as the main determinant of social outcomes. Fully determined models insist that structure completely accounts for all outcomes. This is the case with strong versions of dependency theory or of classical Marxism.²⁶ At the opposite end of the continuum are explanations that ignore structure or that analyze but dismiss it; for some behaviorist or other nonstructuralists, "structure" explains nothing. Social life is inherently chaotic with little underlying order.

The theory of strategic restructuring lies between these two extremes. Structure determines much of what happens, but not all. Structure provides the first cut for comparative analysis, but other factors must be introduced to account for anomalies. For example, the theory as presented thus far would predict that Ghana, with its large business class, should have a relatively small state sector with only limited nationalization. In fact, it has a very large state sector, dating from the time of Kwame Nkrumah in the early 1960s. Second, as presented, the theory is overly static and can not explain exactly how nationalization or indigenization results from social structure. For now we simply draw the reader's attention to these limitations; later we resolve them.

In summary, and stated in hypothetical terms, the strong structuralist side of SRS insists that (1) the larger and more powerful the indigenous commercial class, the more likely a country will employ a strategy of indigenization; and that (2) conversely, the smaller the indigenous commercial class, the more a country will opt for nationalization.

Each group in this two actor model seeks to maximize its own interests by designing and implementing strategies that bring it greater advantage. Under nationalization, the state elite gains disproportionately, while under indigenization the commercial classes gain more directly.

Operationalizing SRS Indicators One of the principal shortcomings of the literature on the state is the reluctance of scholars to present their guesses (hypotheses) explicitly and in ways that they can be operationalized. In order to operationalize the concept of strategic restructuring, we develop two sets of indicators, static and dynamic.

Static Indicators The following formula is offered strictly as a heuristic device for illustrating strategic restructuring. We do not make a simple mechanistic argument that by plugging in the numbers we will explain government policy. This formulation is offered as an illustration of how we should think about this problem. In principle one could determine the total number of businessmen in the country and measure this number against the total number of civil servants, giving us this fraction:

$$\frac{\text{Number of Indigenous Businessmen}}{\text{Number of Indigenous Bureaucrats}} = \text{First Approximation of Relative Power within the Dominant Class}$$

The larger this fraction, the more likely we are to find indigenization. The smaller this

fraction, the more nationalization. For purposes of cross-national comparison, one would want to express this fraction in per capita terms, perhaps businessmen per capita over bureaucrats per capita.

Clearly, there are real problems of data and measurement and of conceptualization. For example, should we count all businessmen and all civil servants, or only the top members of each group? How should they be defined? What percentage of these groups "straddle" both sectors?

Without minimizing these problems, let us continue to present the theory by considering several ways to understand the economic and political capacities of the two wings of the dominant class. Table 1 draws together seven indicators of commercial class size and capacities. This qualitative, sociological, and historical analysis, which covers the 1945–65 period of transition between colonialism and independence, tries to convey the principal cross-national differences in size and capacity of African commercial classes. The evidence is drawn from primary and secondary documents, elite interviews, and other materials gathered from several field trips each to Nigeria, Ivory Coast, Tanzania, and Zambia. The chart indicates the relative levels of experience, organizational resources, colonially constrained market opportunities, and extent of commercial operations of the business class in four countries.²⁷

From this chart we see that Nigeria and Ivory Coast have relatively well developed commercial classes, while Tanzania and Zambia have underdeveloped ones. Therefore, our strategic restructuring theory would predict that the first two countries would be more likely to stress indigenization, while the latter two will stress nationalization.

Let me say a special word about social structure, ideology, and state intervention. In this modified structural perspective, ideology plays an important but intervening and reinforcing role. Ideology tends to reflect, albeit imperfectly, the character of the social structure. Promarket, capitalist rhetoric is more likely to be articulated—and accepted enthusiastically—in societies with a discrete capitalist class. Societies with a small capitalist class and a large state elite are far less likely to embrace economic liberalism. There the dominant class' interests are served by *étatiste* doctrines and policies.²⁸ In Africa, socialism is the rallying cry not of an oppressed proletariat, but of an ascendant state elite associated with a relatively immature commercial class. Therefore, since Nigeria and Ivory Coast show robust commercial classes, we would also anticipate that their national ideologies or doctrines would reflect a market orientation. The small business classes in Tanzania and Zambia should produce more statist ideologies.

Introducing Dynamics As useful as these descriptions of strategic restructuring may be, two-dimensional tables can not adequately convey the dynamic process through which real people struggle over real outcomes. At its core the strategic restructuring model is driven by the dynamic struggle for political ascendancy that occurs between two different groups, the state elite and the indigenous commercial class.

