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Stephen Broadberry, London School of Economics and CAGE,
and
Leigh Gardner, London School of Economics

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AFRICA's GROWTH PROSPECTS IN A EUROPEAN MIRROR: A HISTORICAL PERSPECTIVE

Stephen Broadberry, London School of Economics and CAGE,
S.N.Broadberry@lse.ac.uk

and

Leigh Gardner, London School of Economics, L.A.Gardner@lse.ac.uk

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Abstract: Drawing on recent quantitative research on Europe reaching back to the medieval period, and noting a relationship between the quality of institutions and economic growth, this paper offers a reassessment of Africa's growth prospects. Periods of positive growth driven by trade, followed by growth reversals which wiped out the gains of the previous boom, characterized pre-modern Europe as well as twentieth century Africa. Since per capita incomes in much of sub-Saharan Africa are currently at the level of medieval Europe, which did not make the breakthrough to modern economic growth until the nineteenth century, we caution against too optimistic a reading of Africa's recent growth experience. Without the institutional changes necessary to facilitate structural change, growth reversals continue to pose a serious threat to African prosperity. Only if growth continues after a downturn in Africa's terms of trade can we be sure that the corner has been turned.

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1. INTRODUCTION

African countries have achieved impressive rates of economic growth since the mid-1990s, second only to those of East Asia. This has generated debates about whether or not Africa has now turned the corner and started on a path of sustained economic growth. Optimists point not only to a boom caused by high prices for primary commodities, but also to improved macroeconomic policies, democratization, and the transformation of industrial and service firms by information and communications technologies (Radelet 2010). However, more pessimistic commentators point to continued political instability, corruption, and weakness in transport and energy infrastructure (Kalema 2011; Arbache and Page 2009). Both optimists and pessimists have looked back to the period of rapid growth following the end of World War II and its subsequent reversal in the 1970s. Optimists have argued that this reversal was the result of the challenges of decolonization and that conditions now are different. Pessimists have suggested that the export-led growth of the current boom is similar to that of the 1950s and 1960s.

A longer view of Africa's economic history demonstrates that periods of rapid growth are nothing new (Jerven 2010; Prados de la Escosura 2012). Recent research on economic performance during the colonial period has shown that particularly prior to the Great Depression, much of Africa achieved positive growth. The expansion of cash crop exports during the nineteenth century also reflected an earlier period of growth. However, these growth episodes have historically been followed by severe reversals, which have limited overall improvements in per capita income. Both the periods of growth as well as the reversals have been driven by changes in the external demand for primary commodities.

Recent research reconstructing GDP per capita figures for Europe from the thirteenth century has illustrated that European history exhibits the same pattern before the mid-19th century (Broadberry et al 2012). The success or failure of export commodities, particularly wool, stimulated both periods of rapid growth as well as periods of negative growth, resulting in long-term stagnation. This research also suggests that levels of per capita income in medieval Europe were substantially higher than previously thought, so that the medieval period should be seen as the starting point of the road to sustained growth rather than as the embodiment of all things backward (Britnell and Campbell 1995). The first transition to modern economic growth occurred in the North Sea Area (van Zanden, 2009). The success of this transition was the result of institutional change which allowed the North Sea economies to escape the pattern of growth reversals (North, Wallis, and Weingast 2009).

This paper uses European economic history to identify key levels of per capita GDP and relates them to the institutional changes which underpinned the transition to sustained economic growth. It then applies this framework to the African experience since 1950. This comparison suggests a less optimistic scenario for Africa, for three reasons. First, the necessary institutional changes have not taken place in most African countries. Second, per capita income levels today are at about the same level as in medieval Europe. Third, the pattern of growth followed by reversals can persist for very long periods of time, with no inevitable transition to modern economic growth.

This is not the first paper to make a comparison between African economic development in the recent past and European development during the medieval and early modern periods. However, previous studies have been limited to a qualitative approach (Bates 2010; Fenoaltea 1999). This paper offers the first empirical comparison of Africa's growth patterns since 1950 with those of Europe since the thirteenth century.

The paper proceeds as follows: Section 2 notes the similarity of the experience of growth reversal in Africa since 1950 and in much of pre-modern Europe, but also the transition of a number of European economies to sustained economic growth by the nineteenth century. Section 3 analyses the institutional developments in Europe during the transition to sustained economic growth. These institutional developments are associated with a reduction in growth reversals, thus leading to a positive relationship between institutions and the level of per capita income. Section 4 analyses some of the barriers to the required institutional changes in African countries. Section 5 then maps Africa into the same income categories as in pre-industrial Europe and discusses African institutions and growth prospects in this light.

2. COMPARATIVE GROWTH REVERSALS

2.1 Data sources and methods

This section draws parallels between the growth reversals of European economies before the onset of modern economic growth and the experience of African economies since 1950. Figures 1 to 4 report GDP per capita figures in 1990 international dollars, which is convenient for making comparisons across both space and time. Economic historians have often used GDP per capita levels in constant international dollars to draw lessons from comparing economies at similar stages of development, but at different points in time (Chenery and Syrquin 1975; Crafts 1984; Maddison 1995). For each country, GDP is measured in local currency, but converted to constant price terms by correcting for price changes over time with a 1990 base year. The conversion to a common currency involves comparison of local prices in 1990 with dollar prices in the same year, and a weighting scheme based on international rather than just US patterns of consumption. In 1990, the World Bank poverty level for an individual was a dollar a day, or $365 a year, so the minimum or 'bare bones subsistence' level of GDP per capita in 1990 international dollars is usually taken as $400, since even the poorest economies have a small elite with much higher levels of income.

For Europe, annual data on GDP per capita are now available for Spain, Italy, Britain and Holland reaching back to around 1300. It should be noted that these estimates are based on hard data assembled within a national accounting framework, and represent a considerable advance on the 'guesstimates' provided by Maddison (2001; 2003; 2010) for the pre-1820 period, where many observations were set at $400 in 1990 international prices by assumption rather than with reference to data from that period. For some European countries, including Britain and the Netherlands, abundant quantitative information has survived, so that historical national accounts can be rebuilt in great detail (Broadberry, Campbell, Klein, Overton and van Leeuwen, 2011; van Zanden and van Leeuwen, 2012). For other countries, including Italy and Spain, Malanima (2011), Álvarez-Nogal and Prados de la Escosura (2012) and others have developed a short-cut method for reconstructing GDP from more limited information. For agriculture, this involves deriving the demand for food from

estimates of population, real wages and the relative price of food, with adjustments for foreign trade. For non-agriculture, this involves the use of data on the urbanization rate, again with adjustments for specific factors such as agro-towns and rural proto-industry.

