

POLS 329 A
Comparative African Politics

Classes 19 and 20:
Economic development

Plan for this week

- Economic development:
 - Key aspects of postcolonial African politics
 - Connections with other aspects
 - Historical change

Development

- Myrdal:

- "By **development** I mean **the movement upward of the entire social system** [...]

This social system encloses, besides the so-called economic factors, all noneconomic factors, including all sorts of consumption by various groups of people; consumption provided collectively; educational and health facilities and levels; the distribution of power in society; and more generally economic, social, and political stratification; broadly speaking, institutions and attitudes. [...]

This social system may stay stagnant, or it may move upward or downward."

- Myrdal, Gunnar. 1974. "What Is Development?." *Journal Of Economic Issues* 8 (4): 729-730.

Development

- Economic factors
- Noneconomic factors:
 - Consumption
 - Education
 - Health
 - Distribution of power
 - Economic, social, and political stratification
 - Institutions

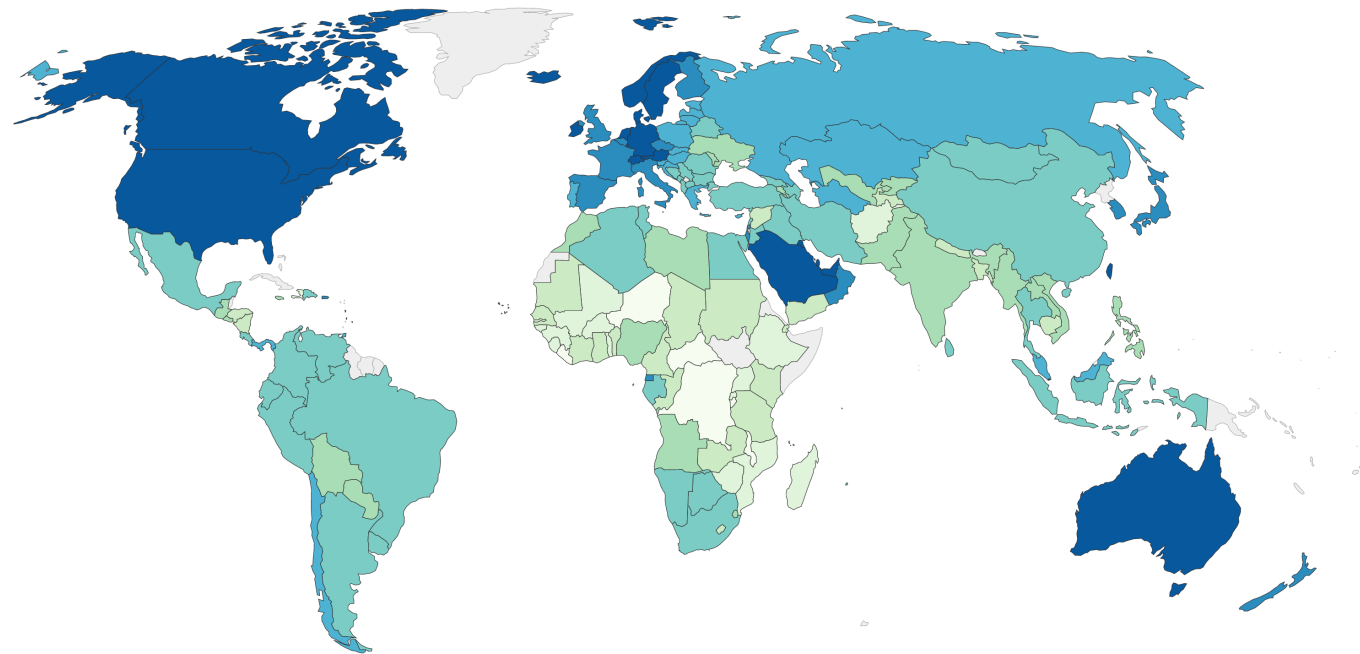


Economic development

GDP per capita, 2016

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.

Our World
in Data



Source: Maddison Project Database (2018)

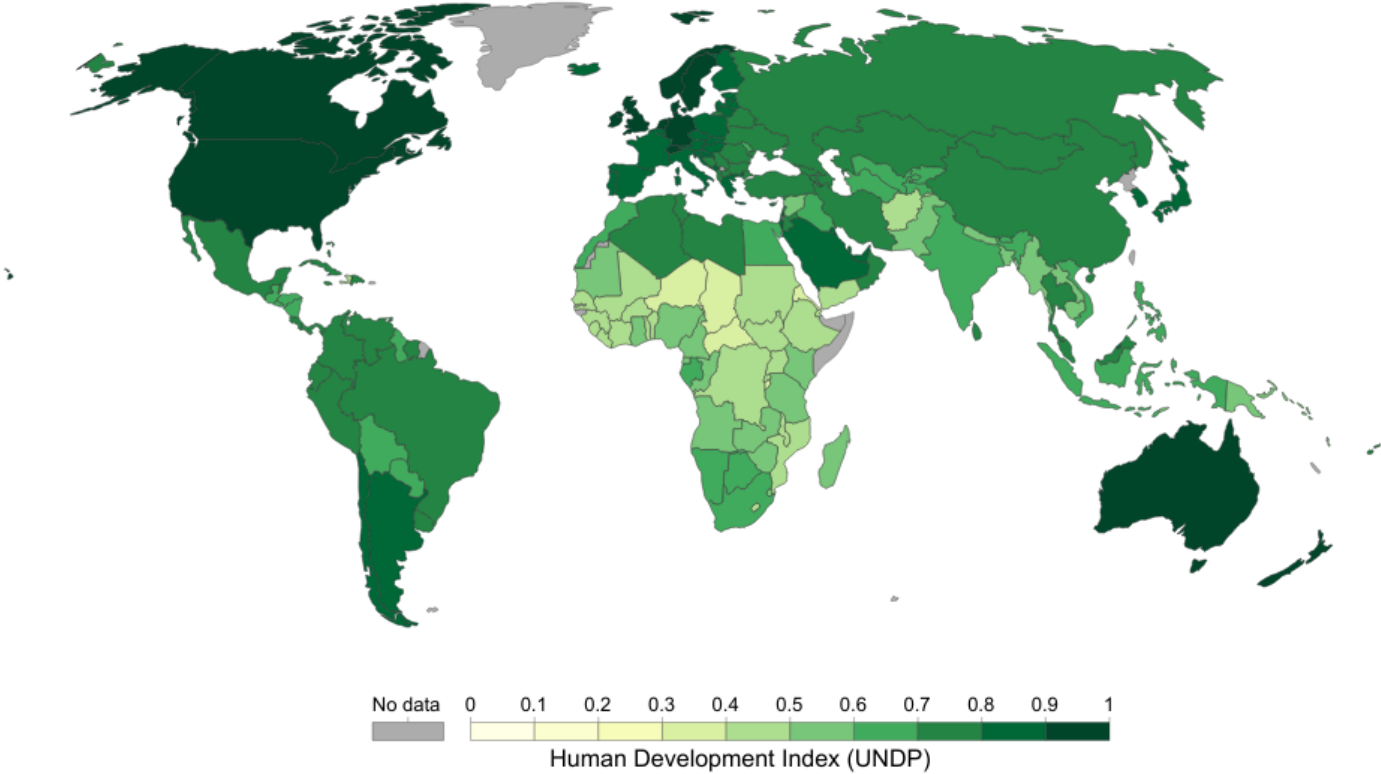
Note: These series are adjusted for price differences between countries using multiple benchmark years, and are therefore suitable for cross-country comparisons of income levels at different points in time.