While it is clear that in all countries the state elite actually implements economic policies of nationalization and indigenization, the strategic restructuring model insists that it does so in part by reaching some political accommodation with the commercial class.²⁹

Where the indigenous commercial class is powerful, as in Nigeria and Ivory Coast, the

Table 1 Factors Determining the Power of the Indigenous Commercial Class

INDICATORS	IVORY COAST	NIGERIA	TANZANIA	ZAMBIA
Sector:				
Retail	Somewhat competitive	Dominant	Marginal	Marginal
Wholesale (import)	None	Somewhat competitive	Somewhat competitive	None
Manufacture	None	Somewhat competitive	None	Marginal (local markets)
Commercial Agriculture	Very Dominant	Marginal	Marginal (regional)	Very Marginal
Transport	Somewhat competitive	Extensive	None	None
SCALE OF OPERATIONS:	Local to Regional	Local, Regional, National, International	Very local	Very local, some region
ORIGINS OF MEDIUM BUSINESSMEN:				
Agriculture				
Small Business/Crafts	X	X		X
Cash Farming	X	X	X	X
Wage Earners		X		X
Civil Servants			X	X
Professions		X		
ACCESS TO CAPITAL:				
Modern Banks (Euro/African)	Limited	Some Euro & Afr. owned bank	None	None
Traditional Organizations	Medium	Many Trad. Orgs & Credit Societies	Local coops.	Limited
Savings			Mostly savings	Mostly savings
COLONIAL RESTRICTIONS:	Limits on crops; limits lifted.	1945 statute barred Eur. entry into import/export field-Africans favoured in licencing practices.	African participation in commerce discouraged-no credit to Africans without government permission. Government interference in coop movement, especially in pre 1945 period.	Africans not allowed to sell basic food-stuff eq. sugar, salt, wheat; not allowed to trade in urban areas-only in location needed licences to hawk or trade-fees high to Africans pushed into marginal village trade.
PARTICIPATION IN BUSINESS ASSOCIATIONS:				
All African:General	None	Traditional, ves, African Participation after 1880's.		
All African:Product	Yes (transport)	Yes (eg. market woman)	Yes (coops)	Yes (markets)
European Chambers of Comm.	No	No	No	No
Asian/Lebanese			No	No
Businessmen in Politics:	Extensive President	Extensive Premiers of West and East	Very Limited Coop leader becomes Minister	Limited Union leaders become Ministers

state elite often accedes to its demands, or even anticipates them. Where the commercial class is weak, the state elite is more likely to follow its own internal imperatives which are separate and distinct from those of business. The state stratum's agenda may include the de facto elimination of the business class through extensive nationalizations. To this extent, governments in such societies with small business classes are better able to pursue interventionist goals autonomously.

Predicting When Conflict and Cooperation Will Occur We have proposed and demonstrated empirically a fairly consistent relationship cross-nationally between social

structure and economic policy in Africa. It is far more difficult to predict precisely when, within a given single country, those structurally generated relations between business and the state will lead to conflict and when to cooperation. My comparative research suggests that the likelihood of conflict is a function of at least three factors, market sector, the relative size of the two groups, and market phase.

Conflict and Market Sectors Conflicts between the senior bureaucrats and the businessmen are likely to be less in what I have termed "high markets" and more in "low markets." The interests of the two groups are nicely complementary here.

On the one hand, the typical African businessman or businesswoman is only marginally interested in owning high market firms but hungers after firms in low markets. The state elite finds the latter a headache but finds greater professional and personal rewards in nationalizing firms in high markets.

The members of the commercial class lack the financial and managerial means to purchase and run a copper mining company or an automobile assembly plant. As a consequence, African business people lack the immediate and direct self-interest in preserving such high markets for themselves. Even when they may have ideological and rhetorical qualms about government takeovers of the foreign-owned commanding heights, they have smaller fish to fry. They rarely fight the state elites who decide to press for nationalization, especially since the nationalized firms will be expatriate ones. They may actually benefit materially from high market nationalizations through board appointments, subsidized prices for the outputs of the nationalized industry, and high prices for goods and services local firms sell to the industry. The opportunities for graft abound. African businessmen will, however, fight to exclude public enterprises from low markets.

In Nigeria, for example, there were few objections by local businessmen to the nationalization of the foreign oil companies. There were, however, serious and repeated rows over the details of the indigenization decrees in medium markets, mainly because so many local interests could benefit directly.

There are other very real state elite-commercial class conflicts. In Abidjan, Ivory Coast, private transporters demonstrated in the streets as early as the 1950s over the threat of government monopoly of urban transport. And according to Nigerian informants, private bus owners in Lagos physically assault drivers for the state company to discourage them from directly competing on certain city routes.³⁰

The state elite, on the other hand, will find the large-scale, high visibility, and economically central big firms more attractive targets for takeover. They are where the external threat lies and where the action is; after all, it is better to be a manager of a big company than of a little one, for all sorts of reasons that are personal and professional, pecuniary and political.