For Africa, annual data on GDP per capita between 1950 and 2008 are taken from Maddison (2010). These estimates are broadly consistent with the World Bank series from 1960. Efforts to reconstruct GDP figures for Africa before 1950 remain speculative. However, a recent study by Prados de la Escosura (2012) presents estimates based on projecting an econometric relationship between the income terms of trade and GDP per capita in the post-1950 period back into the pre-1950 period where data on the income terms of trade are available. These estimates show that growth reversals were prevalent before as well as after 1950. In particular, most African countries suffered a sharp reversal during the depression of the 1930s.

2.2 Growth reversals in Africa

Studies of African economies in the 1990s tended to emphasize the trend of slow or no growth since the 1960s. For example, the 'Africa dummy' literature inspired by Barro (1991) focused on explaining why African countries seemed to have lower rates of growth which were not explained by the variables generally used to predict economic growth. More recent research into African economic performance over a longer period of history has illustrated that it is not a story of persistent failure, but rather of periods of growth, followed by reversals which largely erase any gains made during the growth spurt. Since 1950 most African countries have followed a general pattern of growth and reversal. Two decades of relatively rapid growth from 1950 until the 1970s ended with the crisis of the 1970s, and were followed by stagnation or negative growth in the 1980s and 1990s (Ndulu and O'Connell 2008). In most countries, the recent revival of growth began in the late 1990s, redeeming some of the losses of the previous two decades. This pattern of growth is associated with external demand for natural resources and cash crops (United Nations 2012: 3).

However, the growth patterns of African countries also reflect the diversity of the continent as a whole. Figures 1 and 2 give GDP per capita for four African countries from 1950 until 2008. They illustrate substantial differences between countries in both their starting point in 1950 as well as their experiences since. Different resource endowments as well as the unique political histories of each country have resulted in different growth paths, though none have achieved sustained economic growth.

The wealthiest country, in both 1950 and 2008, was South Africa, which became the continent's economic leader following the mineral discoveries of the 19th century. Its per capita GDP in 1950 was $2,591, substantially higher than the other three countries (see Figure 1). Foreign investment and public revenue generated by the gold mines allowed the South African government to pursue an aggressive strategy of state-led industrialization in the 1920s, from which time it has been the most industrialized economy in sub-Saharan Africa (Feinstein 2005). Manufacturing outpaced mining and agriculture as South Africa's leading industry by the 1970s, and later in that decade its GDP per capita peaked at $4,480, a level only regained in 2006. During the 1980s increasing political instability, resulting from protests against the repressive apartheid regime, combined with a falling gold price, led to a period of

economic contraction, only reversed with the introduction of majority rule in 1994 (Fedderke and Simkins 2012).

Post-independence political conflict also resulted in several growth reversals in Nigeria. In 1958 the World Bank claimed that Nigeria's prospects for growth based on agricultural exports (including palm oil, cocoa, groundnuts, cotton and rubber) were good, but that they depended on 'Nigerians' success in eliminating tribal or regional antagonisms and maintaining reasonably high standards in public administration' (World Bank, 1958: 2). The Biafran War of the late 1960s reversed earlier gains, and GDP per capita fell to below its 1950 level (Iyoha and Orioaki 2008). The oil booms of the 1970s led once again to positive growth, but oil revenue had little lasting impact on per capita GDP, which declined in the 1980s and remained stagnant through the 1990s. Since 2000, oil production and expansions in agriculture and services have led to a period of renewed economic growth (OECD, 2012).

Kenya's economic performance since 1950 has been less volatile than the other countries shown in Figures 1 and 2, but it shares many features with the other cases. Kenya's economic success in the 1950s and 1960s was due largely to agricultural exports, but Kenya also benefitted from its dominant position within the East African economy. However, mismanagement of revenue earned in the 1970s coffee boom, along with the increasing use of state funds for political patronage led to poor economic performance during much of the 1980s (Mwega and Ndung'u, 2008). A brief recovery during the late 1980s was ended by outbreaks of ethnic violence following elections in 1992 and 1997 (Elischer, 2010). This was compounded by droughts and high oil prices due to the Gulf War (Mwega and Ndung'u, 2008).

By far the poorest country in 2008 was Sierra Leone, which enjoyed favourable prospects in 1950 owing to its mineral wealth (Herbst, 2000; Clapham, 1976). While it kept pace with the other countries profiled here until the early 1970s, the transition to an increasingly repressive one-party state in 1973 resulted in stagnating per capita GDP of around $1,100 a year. The major decline came with the outbreak of one of Africa's deadliest civil wars in 1991, which was funded in part through illicit diamond sales (Reno, 1998). Although there has been recovery during the 2000s, following the official end of the war in 2002, per capita incomes in 2008 remained no higher than in 1950.

In each of these cases, efforts to stimulate recovery from reversals had limited success until the next commodity boom. Faced with the possibility of new downturns, African producers focused on ensuring subsistence rather than maximizing production. The limited recovery of agriculture following the structural adjustment programmes of the 1990s is one example. Even after state intervention in export markets was removed, improving potential incomes for producers, expansion in export production was slow. During the crisis period, producers had diversified their income streams and shifted towards subsistence production or production for the black market (Sahn and Sarris 1991). Growth reversals ended only when the prices for primary exports increased dramatically once again.

2.3 Growth reversals in Europe, 1270-1870

New estimates of national income per head in European countries between the 13th century and the mid-19th century also suggest a pattern of periods of economic

growth followed by growth reversals, consistent with the experience of Africa since 1950. This underlines the point that low standards of living in pre-industrial economies are due not to persistent failure, but rather to inconsistency, so that the fruits of short run success are quickly lost. As in Africa, per capita GDP fluctuated in tandem with the fortunes of export commodities such as wool and long-distance trade in luxury items such as silk and spices (Álvarez-Nogal and Prados de la Escosura, 2012; Power, 1941; Findlay and O'Rourke, 2007).