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Human development

Human Development Index, 2014

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.



Source: Human Development Index (UNDP)

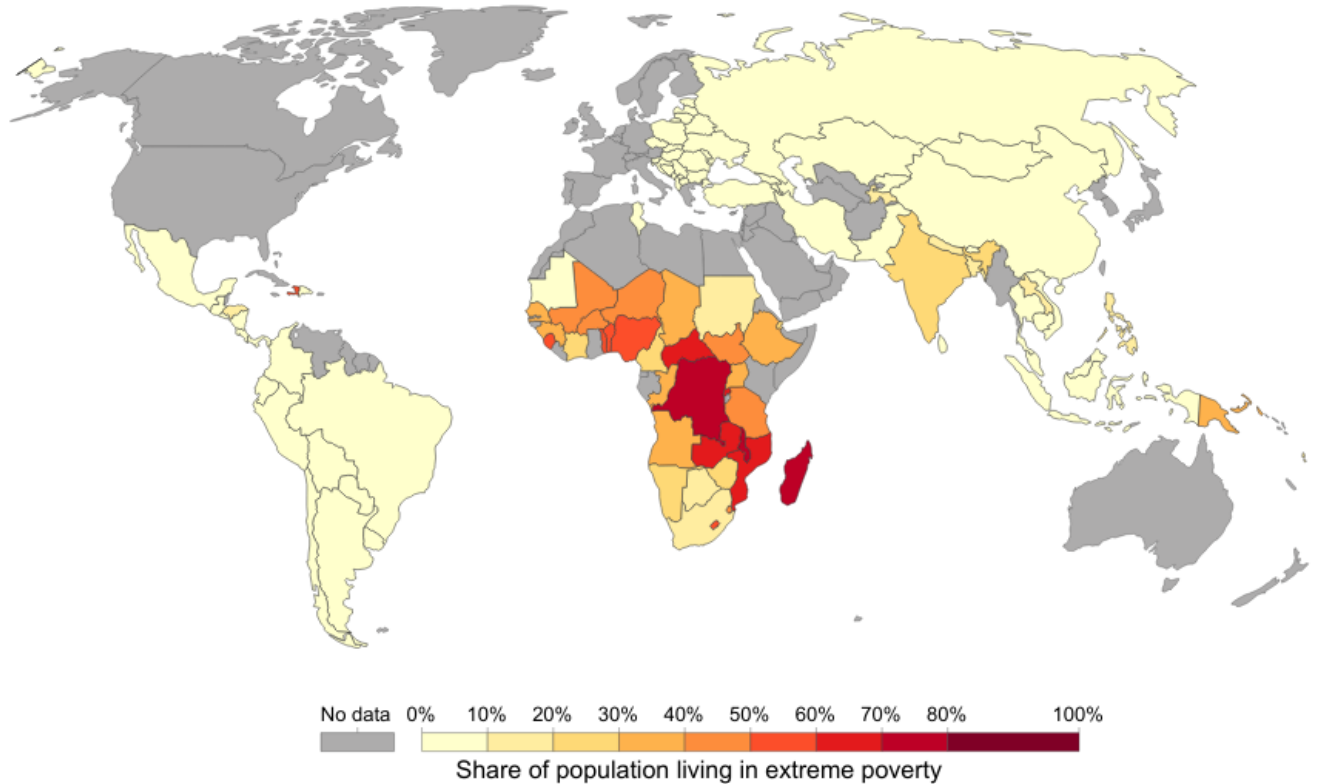
OurWorldInData.org/human-development-index/ • CC BY-SA

Poverty

Share of the population living in extreme poverty, 2014



Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).



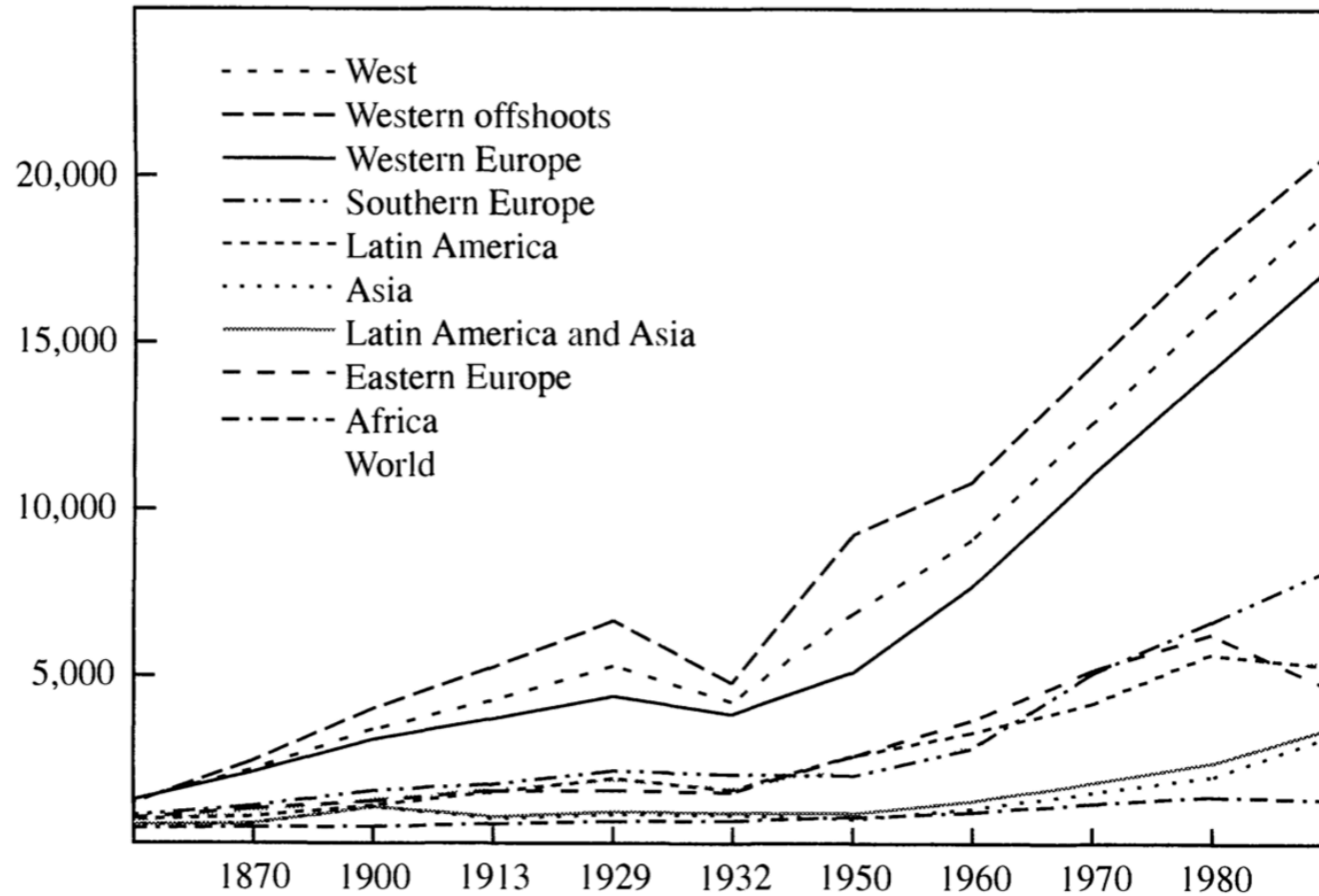
Source: Poverty - WORLD BANK (WDI - 2017/02)

OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption in each country is adjusted for inflation over time and for price differences between countries and expressed in 2011 PPP international dollars.

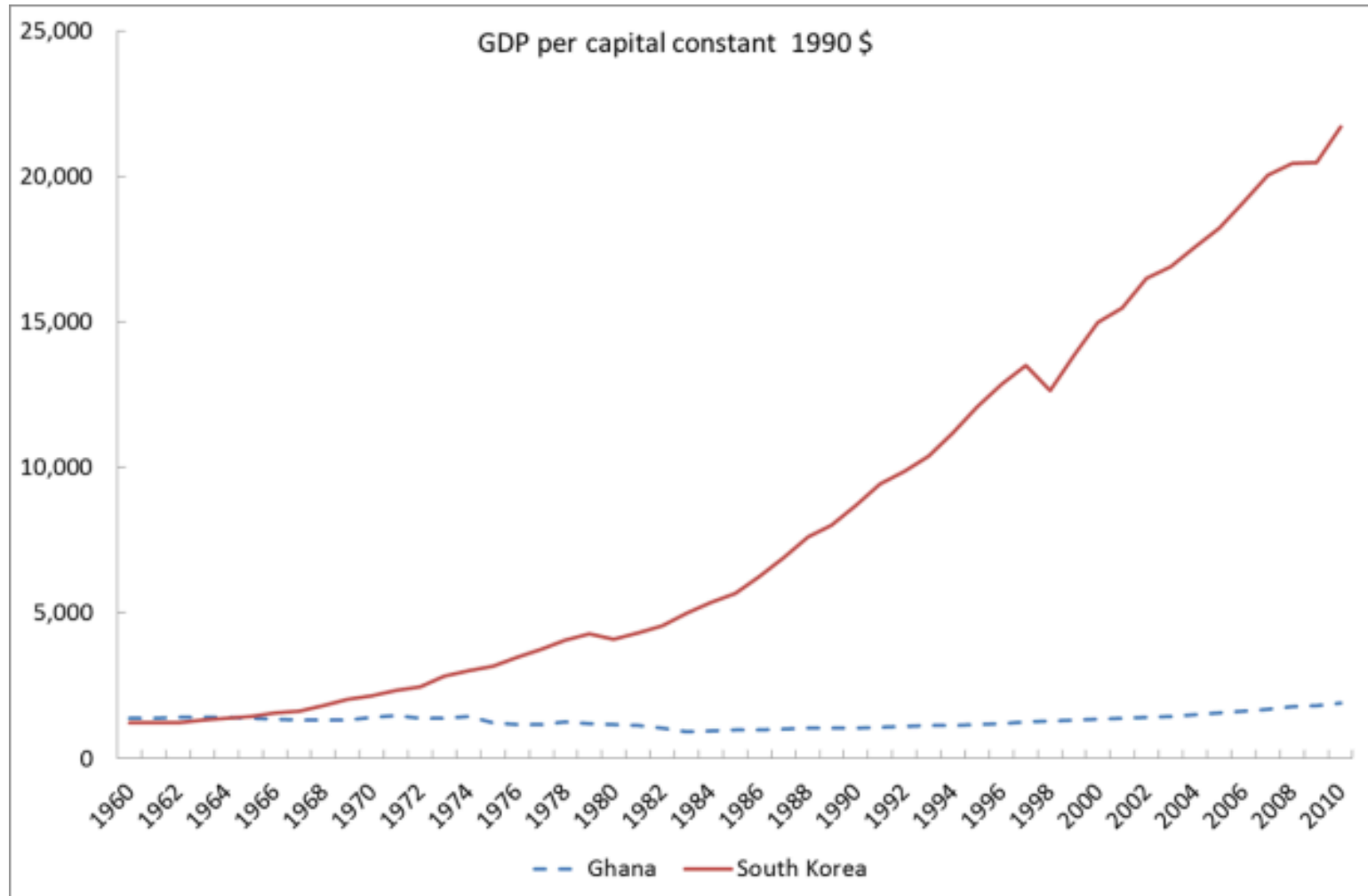
Trends over time

GDP per capita^b



Bloom, David E., Jeffrey D. Sachs, Paul Collier, and Christopher Udry. 1998. "Geography, Demography, and Economic Growth in Africa." *Brookings Papers on Economic Activity* 1998 (2): 207-95.