Conflict and Group Size Second, the theory predicts that conflicts over the public/private sector boundary will be greatest when the two strata are more equal in size and political capacity, as they were in Ghana. (These divisions are exacerbated where ethnic conflicts are severe.) By contrast, conflicts between businessmen and bureaucrats will be far less where one stratum is much larger than the other. In Ivory Coast the business class in commercial

agriculture was large and politically aggressive; it effectively established political hegemony. In Tanzania, this class was small, weak, and geographically isolated, leaving the field open to the representatives of a larger and more aggressive state elite.

Conflict and the Business Cycle The evidence from my four country study suggests that, *ceteris paribus*, political conflicts are also exacerbated or reduced by the phase of the business cycle. Political tensions come to the fore during recessions. As consumer income falls and demand for services and goods contracts, private suppliers experience a profit squeeze, and public enterprise managers are hit with revenue losses, especially in competitive markets. In such cases tensions heighten when the public enterprise managers press for greater state guarantees, subsidies, and protection, while the businessmen demand denationalization or liberalization. In cases where the state has imposed a monopoly but can not adequately meet current demand, private businessmen insist they be allowed to compete, or they begin to compete illegally, as with bus service in Dar es Salaam in the early 1980s.³¹

The theory therefore predicts that conflict will be greatest during recessions in markets with low barriers to entry, in countries where the state elite and the indigenous commercial class are evenly matched politically, and where ethnic tensions are significant.

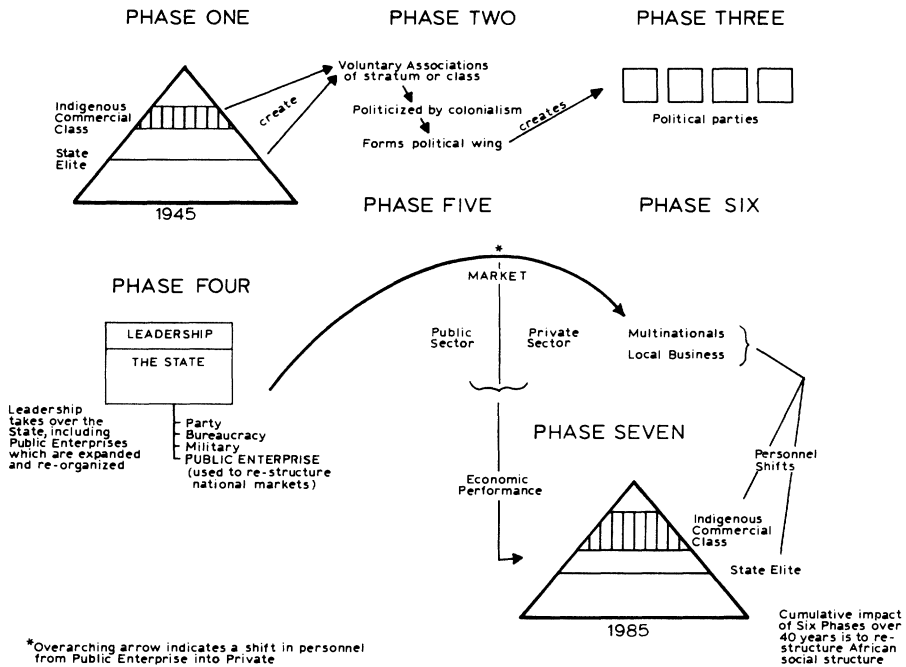
Commonalities of Strategic Restructuring Process Just as there are commonalities of structure in Africa, there are also commonalities of process. Indeed, the historical materials on the transition from European colonialism to political independence suggest common processes for both indigenization and nationalization. The process is similar even if the outcomes are different.

The following schema is meant to be heuristic. It is not designed to capture every detail of every country's political economy. It does indicate common features of the restructuring process wherein a hegemonic stratum converts its structural position into political capacity and into the power to decisively shape policies towards markets and ultimately to reshape the markets themselves. By focusing here on the dynamics of SRS we complement the more structural part of the theory presented earlier. Figure 2 presents this process.

Phases of Strategic Restructuring Phase one begins with the social structure of Africa in the terminal years of colonialism. We see classes and new elites within the social structure reacting to colonial domination by organizing new interest groups which, in phase three, are transformed into nationalist political parties. They aggregate group interests and mobilize to eliminate colonial political and economic restrictions. Once the nationalist movement wins political independence, this same elite, often under the same leadership, begins in later phases to restructure the inherited colonial state and economy to meet local needs.

In most countries regardless of ideology this meant creating many new state-owned companies and public enterprises in "traditional" high market areas of infrastructure support like electricity and marketing boards. Then in phase five, some government elites successfully push the state beyond public utilities to nationalize private foreign commercial or industrial firms, or they create other state firms, while in other countries, especially those

Figure 2 The Process of Strategic Restructuring, 1945–1985



with larger business classes, government indigenizes. The big push for change often comes three to six years after political independence.