The general pattern of long run stagnation with alternating periods of growth and growth reversals is well illustrated by the cases of Italy and Spain in Figure 3. Italy had an unusually high level of per capita income in the late medieval period, which is often attributed to the key role of city states such as Venice and Genoa in long distance trade, thus creating a vibrant urban life with a thriving market economy (Luzzatto, 1961; Lane, 1966; Kindleberger, 1996; Maddison, 2001). Venice played a crucial role in the revival of trade between Asia and Europe, establishing naval supremacy first in the Adriatic Sea, then in the eastern Mediterranean, linking up in the Middle East with the Silk Road from China. Genoa established a similar hegemony in the western Mediterranean. The ubiquity of war at this time meant that state power was essential to defend the merchants carrying on this long distance trade. Avoiding war required diplomacy, at which the Venetians excelled, and these diplomatic skills were used to pursue commercial interests. Venice exploited good relations with the Christian states established in the Middle East during the Crusades, and which survived until 1291, after which the Venetians also managed to establish good relations with the Islamic Mamluk regime. The Venetian state created an institutional framework that was favourable to merchant capitalism, including: political and legal institutions to guarantee property rights and enforce contracts; a government bond market, starting with compulsory loans on which interest was paid regularly; a fiscal system that was favourable to merchant profits and capital accumulation; and a tolerant state so that foreign merchants could operate freely. However, Venice (and Italy more generally) suffered a growth reversal after 1500 due to two major developments which undermined Venice's role in trade between Europe and the East. First, restrictions on trade with Syria and Egypt imposed by the Ottoman Empire when the Mamluk regime was overthrown, and second, competition from direct Portuguese shipments between Europe and Asia on new trade routes round Africa.

Álvarez-Nogal and Prados de la Escosura (2012) argue for two epochs in pre-industrial Spain. In the first epoch, from the 1270s to the 1590s, sustained progress was interrupted by the Black Death and then resumed from the 1390s. During this period, Spain was a relatively high income society with a high land-labour ratio. When the Black Death struck, it had a negative effect on Spanish incomes, in contrast to much of the rest of Europe, where it reduced demographic pressure. By destroying commercial networks and increasing isolation amongst an already scarce population, the Black Death reduced Spain's ability to maintain per capita production. Renewed expansion from the 1390s occurred on the basis of a wool staple, the production of which was well suited to a land-abundant society, and stimulated the rebuilding of commercial networks both nationally and internationally. By the end of the sixteenth century, real

output per capita was close to its pre-Black Death level and Spain had built an empire and become an economic centre connecting Europe and the New World. The second epoch, running from the 1600s to the 1800s, began with a sustained fall in per capita income which lasted from the late sixteenth to the mid-seventeenth century. The crisis involved a decline in wool exports from 1570, a contraction in the purchasing power of American silver from the early seventeenth century, and an inward re-orientation of the Spanish economy. The rising costs of empire put a strain on the fiscal system and the cities, while population pressure led to an extension of agricultural cultivation. Economic recovery only took place in the eighteenth century, and when per capita incomes again reached the level of the 1590s at the beginning of the nineteenth century, Spain was no longer an Empire and a link between Europe and the New World.

The cases of Britain and Holland in Figure 4 also illustrate how a small part of Europe, in the North Sea Area, broke the mould and made the transition to modern economic growth (Broadberry, Campbell, van Leeuwen and van Zanden 2012). This resulted in a reversal of fortunes between the North Sea Area and Mediterranean Europe, known as the 'Little Divergence'. Whereas Italy and Spain had higher levels of per capita income than Britain and Holland in the early 14th century, Britain and Holland were clearly ahead of Italy and Spain by the 19th century. The first growth spurt in Britain and Holland occurred following the Black Death and subsequent outbreaks of plague from the mid-14th century. What is novel here is that in contrast to Italy, per capita incomes remained on a higher plateau rather than returning to their pre-1348 level.

A second wave of growth followed, led by Holland during its Golden Age 1500-1650 and then by Britain from the mid-17th century. Economic historians have often pointed to long distance trade as playing an important role in this post-1500 'Little Divergence' between the North Sea Area and Mediterranean Europe, following the opening up of new trade routes to Asia around the south of Africa, and to the New World following Europe's encounter with the Americas. It might be expected that Spain and Portugal would have been the gainers from these changes, since they were the pioneers and both had Atlantic as well as Mediterranean coasts. However, the key to breaking out of the cycle of growth booms and reversals was a set of institutional changes which will be considered in detail in the next section. Britain and Holland managed both to (1) build state capacity to ensure the security of property rights and (2) to provide a means by which merchants were able to limit the power of rulers to intervene arbitrarily in matters of business.

As Britain and Holland made the transition to modern economic growth, they also left behind a system of agricultural production which had persisted across much of northwest Europe since medieval times. Under the open field system, grain was grown in scattered plots of unfenced land, usually subject to communal decision-making. At the same time, a small amount of grain was grown on enclosed land, where scattered holdings had been consolidated and fenced, and where peasant households could exercise exclusive control over decision-making. The persistence of the open field system until the eighteenth century is at first sight surprising, since although the scale of the efficiency

advantage of enclosure has been questioned, its positive sign has normally been accepted (Clark, 1998). However, rather than just seeing this as an example of the persistence of an inefficient institution due to the difficulties of collective action where the opposition of a single stakeholder can block change, McCloskey (1972) argued that the scattered landholdings of the open field system should be seen as a form of insurance, with peasant households spreading the risk of low yields by holding a diverse portfolio of land. Although the precise nature of the argument has been challenged by Bekar and Reed (2003), their emphasis on peasants using small parcels of land as a savings instrument remains consistent with the fundamental idea of peasants sacrificing income to ensure security. This is something which we shall see still persisting in the poorer parts of sub-Saharan Africa.

3. INSTITUTIONAL FOUNDATIONS OF SUSTAINED ECONOMIC GROWTH

3.1 Institutions and development in Europe

The transition to modern economic growth occurred first in Britain during the Industrial Revolution (Kuznets, 1966). Sustained growth then spread quickly to other countries in northwest Europe with similar institutional frameworks (North, Wallis and Weingast 2009). During that process, a 'Little Divergence' occurred between northwest Europe and the rest of the continent. Insights from the new institutional economic history suggest that that the crucial institutional differences are linked to an appropriate balance between the building of state capacity but at the same time ensuring sufficient constraints on arbitrary behaviour by the executive.