Trends over time: Ghana and South Korea



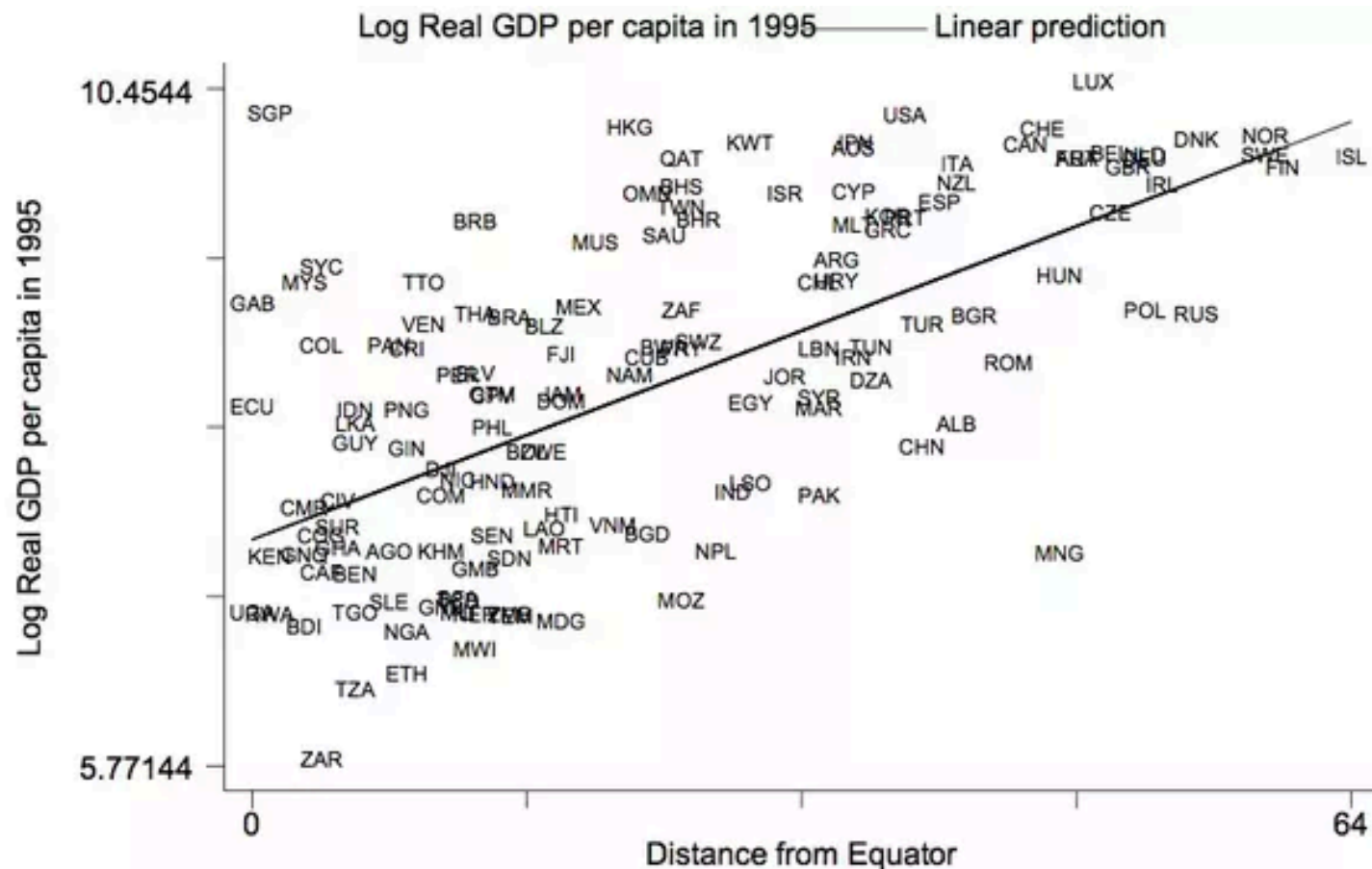
Why has Africa grown slowly?

- Collier and Gunning's typology of causes:
 - Destiny and policy
 - Domestic and external

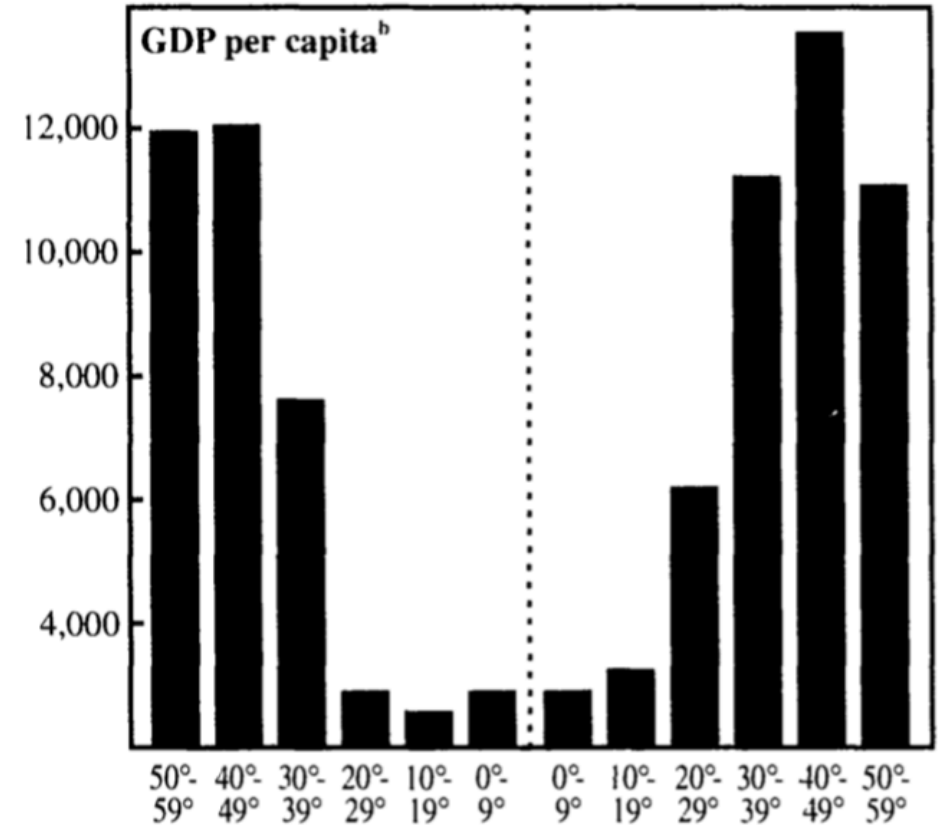
Geographic determinism

- Bloom et al.:
 - “At the root of Africa's poverty lies its extraordinarily disadvantageous geography, which has helped to shape its societies and its interactions with the rest of the world.”
 - Bloom, David E., Jeffrey D. Sachs, Paul Collier, and Christopher Udry. 1998. “Geography, Demography, and Economic Growth in Africa.” *Brookings Papers on Economic Activity* 1998 (2): 207–95.