In the sixth phase the state elite maneuvers public enterprises further into important national markets to reorder market structures, redistribute ownership, and reallocate resources between groups. Policy choices in favor of indigenization or nationalization then reinforce the power of either the business class or state elite to control capital accumulation. In effect, such policies alter the channels through which economic surplus is controlled, and since the state elite and the indigenous commercial class prefer different channels and have different priorities, changes in investment patterns, consumption, and power follow accordingly. Over the medium to long term these changes modify the social structure itself. This feedback loop between politics, public policy, and social structure constitutes phase seven. Thus, strategic restructuring is based on a dynamic probabilistic interaction between structure and process.

SRS in Four Countries: A Summary Analysis In many countries the early nationalist movement and the initial voluntary associations were almost entirely dominated by a single stratum. This stratum was often able to maintain its hegemony from the beginning to the end of the strategic restructuring process. In other countries, by contrast, one group lost control over the restructuring process to its competitor. In Ghana, for example, Nkrumah's more

étatiste party wrested control from the more established promarket United Gold Coast Convention that had previously organized much of the nationalist struggle.³² But let us begin with two examples of strategic restructuring that are relatively straightforward and where the hegemony of one group was more continuous, Tanzania and Ivory Coast.

In Tanzanian society, African businessmen were few and far between. They were economically marginal; Asians and Europeans held a near monopoly over trade and commerce. The major anticolonial force, the early Tanganyika African Association (TAA) was dominated by civil servants, clerks and the like. Its first president was a teacher named Julius Nyerere. Later the main political party, TANU (the direct successor of TAA), reflected this class structure, as did the government which followed upon the party's electoral successes. For example, there was only one person with a business background in the first cabinet, a stark contrast to Ivory Coast and Nigeria. A civil service elite came to power in Tanzania and under Nyerere's leadership pursued a strategy which our strategic restructuring model would predict—highly statist, pro-civil-service, and antimerchant.³³ Political agreement on such a program was easily achieved in the absence of a real local African business class to oppose it and because of the political weakness of the largely expatriate Indian merchant class. Indeed, the opposite policy, indigenization, would have handed over even more power to the Indian community, anathema in the African nationalist community. Furthermore, unlike its neighbor Kenya, or Ivory Coast, there was no significant European settler class to lobby for a more conservative, market-oriented strategy.

Ivory Coast had the identical process, but with a larger cocoa-based indigenous commercial class, the opposite outcome. Here the African Agricultural Syndicate came to dominate nationalist politics under the leadership of Houphouët-Boigny, a rich planter. The party he founded, the Parti Démocratique du Côte d'Ivoire, and later the governments he led, clearly reflected this class character through proplanter policies. Compromises were also carefully crafted with other local groups and with the French. Much of commercial agriculture and a few other sectors were effectively indigenized, while preserving French domination in markets with higher barriers to entry like agricultural processing and manufacturing.³⁴ State agencies were employed to promote the planter commercial class, not to preempt it.

Zambia and Nigeria conform to the general model, but with some interesting divergences. In both countries one group came to dominate economic policy outcomes. However, the crude numerical balance between the two groups—businessman and bureaucrat—was less one-sided than in Ivory Coast and Tanzania, and this structural ambivalence was reflected in politics and economic policy. A prointerventionist group dominated in Zambia, but with important pressures toward greater liberalism. In Nigeria, the opposite: the merchant class was very assertive, but there were important constituencies for intervention. A relatively well educated stratum of lawyers, civil servants, politicians, and others, backed by union and radical elements critical of liberal, market-oriented policies, pressured for more state intervention and market control.

An additional ambiguity deserves a brief mention. Nigerian businessmen found themselves in a bind. They were pro-private-sector, yet they desperately needed the state to promote their interests in private markets. The state was to be the handmaiden of local private capital over and against foreign businesses; hence indigenization. Yet "the state" was not a perfectly malleable instrument at the beck and call of the aspiring bourgeoisie; it

had its own interests and some independent latitude to act. To demand too much of the state risked empowering the state elite to push ever farther into the very markets which the business class wanted to dominate. Ambitions to control foreign capital through state-led indigenization could lead inadvertently to greater state controls over all business.

In the late 1960s and early 1970s a number of African countries nationalized foreign sellers and/or established new government owned and controlled companies to distribute essential commodities like milk, fish, and rice. In Zambia, the National Wholesale and Marketing Company (ZNWMC) had a dual purpose. First, it was designed to get goods to the ordinary citizen, especially in rural areas; second, it tried, quite deliberately, to provide private Zambian businessmen an alternative source of wholesale goods and cheaper credit as a means of circumventing the dominant Asian sellers. The state would support private Zambian expansion. However, as the weak business stratum failed to perform like a real bourgeoisie, and as President Kaunda's ideology shifted more decisively leftward toward massive state intervention in copper and industry, widespread nationalization emerged as the preferred policy. In the absence of a forceful business class, the state elite won out. Over the objection of some businessmen, government support for local private marketing companies gave way to the expansion of state-owned marketing. The local Zambian business class was preempted by the state; the nationalization option gradually won out over indigenization.³⁵

In contrast to Zambia, the Nigerian business class in commerce was much larger and far more powerful; the state elite was significant but less powerful. To meet popular demands for cheaper food during the inflationary period just after the civil war, government created a new state corporation, the National Nigerian Supply Company (NNSC). It was launched under the military government when the senior permanent secretaries wielded unprecedented power over the economy.