In the case of Britain, which was the first country to achieve modern economic growth, the Glorious Revolution of 1688 embodies that balance. On the one hand, by giving legitimacy to the tax raising powers of Parliament, it permitted the growth of state capacity and a unified domestic market, as stressed in Epstein (2000) and O'Brien (2011), with their emphasis on the centralization of state power and the rise of the 'fiscal state'. On the other hand, by confirming the supremacy of Parliament, the Glorious Revolution placed effective constraints on the executive powers of the Crown, as emphasized by North and Weingast (1989) and Acemoglu, Johnson and Robinson (2005).

However, it is important to realize that the Glorious Revolution was just one stage in a process of institutional development, and that its effects were not felt overnight (Stasavage, 2002). Although trust and security of property rights can be destroyed overnight, building them up takes time. There is empirical evidence to back up the gradual development of both aspects of the role of state institutions in the European Little Divergence. Early modern Britain and Holland pulled away from Spain and Portugal in terms of both the ability of the state to raise taxes that allowed for an expansion of state capacity and the control exercised by mercantile interests over the state through parliament. Table 1 on the ability of the state to raise fiscal revenue per capita shows a pattern of divergence between northwest Europe and the rest of the continent during the seventeenth and eighteenth centuries, with England and the Dutch Republic forging ahead. Table 2 also shows very different patterns of parliamentary activity in the North Sea Area and Mediterranean Europe from the twelfth to the eighteenth centuries. The index of parliamentary activity constructed by van Zanden, Buringh and Bosker (2012) is based on the calendar years per century in

which parliament met. During the first half of the second millennium, Parliamentary activity was higher in Spain and Portugal than in the North Sea Area. However, activity then peaked in the fifteenth or sixteenth century in Spain and Portugal before going into decline. In the North Sea Area, by contrast, although parliamentary activity was slow to get going, it continued to increase after 1500, reaching very high levels during the seventeenth and eighteenth centuries. These themes will be discussed further in the context of debates about the role of institutions in African economic performance.

3.2 Institutions and growth reversals

The data in Tables 1 and 2 are suggestive of a relationship between institutional structures and growth reversals. Poor countries with weak institutions appear to be vulnerable to growth reversals which limit long-run gains in per capita GDP. Institutional change, involving both the growth of state capacity and parliamentary control over the executive, is therefore required to reduce the frequency and severity of growth reversals. An important part of the transmission mechanism between institutional change and the end of growth reversals in Europe was sustained structural change, with the emergence of large and growing specialized industrial and service sectors (van Zanden and van Leeuwen 2012; Broadberry, Campbell, Klein, Overton and van Leeuwen 2011). Growth began, therefore, to become much less dependent on staple commodities that were vulnerable to periodic growth reversals, but rather began to be spread across a much wider range of activities.

This growth of specialised industrial and commercial sectors can be seen to have proceeded faster in Holland and Britain than in the rest of Europe in Table 3. By 1600, the release of labour from agriculture had proceeded further in the Netherlands than in the rest of Europe, as the Dutch economy relied increasingly on imports of basic agricultural products such as grain and paid for them with exports of higher value added products (de Vries and van der Woude, 1997). By 1700, the share of the labour force engaged in agriculture was even smaller in England, where a highly commercialised agriculture produced enough grain to feed the population without recourse to substantial imports (Deane and Cole, 1967; Crafts, 1985). The share of the labour force in agriculture remained substantially higher in the rest of Europe. This high degree of specialisation required a state with the capacity to enforce property rights and create a unified market, but also strong parliamentary control over the executive to prevent arbitrary interference in business.

The idea of a link between institutional structures and growth performance has been confirmed in the literature on new institutional economics. The association is bolstered by cross country growth regressions for the post-World War II period which show dummy variables for democracy as raising the growth rate (Barro and Sala-i-Martin, 2003). Cuberes and Jerzmanowski (2009) identify a more precise link, which they test empirically. The specific mechanism runs from democratization to the absence of growth reversals, and hence to a permanent increase in the level of per capita income. Kishtainy (2011) builds on this approach to demonstrate a link between North, Wallis and Weingast's (2009) notion of an open access social order and the absence of growth reversals. However, the experience of early modern Europe suggests that it is necessary to consider the growth of state capacity as well as constraints on the executive.

4. INSTITUTIONS AND DEVELOPMENT IN AFRICA

As in the literature on Europe, studies of institutional obstacles to growth in Africa have exhibited a tension between the need to increase the capacity of the state, and the importance of constraining its ability to violate property rights. Jerven (2010: 129-30) identifies two generations of literature on African economic growth since the 1960s. The first generation literature argued that a major source of growth failures was the intervention of African rulers in the market for largely political purposes. One of the main purposes of the structural adjustment reform programmes implemented in the 1980s and 1990s was to limit the ability of African rulers and ruling parties to interfere in the markets in order to capture rents with which to reward supporters. The second generation of institutional literature has looked for reasons why African states have relied on political structures dependent on rent-seeking and patron-client networks. Explanations have included geographical endowments like low labour-land ratios and the legacies of colonial rule.

Historians have also attempted to explain the origins of weak state capacity and the prevalence of patron-client relationships in African polities. Cooper (2002) describes African states as 'gatekeeper states', which depend on controlling access to external markets in order to maintain their authority. Gatekeeper states use this control to incentivize cooperation by clients, who rely on the state to gain access to trading profits and imported goods. The 'gatekeeper state' description applies equally to pre-colonial, colonial and post-independence states. These features of African states have proven to be highly resistant to reform. The expansion of the franchise and political competition at independence was one of the major sources of optimism about Africa's future in the 1950s and 1960s. Unfortunately, the democratic institutions introduced at independence came under threat almost immediately in many countries, as public funds were used for patronage projects and democratic governments replaced by dictatorships and one-party states.