Geographic distribution of development



International dollars



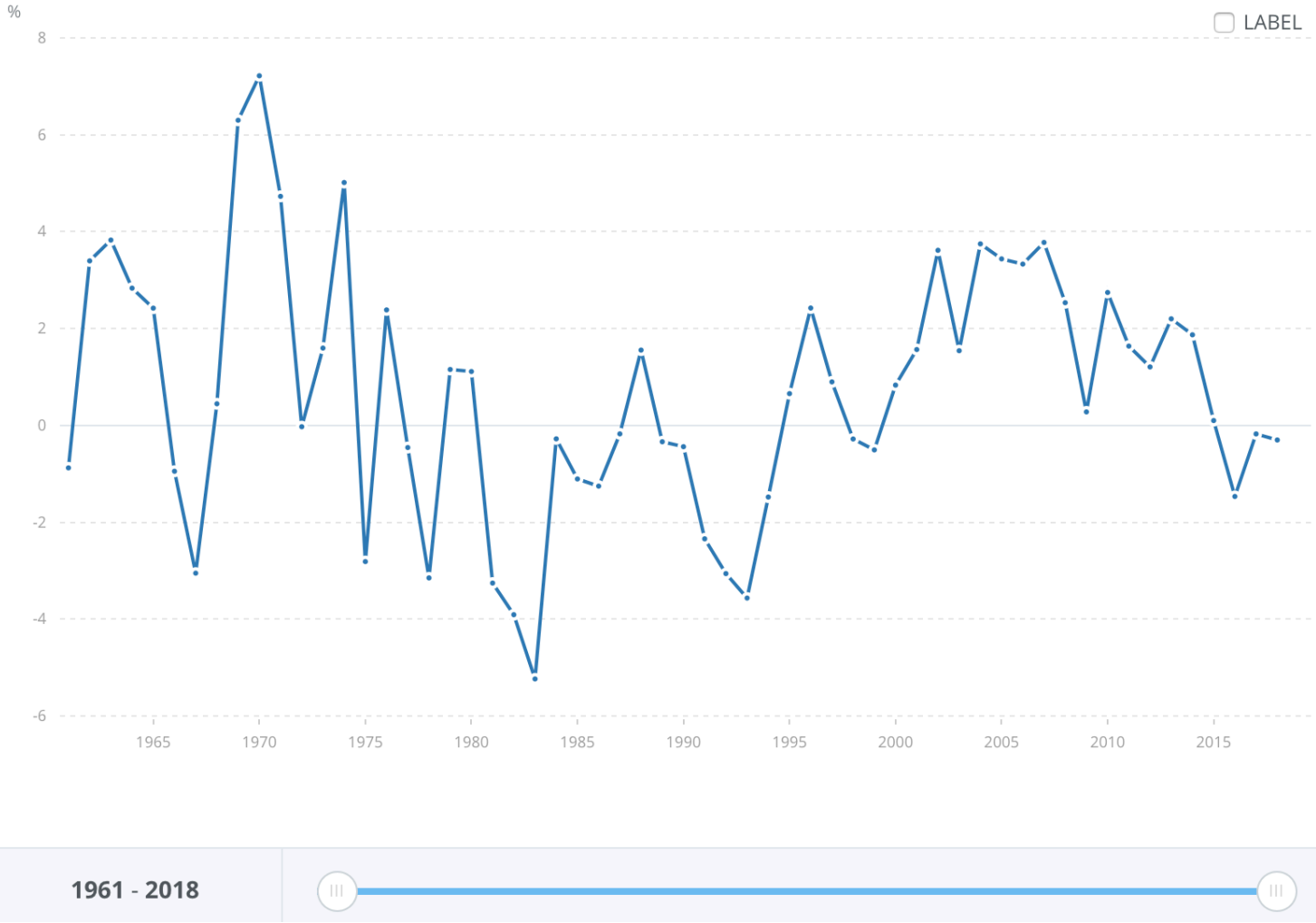
Geographic determinants of Africa's lack of development according to Bloom et al.

- Agriculture:
 - High evapotranspiration (evaporation + transpiration) +
 - Low and variable rainfall →
 - Low photosynthetic potential
 - Highly weathered soils
 - Veterinary diseases
 - Plant and animal pests
- Human health:
 - Infectious diseases

Other exogenous determinants of Africa's lack of development according to Collier and Gunning

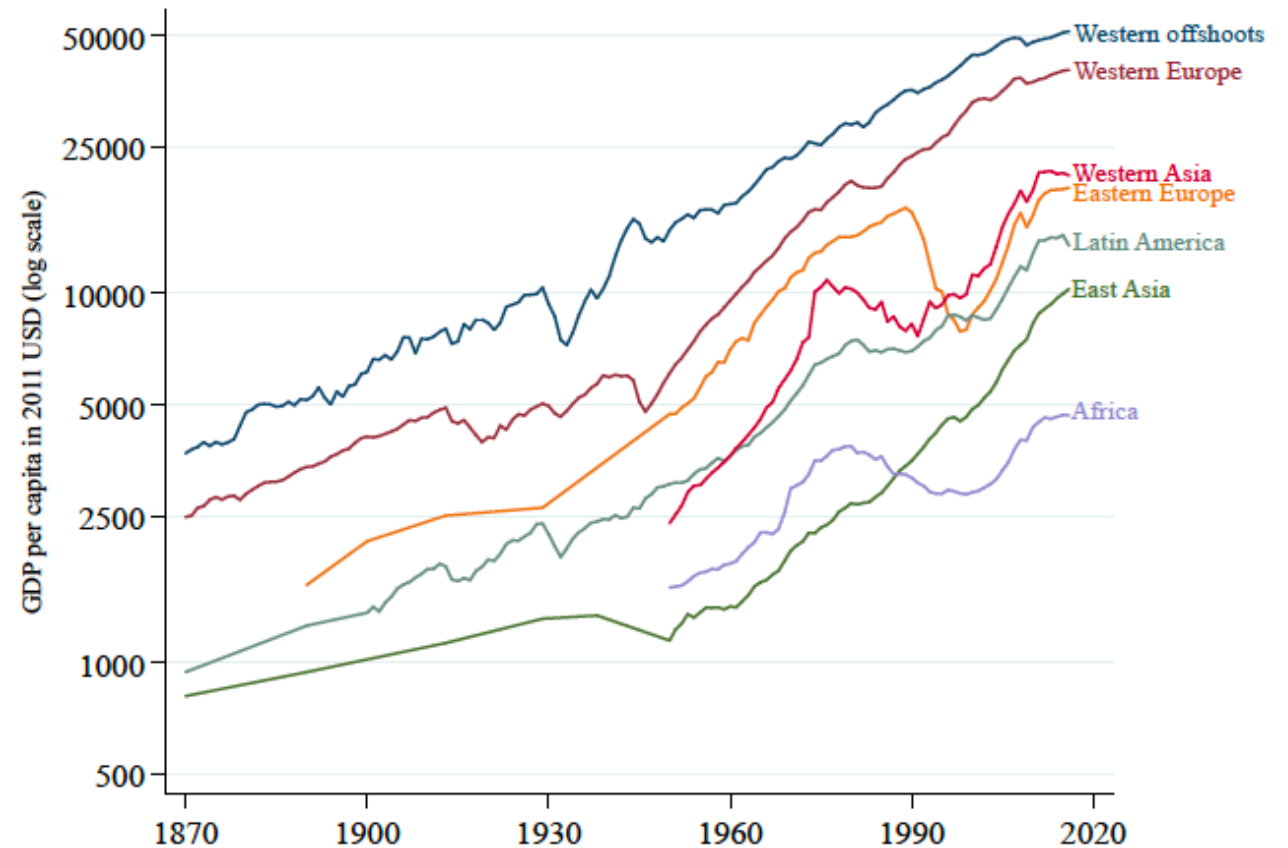
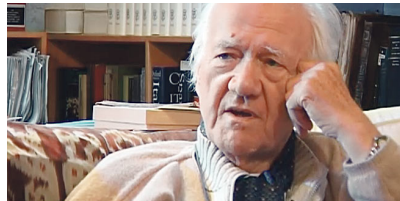
- Small economies
- Resource curse
- Ethnic fractionalization
- Distance from markets
- Low population density → barriers to trade
- High population growth and low life expectancy
- Late demographic transition
- AIDS pandemic

Can destiny explain this?