Yet the form and activities of the NNSC reflected the unique class character of Nigeria, especially the strength of the commercial class. First, and most important, unlike the ZNWMC and the State Trading Corporation in Tanzania, the NNSC never had a major share of the market; it was restricted to roughly 15 percent of national sales. It was never allowed the oligopolistic strength of the ZNWMC. Second, it was used as much for corrupt practices via private sector-state elite collusion as it was to distribute goods to the rural poor. On balance, the powerful Nigerian commercial class managed to prevent the state from preempting shares in its most important markets.

In these two countries, Nigeria and Zambia, opposite policies ultimately prevailed, reflecting both the structural features of the societies and the political capacities of their respective dominant strata. But the historical process of strategic restructuring was similar in each case.

Conclusion

In this essay we have tried to "bring the state back in" by systematically relating the structure of state economic policies to the structure of society and by comparing and contrasting these relationships in several African countries. Our theory of strategic restructuring insists that the dividing line between public and private sector in contemporary Africa can best be understood as the contingent outcome of intraclass conflict and

cooperation between state elites and the local commercial class. Some public policy outcomes are more likely than others due to differences in the relative size and political capacity of these classes. Where the indigenous commercial class is larger and more powerful, it will force the state to be more modest in its ambitions and reach and more regulatory in its functions. Indigenization is more likely. Where the indigenous commercial class is small and relatively weak vis-à-vis the state elite, then nationalization is the more likely outcome.

The theory of strategic restructuring ranks African countries by the size and power of the indigenous commercial class. In this discussion we have analyzed two countries with small business classes—Tanzania and Zambia—and two countries with relatively large business classes—Ivory Coast and Nigeria. Tanzania appears to have the smallest indigenous commercial class, with Zambia the next smallest. Nigeria has perhaps the largest indigenous commercial class with the most vigorous commercial orientation. But with a long history of higher education, and with a fierce regionalism and federalism that fueled the creation of twenty-one state governments in addition to the central government in Lagos, the country possesses a large state elite as well. In Ivory Coast the commercial class is substantial and firmly in charge; the state elite is relatively weak. According to the theory of strategic restructuring, therefore, we expected to find more indigenization in Nigeria and Ivory Coast and nationalization in Zambia and Tanzania.

Using qualitative evidence from the case studies of the kind the author has done, and using the aggregate data that exist (even though scarce and imperfect), we can construct some useful indicators of policy and reach some powerful conclusions. For example, we use figures on the percentage of gross domestic product contributed by government-owned companies to approximate the extent of nationalization.

In terms of the four countries we examine in this article, the public enterprise contribution to GDP is as follows: Zambia, 38 percent; Tanzania, 15 percent; and Ivory Coast, 11 percent.³⁶ This would seem to confirm our conclusions about the relationship between social structure and public policy. The waters are muddied somewhat when we introduce unpublished World Bank figures for Nigeria, which suggest that it would fall somewhere between Zambia and Tanzania. (This is partly explained because the main “commanding heights” industry, oil, is largely nationalized; but it also reflects the influence of civil servants in the country.) Ivory Coast and Zambia remain on the two ends.

A more appropriate indicator is needed to capture detailed information about the policy differences among the four countries. For this we can use the share of all public enterprises that are 100 percent owned by government. Such an indicator distinguishes between governments that have complete formal ownership and control over most of their key sectors and industries, as opposed to governments that may hold a few minority shares in many public enterprises. Here we find a descending proportion of ownership: Tanzania, 65 percent; Zambia, 57 percent; Nigeria, 33.6 percent; and Ivory Coast, 15.6 percent.³⁷

These figures alone can only be indicative. But when combined with the qualitative analyses offered earlier in this article, they provide powerful support for the strategic restructuring thesis linking social structure and economic policy in black Africa.

What does the future hold for nationalization and indigenization in black Africa? The strategic restructuring model makes several predictions which can be confirmed or disconfirmed over the next several years. First, in applying the model to Africa, the author

has identified a fascinating kind of migratory “up-and-over” career path which will have a growing impact on public-private sector relations. One finds a quickening dynamic in which public enterprise managers rise rapidly through the state companies, only to jump from the public to the private sector as they reach senior positions. I indicate this in phase seven of Figure 2. The managers secure good jobs in local multinational corporations, and/or they establish or work for local firms, usually in the same market as their ex-employer, the parastatal. The aggregate number of individuals involved in this staddling process appears still to be modest, but my interviews suggest that these “up-and-over” elites are strategically located to influence public policy and seem to have the resources and the desire to do so. This elite migration in *étatiste* countries like Zambia and Tanzania may create an ever larger domestic constituency for more capitalist, private-sector-oriented development strategies. Over the medium term this may slowly push governments away from nationalization and toward a liberalization of the political economy. This would logically include more indigenization, parastatal reforms, and even halting experiments with privatization. This domestic process will be strongly reinforced by pressures from the international system, notably the private banks and the multilaterals like the World Bank and the International Monetary Fund.