Tables 4 and 5 set out trends in fiscal revenues and constraints on the executive in Africa, corresponding to Tables 1 and 2 for Europe. The first thing that stands out from Table 4 is the early lead in tax revenue per head for South Africa during the colonial period. Although there was some variation amongst the other states, they all raised much less revenue per head than South Africa. The data from the post-independence period continue to show a substantial South African lead in fiscal capacity, this time expressed as a share of GDP. Table 5 presents polity scores for the same four countries. In the Polity IV database, the polity index score is obtained as the democracy index score minus the autocracy index score, which can vary between -10 (no democracy and complete autocracy) to +10 (full democracy and no autocracy). Again, South Africa stands out as having an early high polity score. Nigeria, Kenya and Sierra Leone all exhibit substantial reversals in their polity scores. Africa optimists point to the recent improvement of the institutional structures to strengthen democracy and weaken autocracy, and this trend is apparent in Table 5. However, it needs to be seen against the absence in Table 4 of an upward trend in fiscal revenues as a share of GDP over the same period. Increasing constraints on the executive without strengthening fiscal capacity may not lead to better government. The European experience suggests that state capacity and constraints on the executive need to increase together.

5. PARALLELS BETWEEN EUROPE AND AFRICA

5.1 A quantitative overview of European economic development

Figures 1 to 4 have provided estimates of GDP per capita in Africa since 1950 and in Europe 1270-1870 in 1990 international dollars. This facilitates a direct comparison of African economic development in the recent past with historical development in Europe. To provide some specific lessons for policy makers today, it will be useful to identify some critical levels of per capita GDP in European development and map contemporary African economies into these levels.

The estimates in Table 6 suggest that western Europe was already well above bare bones subsistence ($400) by the late Middle Ages, with average per capita GDP in England and Holland around $750 on the eve of the Black Death in 1348, and substantially higher than this in Italy and Spain. Our first income category will therefore be less than $750. This can be seen as applying to the whole of Europe during the early medieval period, when state institutions were fragmented and weak. Wickham emphasizes the importance of patronage networks in maintaining the fragile states which emerged following the collapse of the Roman Empire (Wickham 2005: 387-93).

Our second income category is $750 to $1,500. At the lower end is included England and Holland before the Black Death struck in 1348. The upper end of this range corresponds to the level of per capita GDP in central and north Italy during the late middle ages, a highly commercialized and prosperous society for its time. Holland reached the upper end of this range during the late 16th century and England around the time of the Glorious Revolution of 1688. Despite having an elaborate bureaucracy since at least the 12th century, England continued to experience bouts of instability until the 17th century. Between the Black Death and the Glorious Revolution, for example, internal power struggles within the dominant coalition led to the Wars of the Roses during the 15th century and the Civil War of the 17th century. The revolt of the Dutch against the Habsburg rule of the Low Countries, which led to the foundation of the Dutch Republic in the late sixteenth century, also illustrates the instability of the Spanish state. The notorious power struggles between families in the Italian city states such as Florence, Venice and Genoa also suggest continued instability in northern Italy.

The third income category is $1,500 to $2,000. The upper end of this range corresponds to Britain in 1800, by which time the Industrial Revolution and the transition to modern economic growth were in full swing, and urbanization was proceeding rapidly. Holland had reached this level by 1570, the start of its Golden Age. Holland after the foundation of the Dutch republic and Britain after the Glorious Revolution were both characterized by stable systems of governance with reformed bureaucracies capable of raising the substantial fiscal resources shown in Table 2 (O'Brien, 2011; Karaman and Pamuk, 2010)). Organizations outside the state sphere, such as banks, also began to take on a more durable form, underpinned by the growing use of the legal system in commercial transactions (Cameron, 1967; Harris, 2000; McLeod, 1988).

The fourth income category is over $2,000, a level reached in Holland after 1600 and in Britain after 1800. Both countries at this stage made significant institutional changes which both increased state capacity and imposed constraints on

the executive. Early modern Britain and Holland dominated other European countries in terms of both their ability to raise taxes that allowed for an expansion of state capacity and in the control exercised by mercantile interests over the state through parliament (O'Brien 2011; Karaman and Pamuk 2010; van Zanden, Buringh and Bosker 2012). In Holland, these institutional developments followed the revolt against the Spanish rulers in the late sixteenth century. In Britain, the seventeenth century saw major institutional change following the Civil War and the Glorious Revolution. By the nineteenth century, patronage played a more limited role and economic and political opportunity was more open, as demonstrated by the repeal of the Corn Laws against the interests of the landed gentry, and the reform of the professions known colloquially as the 'end of Old Corruption' (Rubinstein, 1983; Schonhardt-Bailey, 2006).

5.2 Per capita income levels in pre-modern Europe and modern Africa

Table 7 maps the countries of sub-Saharan Africa into the above four income categories. Perhaps the most striking finding is that most sub-Saharan African countries today have per capita incomes that are on a par with medieval European economies. Indeed, only a handful of countries have per capita incomes higher than Britain at the start of the nineteenth century. It should be remembered that many European economies which had already by the 14th century reached the per capita income levels of sub-Saharan Africa today, continued to stagnate for another 500 years. The next step will be to consider the cases of four African economies, one from each income group, and see how their institutional development compares with that of Europe on the path to modern economic growth between 1270 and 1870.

Our first case study is Sierra Leone, with a per capita income level below $750. Institutions in Sierra Leone share many of the characteristics of the weak states of early medieval Europe, including the extensive use of patronage and vulnerability to exogenous shocks. These features are prominent in the literature on Africa's failed states. Reno (2000: 434) describes the reliance on patronage systems as a 'shadow state', in which rulers use their ability to intervene in markets to strengthen their political base. With the transition to independence, which gave greater political voice to groups marginalized during the colonial period, the colonial coalition of coastal elites was no longer sufficient to maintain stability. The country's descent into civil war resulted from the combination of fragile institutions along with ripple effects from the conflict in neighbouring Liberia (Reno, 1998).

Our second case study is Kenya, with a GDP per capita level between $750 and $1,500. This places Kenya at the same level as highly commercialised late medieval economies. Countries at this level of income have highly developed bureaucratic institutions but are not immune to instability, as the examples from Europe illustrate. Kenya's recurrent ethnic violence has been one source of recent instability. The connection in Kenya between ethnic violence and elections highlights the dangers of introducing democratic institutions taken from models developed in countries with high levels of per capita income to countries with low levels of per capita income (Barro 1999: S179). Due to the link between ethnicity and party allegiance in Kenya, party competition in elections can also be described as competition between ethnic groups, which often leads to violence. In Kenya, privileged access to economic resources was one of the 'carrots' used to ensure the support of ethnic coalitions. Parallels can be drawn here with the granting of

privileges by medieval and early modern rulers in Europe. According to Epstein (2000), such privileges undermined market integration in Europe and needed to be removed by a centralizing state.