Broader trends

- Maddison:
 - Faster economic growth in Africa than in East Asia in the first half of the 20th c.
 - Acceleration between 1960-73
 - Subsequent deterioration



Source: Maddison Project Database 2018, Bolt et al. (2018)

Phases of economic policy in postcolonial Africa

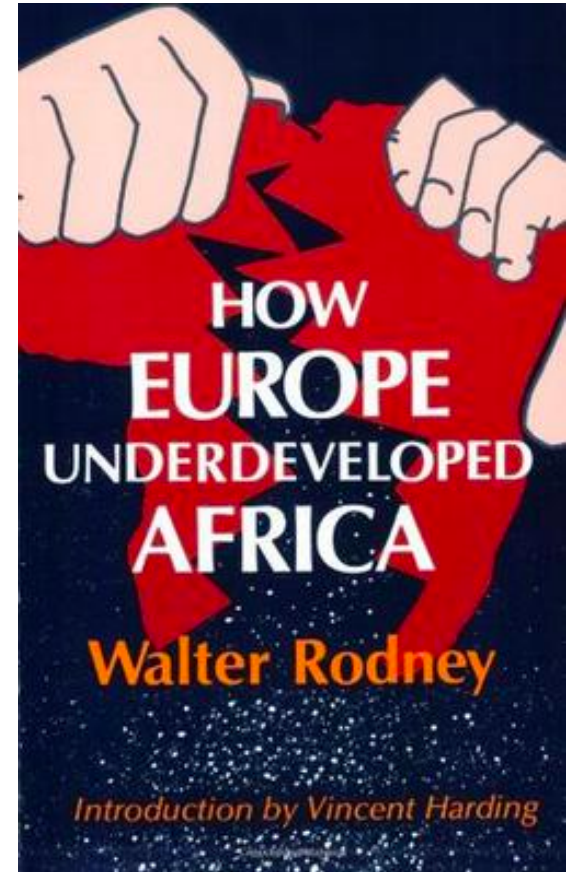
- State-led developmentalism (~1960s)
- Crisis (1970s)
- Structural adjustment and stagnation (1980s and early 1990s)
- Globalization and 'partnership' (from the mid-1990s)

African economies at the time of independence

- Mercantilist colonial economic policies → limited industrial capacity
- Agriculture as the dominant sector
- Dependence on primary commodity exports, esp. minerals and cash crops →
- No economic gains from processing and vulnerability to global price volatility

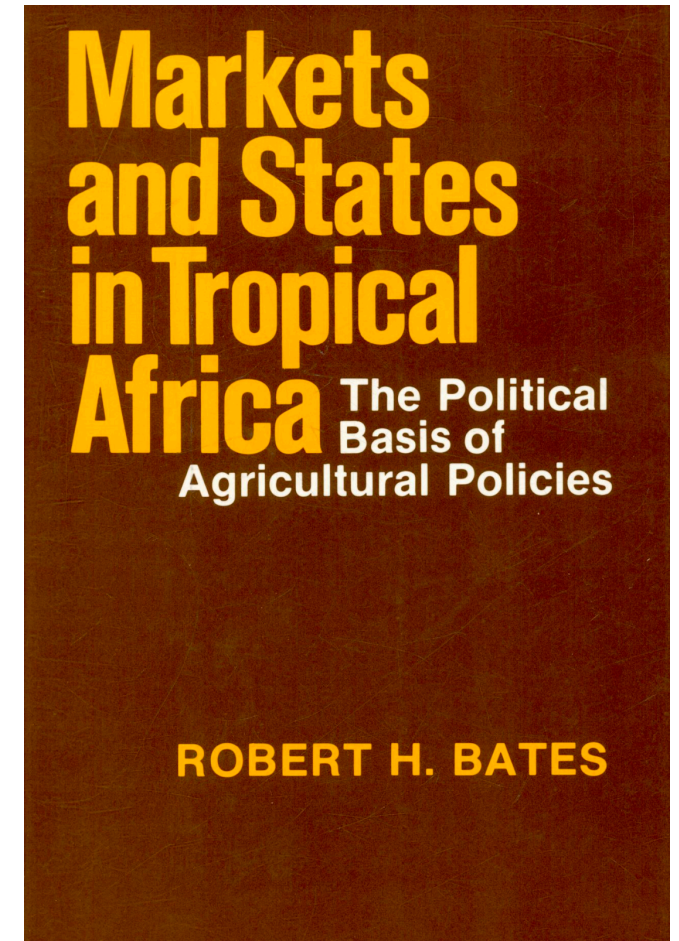
Postcolonial economic policies

- Modernization and the need for industrialization
- Dependency / underdevelopment and the desire to counter colonial legacies
- Congruence of business owner, worker, and government interests (Bates)
- Import substitution industrialization (ISI):
 - Protectionist trade regime
 - State intervention in economy
 - Subsidization of industries and industrialization



The politics of postcolonial economic policies according to Bates

- Economic policies:
 - ISI and increased prices of manufactured goods
 - Taxation of agricultural producers and the use of marketing boards and market regulation to reduce food prices
- Bates' questions:
 - Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - How do governments get away with it?



The politics of postcolonial economic policies according to Bates

- Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - Congruence of business owner and worker interests
 - Urban base of political power

The politics of postcolonial economic policies according to Bates

- How do governments get away with it?
 - Coercion
 - Weak organizational capacity of smallholders
 - Collective vs. personal interests and creation of incentives to accept the status quo →
 - Redistribution and alliance formation →
 - Patronage
 - Entrenchment of private interests over time

Postcolonial policies

- Policies:
 - ISI and urban favoritism
 - Expansion of public employment
 - Establishment of welfare programs
 - Limitations on agricultural production
- Funding:
 - Taxation
 - Seignorage
 - Primary resource exports
 - Loans

Failure of the postcolonial policies

- Continued reliance on primary resources
- Indebtedness
- Political instability

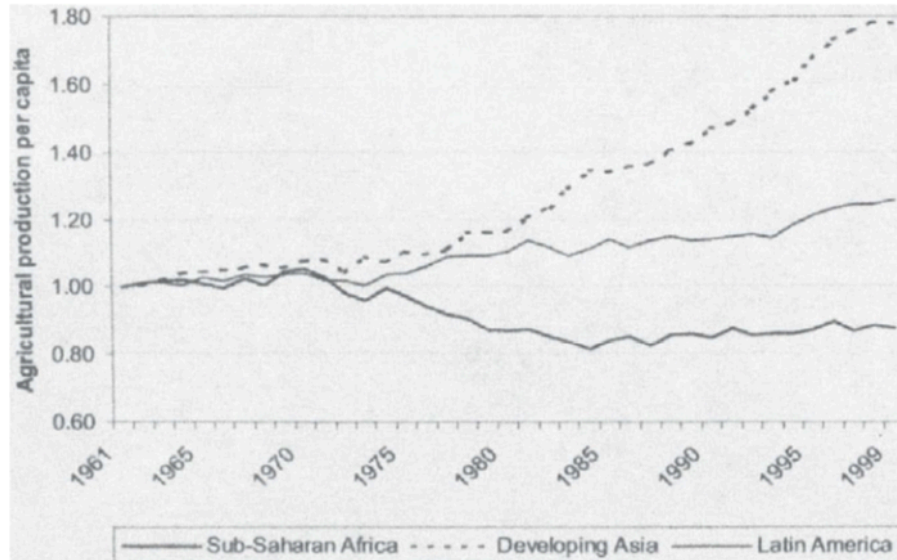


Table 9.2 African export concentration, 1982–86 (countries where one, two, three or four primary products account for over 75 per cent of a state's total export earnings)