There are also broadly comparative implications. For example, one could test the strategic restructuring theory in non-African settings. The use of the state to displace Asian or other expatriate business groups to the benefit of local African businessmen has its echos in Asia itself. In Malaysia, indigenous bumiputra commercial interests use public enterprises to displace overseas Chinese-owned business.³⁸

However, such outcomes are probabilistic and contingent; the choice of nationalization or indigenization is neither inevitable nor automatic. Outcomes are not unilaterally imposed by hegemonic commercial bourgeoisies or by all-powerful state elites. Instead, social interests negotiate policy outcomes and sectoral boundaries on their own behalf, simultaneously responding to pressures from their own elite competitors as well as demands from foreign capital and local labor. In Africa, for today and tomorrow, we will see more and more explicit efforts to reach accommodations between state elites and indigenous businessmen. It is this dynamic process of political opportunity and structural constraint that the strategic restructuring model tries to capture.

NOTES

1. Two of the most prominent calls to employ the state as a causal variable in comparative politics are Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), and Stephen D. Krasner, “Approaches to the State: Alternative Conceptions and Historical Dynamics,” *Comparative Politics*, 16 (January 1984), 223–46.

2. John Freeman and I critique the Evans, Rueschemeyer, and Skocpol volume for its lack of conceptual rigor and absence of a strategy of falsification in “Bringing the State Back in Isn’t Enough,” paper presented to the APSA meeting, Washington, D.C., September 1986. Gabriel Almond, “The Development of Political Development,” in Myron Weiner and Samuel P. Huntington, eds., *Understanding Political Development* (Boston: Little, Brown, 1987), pp. 437–490.

3. Perhaps the strongest argument for an entirely state-centric perspective is Eric Nordlinger, “Taking the State Seriously,” in Weiner and Huntington, eds., pp. 353–390; and Eric Nordlinger, *On the Autonomy of the Democratic*

State (Cambridge, Mass.: Harvard University Press, 1981). State strength is also analyzed in Joel Migdal, "Strong States, Weak States: Power and Accommodation," in Weiner and Huntington, eds., pp. 391–436.

4. That market structure shapes or elicits certain kinds of government intervention is analyzed in Leroy Jones and Edward Mason, "Role of Economic Factors in Determining the Size and Structure of the Public-Enterprise Sector in Less-Developed Countries and Mixed Economies," in Leroy Jones, ed., *Public Enterprise in Less Developed Countries* (Cambridge: Cambridge University Press, 1982), esp. pp. 41–43. Jones and Mason write, p. 43, that "much of the variance in GNP shares (of nationalized industries or public enterprises) is explained by differential industrial structure."

5. Market failure as an explanation of LDC economic intervention is standard and has been articulated by John Sheahan, "Public Enterprise in Developing Countries," in William Shephard, ed., *Public Enterprise: Economic Analysis of Theory and Practice* (Lexington: Lexington Books, 1976).

6. Freeman and Wilson.

7. The leading theoreticians in this debate work on European or American materials, as in Krasner; also Stephen D. Krasner *Defending the National Interest: Raw Materials, Investments and U.S. Foreign Policy* (Princeton: Princeton University Press, 1978); and Evans, Rueschemeyer, and Skocpol, eds. There are almost no citations from the literature on Africa as a quick glance at the footnotes and bibliographies of these works will quickly demonstrate.

8. Social structure is too often seen as a residual explanation, as when authors simply assert without evidence that state intervention is a response to the absence of local entrepreneurs.

9. The best treatment of the arguments for and against these critical perspectives is found in Thomas J. Biersteker, *Distortion or Development* (Cambridge, Mass.: MIT Press, 1978).

10. T. H. Moran, *Multinational Corporations and the Politics of Dependence: Copper in Chile* (Princeton: Princeton University Press, 1974).

11. Richard Sklar, *Corporate Power in an African State* (Berkeley: University of California Press, 1975); Michael Shafer, "Capturing the Mineral Multinationals: Advantage or Disadvantage," *International Organization*, 37 (1982), 93–119; Ronald Libby and Michael Woakes, "Nationalization and the Displacement of Development Policy in Zambia," *African Studies Review*, 22 (April 1980), 33–50. An excellent treatment of a non-African case of nationalization is David G. Becker, *The New Bourgeoisie and the Limits of Dependency: Mining Class and Power in "Revolutionary" Peru* (Princeton: Princeton University Press, 1983). For indigenization policies, see Akeredolu-Ale, *The Underdevelopment of Indigenous Entrepreneurship in Nigeria* (Ibadan: Ibadan University Press, 1977). Also Thomas Biersteker, "Indigenization in Nigeria: Renationalization or Denationalization?," in William Zartman, ed., *The Political Economy of Nigeria* (New York: Praeger, 1983), pp. 185–206; A. A. Beveridge, "Economic Independence, Indigenization, and the African Businessman," *African Studies Review*, 23. For a broader definition and usage of the term, see Adebayo Adedji, *Indigenization of African Economies* (New York: Holmes & Meier, 1981).