Our third case study is Nigeria, with a per capita GDP between $1,500 and $2,000. This corresponds to Holland after 1570 and Britain after 1750. Comparable to these European cases, Nigeria is home to a vibrant private sector with strong commercial interests able to exercise constraints on the executive. In 2012 the OECD noted that the private sector employed 80 per cent of Nigeria's workforce and generated most of its exports. However, the state remains vulnerable to factional disputes along both religious and regional lines which threaten both security and economic growth. This is also linked to the low share of tax revenue in GDP, which means that state capacity remains highly limited.

South Africa**,** with a per capita GDP of more than $2,000, is the fourth case study. This corresponds to the level of per capita income reached in Holland by 1600 and Britain by 1800. Improvements in state capacity alongside constraints on the executive allowed both countries to dampen growth reversals and therefore achieve sustained economic growth. South Africa is notable among African countries for relatively high levels of state capacity, particularly in tax collection. However, efforts to constrain the actions of the ruling African National Congress are still ongoing (Fedderke and Simkins 2012; OECD 2012).

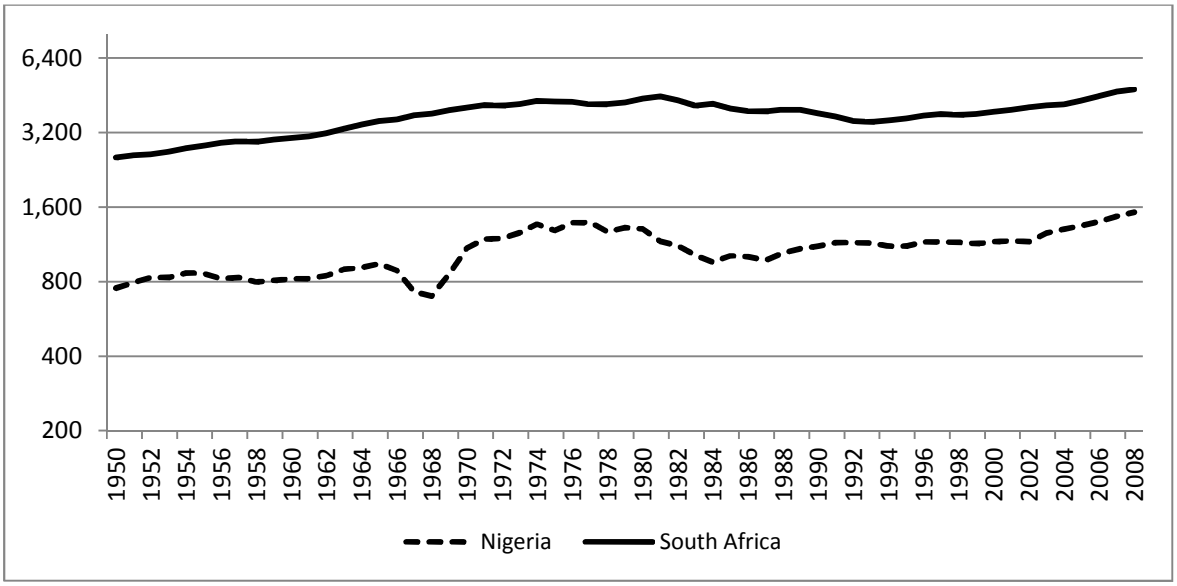
The cases discussed here illustrate clearly both the diversity of African state institutions as well as the institutional foundations of growth reversals. They suggest a less optimistic assessment of Africa's growth prospects than that provided by Bates, Coatsworth and Williamson (2007), which also makes use of economic history, comparing Africa's experience since decolonization in the 1960s with that of Latin America in the 19th century. However, their optimistic conclusions for Africa's future growth prospects depend on stopping the Latin American story in the early 20th century. They argue that Africa's experience of economic and political upheaval following the end of colonial rule resembles that of Latin America's 'Lost Decades' between 1820 and 1870, and that the change in Latin America's fortunes following this initial period bodes well for Africa's prospects in the 21st century. However, the Latin American growth of the pre-World War I commodity boom was followed by significant growth reversals during the 1930s and again during the 1980s.

6. CONCLUSION

Improvements in the growth performance of many African countries in the first decade of the twenty-first century have prompted speculation about whether Africa has now escaped from the pattern of boom-and-bust growth which characterized its economic performance in the twentieth century. Proponents of this view highlight Africa's rapid growth since the mid-1990s, which has been second only to that of East Asia, as well as the trend towards democratization during the 1990s. However, placing the current boom in a longer-term historical context shows that such optimistic predictions are far from certain. As was the case in previous growth episodes, high external demand for natural resources – particularly oil, but also land and cash crops – is at the heart of the rapid growth rates achieved by African countries in the previous decade.

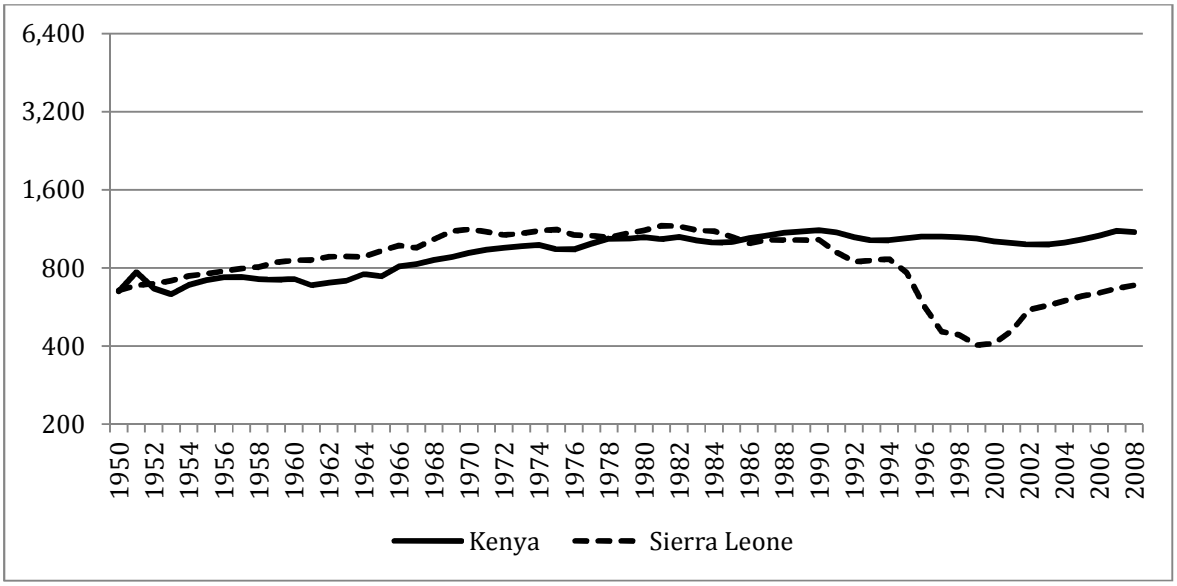
The European case illustrates that the pattern of rapid economic growth followed by reversals can continue over very long periods – in Europe's case, half a millennium. Europe only made the transition to sustained economic growth with institutional change, encompassing a balance between constraints on the executive and the growth of state capacity. The level of per capita GDP in many African countries today is comparable to Europe in the middle ages, and the necessary institutional change has not yet occurred. Although the recent strengthening of democracy in countries such as Kenya, Nigeria and Sierra Leone has increased constraints on the executive, this has not been matched by a growth in state capacity. In South Africa, by contrast, where state capacity is already relatively high, the growth of constraints on the executive remains an ongoing struggle. Growth reversals therefore continue to be a real possibility.