One product (15 countries)

Algeria: *oil and gas*
 Burundi: *coffee*
 Guinea: *bauxite*
 Nigeria: *oil*
 Somalia: *livestock*

Angola: *oil*
 Congo: *oil*
 Libya: *oil*
 Rwanda: *coffee*
 Uganda: *coffee*

Botswana: *diamonds*
 Gabon: *oil*
 Niger: *uranium*
 São Tomé: *cocoa*
 Zambia: *copper*

Two products (14 countries)

Cape Verde: *fish, fruit*
 Congo-Kinshasa: *copper, coffee*
 Ethiopia: *coffee, hides*
 Malawi: *tobacco, tea*
 Réunion: *sugar, fish*

Chad: *cotton, livestock*
 Egypt: *oil, cotton*
 Ghana: *cocoa, bauxite*
 Mali: *livestock, cotton*
 Seychelles: *oil, fish*

Comoros: *vanilla, cloves*
 Equatorial Guinea: *cocoa, timber*
 Liberia: *iron ore, rubber*
 Mauritania: *iron ore, fish*

Three products (8 countries)

Benin: *oil, coffee, cocoa*
 Cameroon: *oil, coffee, cocoa*
 Guinea Bissau: *cashews, groundnuts, palm oil*
 Senegal: *fish, groundnuts, phosphates*

Burkina Faso: *cotton, vegetable oil, livestock*
 Central African Republic: *coffee, diamonds, timber*
 Kenya: *coffee, refined oil, tea*
 Sudan: *cotton, vegetable oil, livestock*

Four products (4 countries)

Côte d'Ivoire: *cocoa, coffee, refined oil, timber*
 Sierra Leone: *diamonds, cocoa, coffee, bauxite*

Madagascar: *coffee, cotton, cloves, fish*
 Togo: *phosphates, cocoa, cotton, coffee*

More diverse export economies (11 countries)

Djibouti, Gambia, Lesotho, Mauritius, Morocco, Mozambique, South Africa, Swaziland, Tanzania, Tunisia, Zimbabwe

Source: Brown, Michael Barratt. *Africa's Choices: After Thirty Years of the World Bank*. London: Penguin, 1995. 28

Broader context

- Global economic crisis (stagflation, 1973 and 1979 oil crises)
- Lower primary resource prices
- Interest rates increase
- Debt crisis



External response to the crisis

- Neoliberalism
- Washington Consensus
- Structural Adjustment Programs (SAPs)

Structural adjustment reforms

- Reduction of deficits and inflation
- Elimination of seignorage and currency devaluation
- Reduction of public spending, including social expenditures and public sector employment
- Removal of price controls
- Privatization of state-owned banks and enterprises
- Creation of market institutions
- Deregulation and trade liberalization
- Encouragement of foreign direct investment

Impacts of structural adjustment reforms

- Accelerated inflation rates
- Reduction of investment
- Higher food prices
- Lower employment and real wages
- Lower per capita incomes
- Reduction of the quality of public services
- Introduction of user fees for healthcare and education services
- Increased poverty rates
- Poor health, including malnutrition
- Particular impact on women

Table 1. *Macrop performance at the regional level*

	1973–80	1981–85	1985–89	
<i>Sub-Saharan Africa</i>				
Real per capita GDP growth, % per year	+0.1*	-1.0		-0.1
Inflation rate, % per year (consumer prices)	+6.8	+23.1		+21.1
		1981	1985	1989
Investment ratio, % GDP		20.9	18.2	17.7
Government deficit, % GDP		-6.9	-5.4	-7.7
Current account balance, \$billion		-12.9	-3.4	-8.8
<i>Latin America and Caribbean</i>				
	1971–80	1981–85	1985–89	
Real per capita GDP growth, % per year	+3.1	-1.5		+0.6
Inflation rate, % per year	+39.8	+102.8		+260.8
		1981	1985	1989
Investment ratio, % GDP		22.6	17.5	18.2
Government deficit, % GDP		-4.1	-7.1	-15.5
Current account balance, \$billion		-43.6	-2.4	-8.9

Source: IMF, *World Economic Outlook* (April 1989; October 1990).

*GNP per capita.

Stewart, Frances. 1991. "The Many Faces of Adjustment." *World Development* 19 (12): 1847–64.

Impacts of structural adjustment reforms: the case of Uganda

- Loss of 40% of GDP between 1970-1986
- Structural adjustment reforms →
- Rapid economic growth:
 - 6.3% between 1986-1999
 - 6.9% in the 1990s
- Poverty reduction:
 - 56% in 1992
 - 31% in 2006
- Attributed to structural adjustment reforms
 - Collier, Paul, and Ritva Reinikka. 2001. "Reconstruction and Liberalization: An Overview." In Ritva Reinikka and Paul Collier (eds.), *Uganda's Recovery: the Role of Farms, Firms, and Government*. Washington, D.C.: 15-47.
- "The most influential development model of the 1990s"
 - Mallaby, Sebastian. 2004. *The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations*. New York: Penguin Press.

Globalization and 'partnership'

