

Political Economy of Development in Africa

ECO311

Smith College, Spring 2015

Simon Halliday

Surveys & Thinking

- Take a look at the questionnaires I've handed out and write your (brief) responses
- I want to discuss what you've said and think to introduce us all to thinking about African Development
- Do the reading for next week (if you haven't done any for this week) – we will begin to discuss them this week anyway...

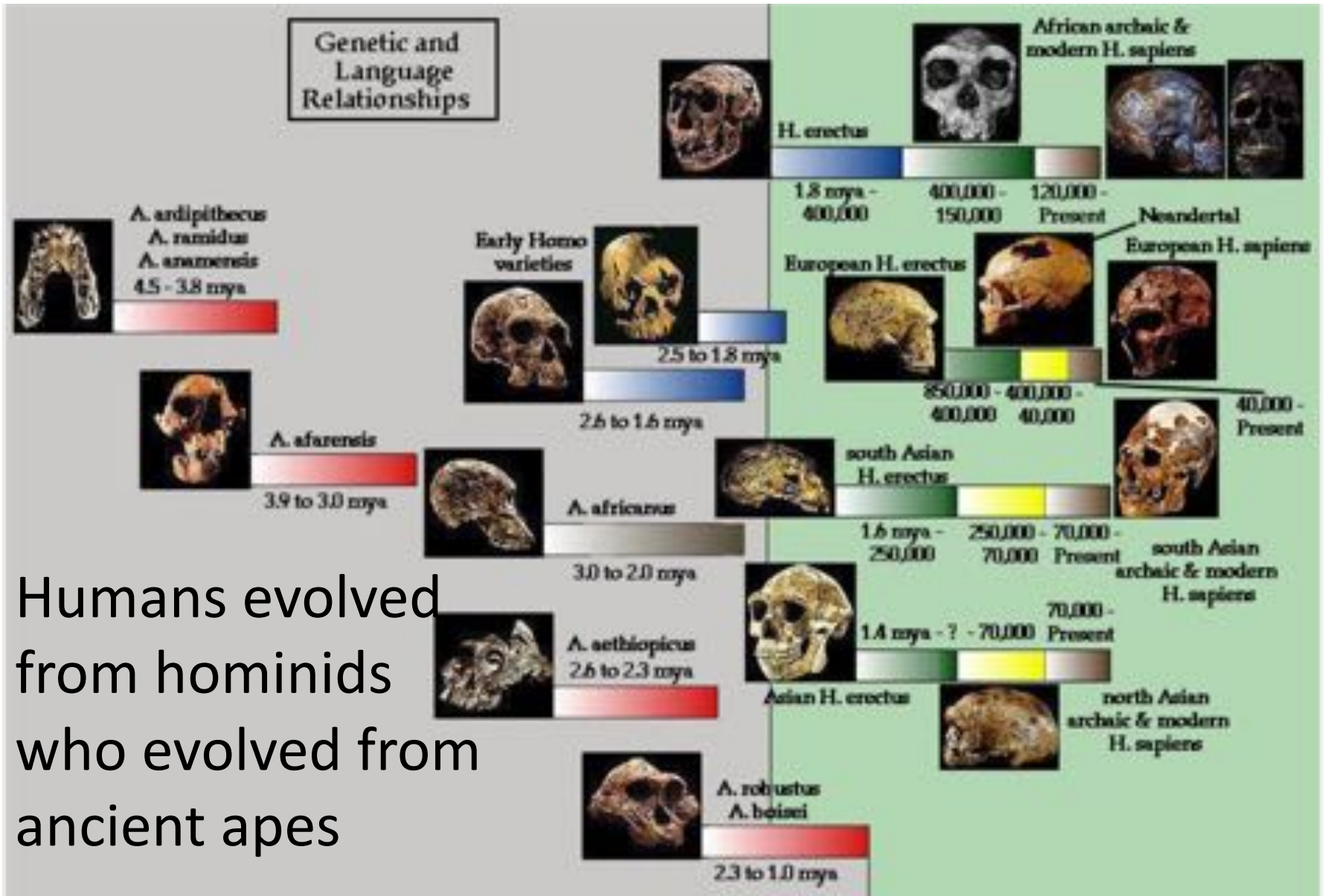
Endogeneity & IVs

- “A good instrument is correlated with the endogenous regressor for reasons the researcher can verify and explain, but uncorrelated with the outcome variable for reasons beyond its effect on the endogenous regressor.” Angrist & Krueger, 2001, p 73
- “What can go wrong with instrumental variables? The most important potential problem is a bad instrument, that is, an instrument that is correlated with the omitted variables (or the error term in the structural equation of interest in the case of simultaneous equations).” *ibid* p. 79

Hitting the ground running...