FIGURE 1: GDP per capita in South Africa and Nigeria, 1950-2008 (1990 international dollars, log scale)



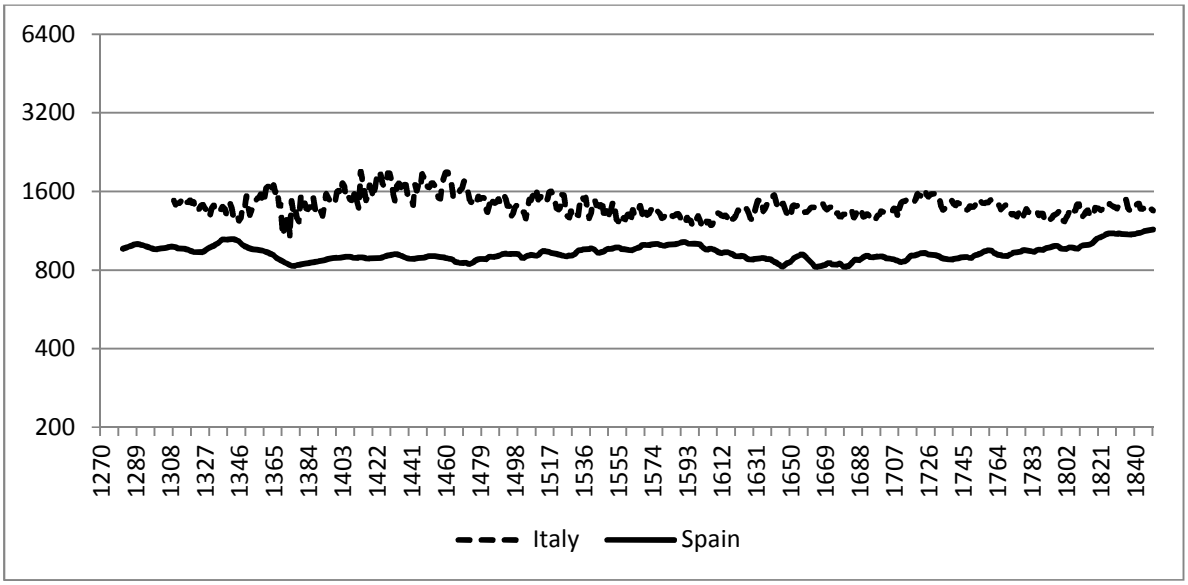
Source: Derived from Maddison (2010).

FIGURE 2: GDP per capita in Kenya and Sierra Leone, 1950-2008 (1990 international dollars, log scale)



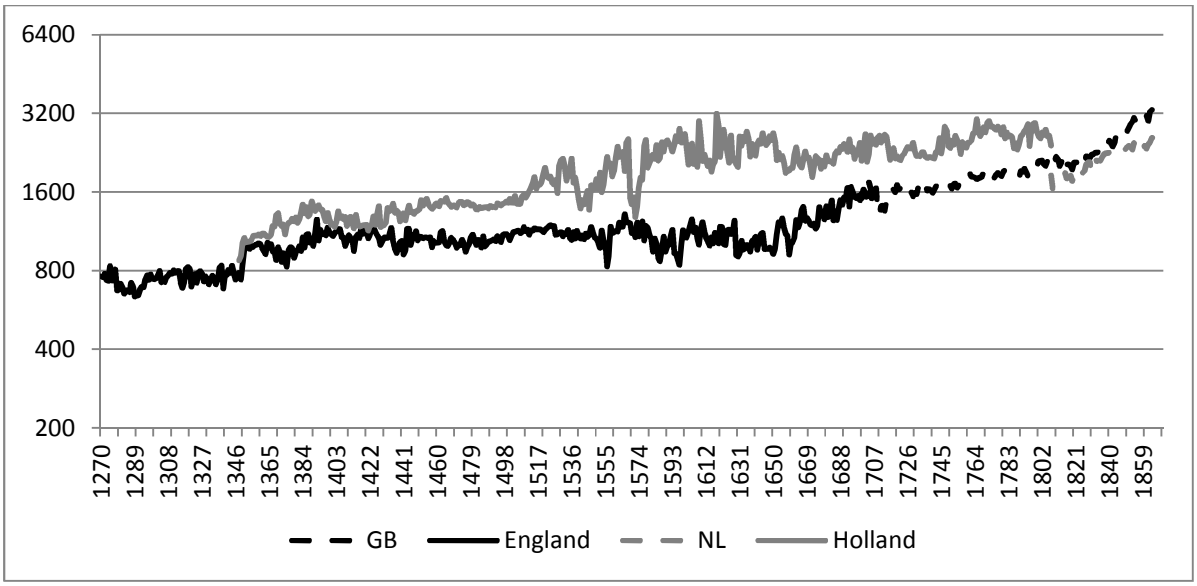
Source: Derived from Maddison (2010).

FIGURE 3: Real GDP per capita in Italy and Spain 1270-1850 (1990 international dollars, log scale)



Source: Malanima (2011); Álvarez-Nogal and Prados de la Escosura (2012).