12. An exception is Leslie Rood, "Nationalization and Indigenization in Africa," *Journal of Modern African Studies*, 14 (1976), 427–447.

13. Robert H. Jackson and Carl G. Rosberg take the opposite approach of the one I employ here and focus on leadership styles. *Personal Rule in Black Africa* (Berkeley: University of California Press, 1982).

14. Stephen Kobrin, "Diffusion as an Explanation of Oil Nationalization," *Journal of Conflict Resolution*, 29 (March 1985), 3–32.

15. These capital intensive sectors governments typically reserve for local state ownership.

16. Jones and Mason. Descriptively, it appears to be true that there is more nationalization in "high" markets. Referring to publicly owned corporations (whether nationalized or created *de novo*, the arguments still hold), a report sponsored by the International Monetary Fund states that while "Public enterprises have traditionally been viewed as operating only in a limited number of natural monopoly industries, they can now be found operating in virtually all types of economic activity." This would seem to invalidate a market-driven explanation, but the author goes on to report that "public enterprises are still relatively most important in the traditional industries" (mostly public utilities) and that "a large part of [LDCs'] natural resource industries [are] operated by public enterprises." R. P. Short, "The Role of Public Enterprises: An International Statistical Comparison," in Robert H. Floyd, Clive S. Gray, and R. P. Short, *Public Enterprise in Mixed Economies* (Washington, D.C.: International Monetary Fund, 1984), pp. 124–125. These findings suggest that the market structure explanation of the distribution of nationalized industries or other public enterprises provides only part of the full picture.

17. Mahmood Mamdani, *Politics and Class Formation in Uganda* (New York: Monthly Review Press, 1976); Issa Shivji, *Class Struggle in Tanzania* (Dar es Salaam: Tanzania Publishing House, 1973); Colin Leys, "The 'Overdeveloped' Post Colonial State: A Reevaluation," *Review of African Political Economy*, 5 (January-April 1976),

39–48; Caroline Baylies and Morris Szeftel, “The Rise of a Zambian Capitalist Class in the 1970s,” *Journal of Southern African Studies*, 8 (April 1982), 189–94; Bonnie Campbell, “Ivory Coast,” in John Dunn, ed., *West African States: Failure and Promise* (Cambridge: Cambridge University Press, 1980). For a slightly different interpretation that emphasizes the autonomy and hegemony of the state elite, see Tesslim Bakary, “Elite Transformation and Political Succession,” in I. William Zartman and Christopher L. Delgado, eds., *The Political Economy of the Ivory Coast* (New York: Praeger, 1984), and Terisa Turner, “Multinational Corporations and the Instability of the Nigerian State,” *Review of African Political Economy*, 5 (January–April 1976), 63–79.

18. Among the most interesting writers on this subject are Richard Sklar and Irving Louis Markovitz, both of whom correctly insist on the central role of the dominant class in shaping the politics of Africa. Markovitz tends to emphasize the composite, amalgamated character of the “organizational bourgeoisie,” divided as it is between various subgroups, and hence is close to my own analysis. Irving Louis Markovitz, *Power and Class in Africa* (Englewood Cliffs: Prentice-Hall, 1977), ch. 7. Also see Sklar, *Corporate Power in an African State*, ch. 7, and his excellent treatment of this subject in “The Nature of Class Domination in Africa,” *Journal of Modern African Studies*, 17 (December 1979); John Iliffe, *The Emergence of African Capitalism* (Minneapolis: University of Minnesota, 1983); Peter Lloyd, *Africa in Social Change* (Baltimore: Penguin Books, 1967). For another early classic treatment of the impact of class on African politics, see Martin Kilson, “Emergent Elites of Black Africa, 1900–1960,” in Peter Duignan and L. H. Gann, eds., *Colonialism in Africa*, vol. 2 (Cambridge: Cambridge University Press, 1970), pp. 351–398. Markovitz (p. 232) insists that, although it has sustained reverses, African business “has moved in the direction of greater cohesion and greater significance in policy making.”

19. Baylies and Szeftel, p. 187.

20. Shivji, pp. 79–99.

21. Iliffe, pp. 74–75, for example, cites cases from Kano, Nigeria, including businessmen in the kola trade. But as he says, much more work needs to be done on this subject. Markovitz, chs. 6–9, also emphasizes these temporal continuities under colonialism and into the postcolonial period, notably through his concept of class consolidation.