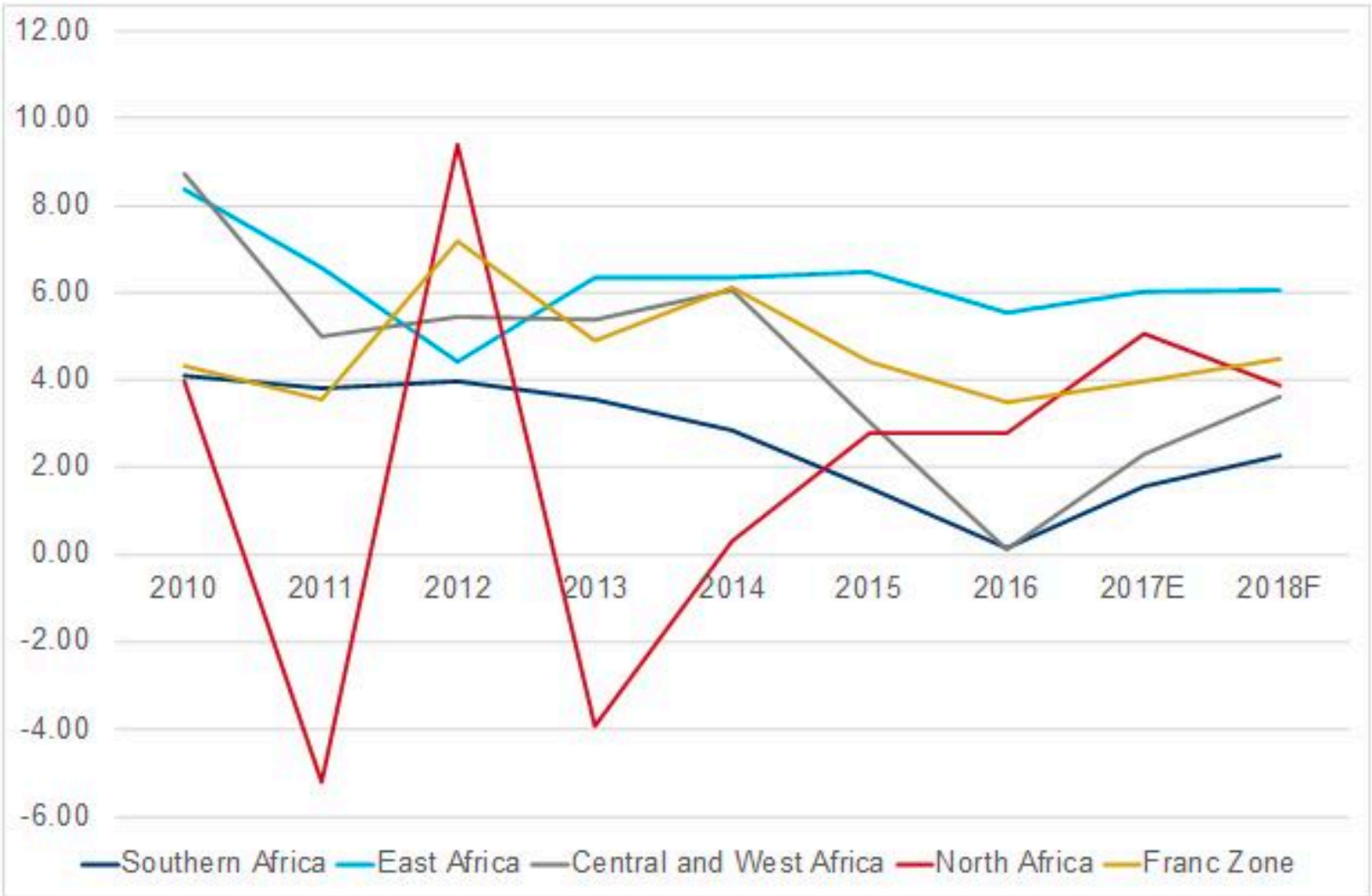
- The good governance paradigm and Poverty Reduction Strategy Papers (PRSPs):
 - Debt relief in exchange for PRSPs
 - Delivery mechanisms in e.g. the US Millennium Challenge Corporation
- Globalization and 'trade, not aid':
 - Bilateral investment treaties (BITs)
 - African Continental Free Trade Agreement (AfCFTA) (2018)
 - China in Africa

China in Africa

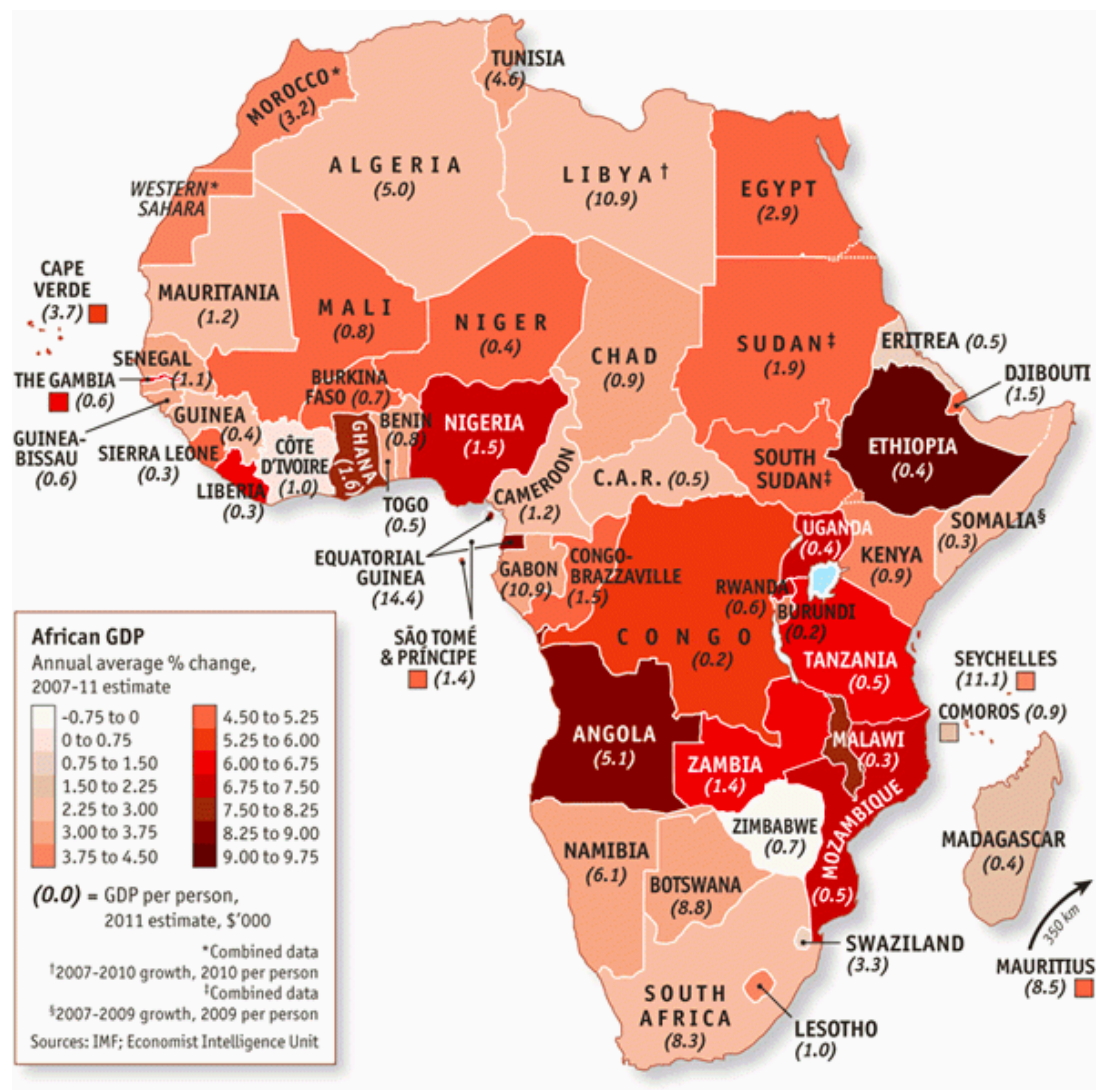


<https://www.youtube.com/watch?v=KGhHmYW7FMc>

Recent trends (and variation)



Variation



What explains the variation in
the performance of African economies
since independence?