FIGURE 4: Real GDP per capita in Britain and Holland, 1270-1870 (1990 international dollars, log scale)



Source: Broadberry, Campbell, van Leeuwen and van Zanden (2012).

TABLE 1: Per capita fiscal revenues in Europe, 1500/09 to 1780/89 (grams of silver)

	1500/09	1550/59	1600/09	1650/59	1700/09	1750/59	1780/89
Dutch Republic	--	--	76.2	114.0	210.6	189.4	228.2
England	5.5	8.9	15.2	38.7	91.9	109.1	172.3
France	7.2	10.9	18.1	56.5	43.5	48.7	77.6
Spain	12.9	19.1	62.6	57.3	28.6	46.2	59.0
Venice	27.5	29.6	37.5	42.5	46.3	36.2	42.3
Austria	--	--	--	10.6	15.6	23.0	43.0
Russia	--	--	--	--	6.3	14.9	26.7
Prussia	--	--	2.4	9.0	24.6	53.2	35.0
Ottoman Empire	--	5.6	5.8	7.4	8.0	9.1	7.1
Poland	1.5	0.9	1.6	5.0	1.2	0.8	11.2

Source: Karaman and Pamuk (2010: 611).

TABLE 2: Activity index of European parliaments, 12th to 18th centuries (calendar years per century in which parliament met)

	12th	*13th*	*14th*	*15th*	*16th*	*17th*	*18th*
North Sea Area							
England	0	6	78	67	59	73	100
Scotland	0	0	10	61	96	59	93
Netherlands	0	0	0	20	80	100	100
Mediterranean							
Castile and Leon	2	30	59	52	66	48	7
Catalonia	3	29	41	61	16	14	4
Aragon	2	25	38	41	19	11	1
Valencia	0	7	28	29	12	4	0
Navarre	2	7	17	33	62	30	20
Portugal	0	9	27	47	12	14	0

Source: van Zanden, Buringh and Bosker (2012: online appendix S1).

TABLE 3: Share of agriculture in the European labour force (%)

	England	Netherlands	Italy	France	Poland
1300	--	--	63.4	--	--
1400	57.2	--	60.9	71.4	76.4
1500	58.1	56.8	62.3	73.0	75.3
1600	--	48.7	60.4	67.8	67.4
1700	38.9	41.6	58.8	63.2	63.2
1750	36.8	42.1	58.9	61.1	59.3
1800	31.7	40.7	57.8	59.2	56.2

Source: Derived from Broadberry, Campbell and van Leeuwen (2013); Allen (2000: 8-9).

TABLE 4: Fiscal revenues in Africa

A. Colonial period (£ per head, current prices)

	South Africa	Nigeria	Kenya	Sierra Leone
1911	2.88	0.15	0.30	0.33
1921	4.71	0.26	0.64	0.41
1931	4.03	0.25	1.00	0.50

B. Since independence (% of GDP)

	South Africa	Nigeria	Kenya	Sierra Leone
1990	--	--	19.5	5.6
1995	--	--	21.6	9.4
2000	26.3	--	19.7	11.4
2005	30.1	9.4	20.2	8.7
2010	28.8	9.7	20.3	9.8

Sources and notes: Colonial period: Total tax revenue in current £ divided by total population, from Gardner (2012). Since independence: Cash receipts from taxes, social security contributions and other revenues such as fines, fees, rent and income form property or sales, expressed as a share of GDP, from The World Bank: Data (http://data.worldbank.org/indicator/GC.REV.XGRT.GD.ZS). Grants are also considered as revenue but are excluded here.

TABLE 5: Polity index scores in Africa (range -10 to +10)

	South Africa	Nigeria	Kenya	Sierra Leone
1910	4	--	--	--
1950	4	--	--	--
1960	4	8	--	6
1970	4	-7	-7	1
1980	4	7	-6	-7
1990	5	-5	-7	-7
2000	9	4	-2	0
2010	9	4	8	7

Sources and notes: Polity IV database (http://www.systemicpeace.org/inscr/inscr.htm). The polity index score is obtained as the democracy index score minus the autocracy index score. Details of the components of the indices are set out in Marshall, Gurr and Jaggers (2013).

TABLE 6: GDP per capita levels in Europe (1990 international dollars)

	England/ GB	Holland/ NL	Italy	Spain
1086	754	--	--	--
1270	759	--	--	957
1300	755	--	1,482	957
1348	777	876	1,376	1,030
1400	1,090	1,245	1,601	885
1450	1,055	1,432	1,668	889
1500	1,114	1,483	1,403	889
1570	1,143	1,783	1,337	990
1600	1,123	2,372	1,244	944
1650	1,100	2,171	1,271	820
1700	1,630	2,403	1,350	880
	1,563			
1750	1,710	2,440	1,403	910
1800	2,080	2,617	1,244	962
		1,752		
1820	2,133	1,953	1,376	1,087
1850	2,997	2,397	1,350	1,144

Sources and notes: England/Great Britain: Broadberry, Campbell, Klein, Overton and van Leeuwen (2011); Broadberry and van Leeuwen (2011); Holland/Netherlands: van Zanden and van Leuwen (2012); Italy: Malanima (2011); Spain: Álvarez-Nogal and Prados de la Escosura (2012). Figures are for 10-year averages starting in the stated year (i.e. 1270-79, 1300-09,…) apart from 1348, which refers to the pre-Black Death years 1339-48, and 1086, the year of the Domesday survey.

TABLE 7: 2008 GDP per capita Levels in Africa (1990 international dollars)

< $750	$750 - $1,500	$1,500 - $2,000	> $2,000
Burundi	Benin	Angola	Botswana
Central African Republic	Burkin Faso	Ghana	Congo-Brazzaville
Chad	Cameroon	Lesotho	Equatorial Guinea
Dem. Republic of the Congo	Côte d'Ivoire	Nigeria	Gabon
Guinea	Djibouti	Sudan	Mozambique
Guinea Bissau	Eritrea		Namibia
Malawi	Ethiopia		South Africa
Niger	Gambia		Swaziland
Sierra Leone	Kenya		
Tanzania	Liberia		
Togo	Mali		
	Mauritania		
	Rwanda		
	Senegal		
	Somalia		
	Uganda		
	Zambia		
	Zimbabwe		

Source: Derived from Maddison (2010).

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