22. Interviews conducted by the author in Nigeria, Ivory Coast, Tanzania, and Zambia in 1984, 1985, and 1986 found that business interest associations were especially active in making well organized presentations to government in Nigeria and Zambia. In both, the national chambers of commerce made regular submissions around the time that the national budget was being prepared, as well as special petitions on particular issues as they arose, including the liberalization of import licenses, foreign exchange allocations, and taxation. More generally, they also press for more consistent consultations with business *prior* to a policy’s being announced. In Tanzania, perhaps because the government is already seen as impossibly antibusiness, there seems to be less interaction. In Ivory Coast the opposite situation perhaps yields a similar outcome: since government is seen as very probusiness, massive lobbying is less necessary, and the interaction also seems more modest. But this may be because in Abidjan business pressures are simply less transparent to an outsider.

23. The organization of local transporters in Lusaka, Zambia, is the United Taxi and Transporters Association; in Lagos, Nigeria, the Lagos State Transporters Association; and in Abidjan, Ivory Coast, the Syndicat National des Transporteurs (SNT). The SNT’s publications report their effort to rationalize the ground transport market, in their favor, as one would expect. They call for self-regulation (that is, driver certification) by their association and for government to step in when necessary on their behalf, for example to raise transport tariffs and fares. Both elements emerge in interviews and in publications like *Regard sur le Transport Terrestre en Côte d’Ivoire* (Abidjan: Ivory Coast Transporter’s Association, 1982).

24. Shivji; Mamdani.

25. This chart illustrating strategic restructuring cross-nationally is presented in greater detail in Ernest J. Wilson III, “Comparative Politics and Public Enterprises” (forthcoming). Anthony Giddens uses the term “structuration” to capture the interaction between structures, group dynamics, and individual behavior. He is more concerned than I, however, with the role of individual consciousness. See Anthony Giddens, *A Contemporary Critique of Historical Materialism* (Berkeley: University of California Press, 1981), pp. 26–29. For an interesting discussion of strategy in a more organizational context, see Sidney Mintzberg, “Patterns of Strategy Formation,” *Management Science*, 24 (1978).

26. Nicos Poulantzas provides a highly structurally determined theory in *Political Power and Social Classes* (London: New Left Books, 1973). Far more open-ended is the argument that Rothchild and Curry make to account for African states’ choice of what they term accommodation, reorganization, and transformation development strategies in Donald Rothchild and Robert L. Curry, Jr., *Scarcity, Choice and Public Policy in Middle Africa* (Berkeley: University of California Press, 1978), esp. ch. 3.

27. Data for Table 1 are drawn from well over a dozen country studies, as well as analyses of sectors and substantive issues. Few cross-national studies exist on this subject. See Kilson.

28. The relationship between ideology and material interests has been aptly described by Otto Hintze: "Interests without . . . 'spiritual wings' are lame; but on the other hand ideas can win out in history only if and insofar as they are associated with real interests," quoted in Reinhard Bendix, *Max Weber: An Intellectual Portrait* (New York: Doubleday, 1962), p. 47.

29. The analytic importance of distinguishing between those who actually hold state office, that is, those who rule, and those who may be politically dominant (as with the planter class in Ivory Coast) is made by Fred Block, "The Ruling Class Does Not Rule," *Socialist Revolution*, 7 (3), 2–28.

30. Interviews with bus drivers and with transport association officials conducted by the author and his collaborators in Lagos, 1984–85.

31. Interviews conducted in Dar es Salaam by the author in 1984. Evidence on long-standing private sector dissatisfaction with government services is also found in the daily press in Dar es Salaam.

32. The classic work on this shift in power is still Dennis Austin, *Politics in Ghana 1946–1960* (Oxford: Oxford University Press, 1970).

33. A good description of this process in Tanzania can be found in Cranford Pratt, *The Critical Phase in Tanzania, 1945–1968* (Cambridge: Cambridge University Press, 1978).

34. Zartman and Delgado, *Ivory Coast*. A more theoretical treatment is Y. A. Faure and J. F. Medard, *Etat et bourgeoisie en Côte d'Ivoire* (Paris: Editions Karthala, 1982).

35. This ambivalence about which policy to pursue is perfectly captured in Anthony Martin, *Minding Their Own Business* (Middlesex: Penguin, 1975).

36. Mary Shirley, *Managing State-Owned Enterprises*, World Bank Staff Working Papers No. 577 (Washington, D.C.: World Bank, 1983), p. 95.

37. World Bank figures.

38. "Public Enterprise versus Other Methods of State Intervention as Instruments of Redistribution: The Malay Experience," in Jones, ed., *Public Enterprise in Less-Developed Countries*, pp. 313–326. Also, James Alexander Craig, "Privatization in Malaysia: Present Trends and Future Prospects," paper presented to the Conference on Privatization in Developing Countries, University of Manchester, December 1986.