- Our roots (also, genes...)
- Colonial History
- Focus on South Africa

Out of Africa & a big exodus 100K years ago



Carved Ochre from Blombos Cave Klasies River Mouth 100-85 000 years ago



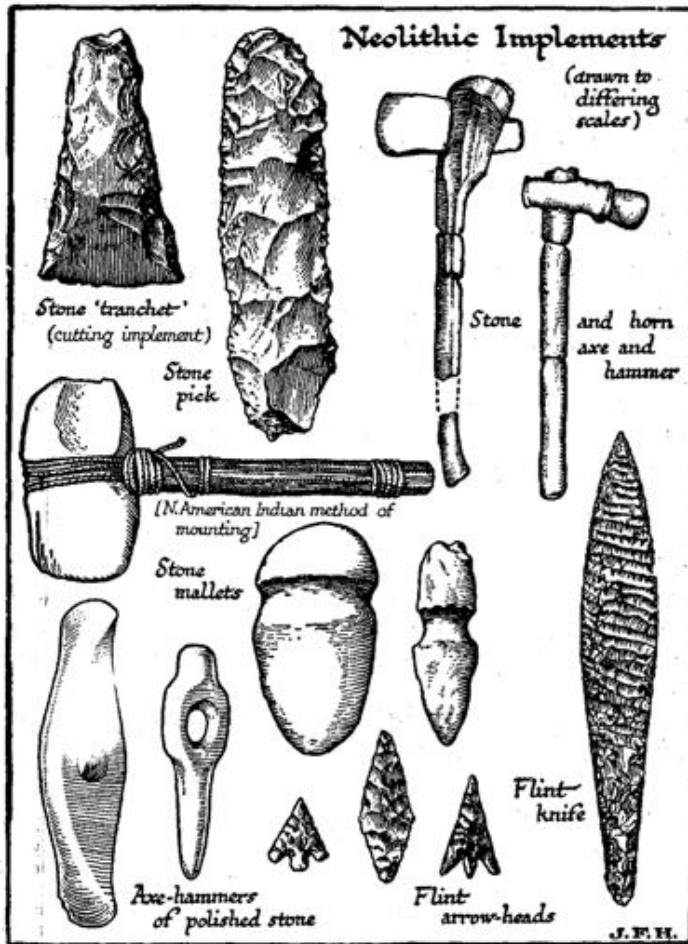
San Paintings in South Africa



Hunter Gatherer Groups & Small-Scale Societies



Neolithic Transition

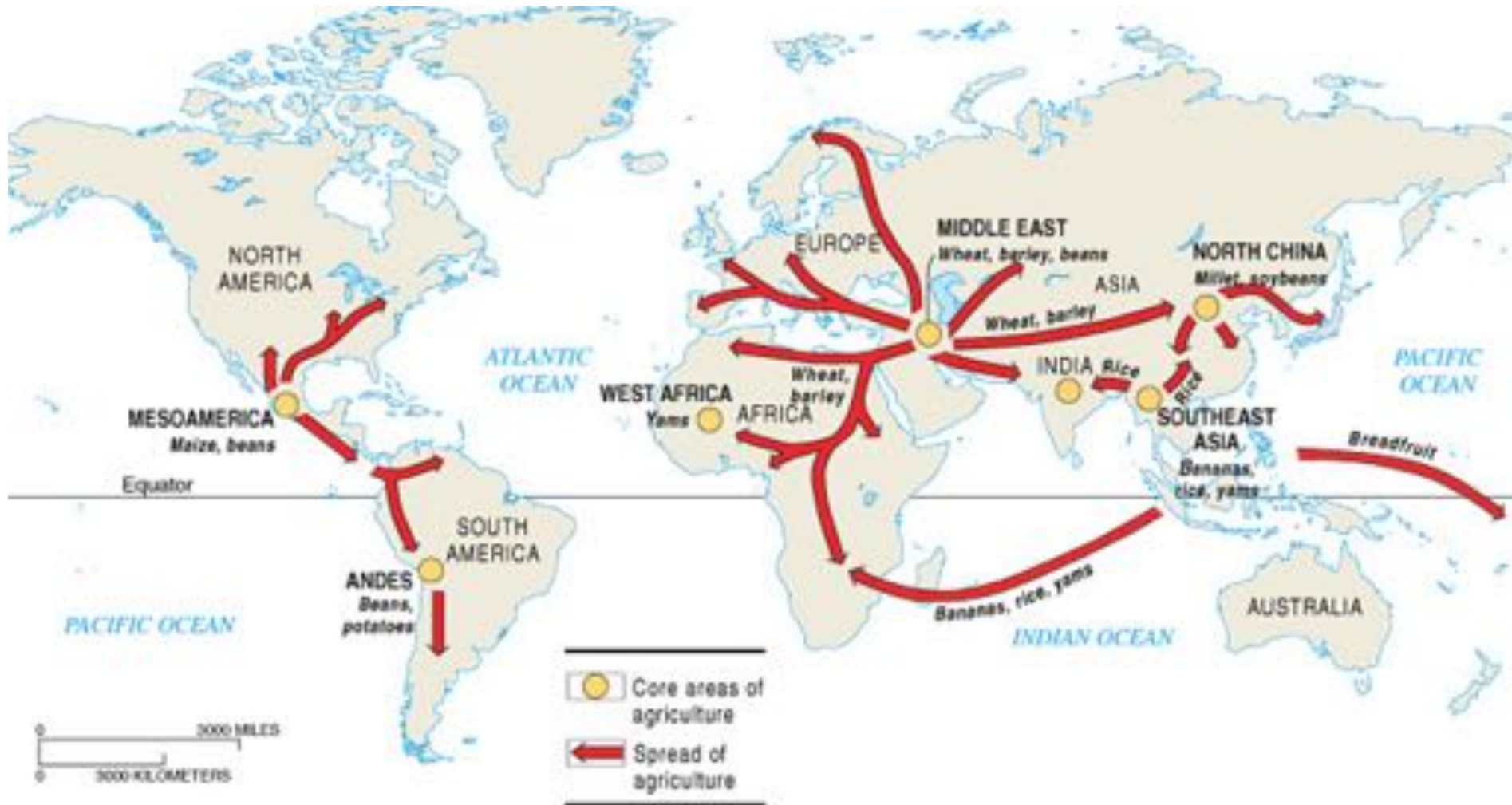


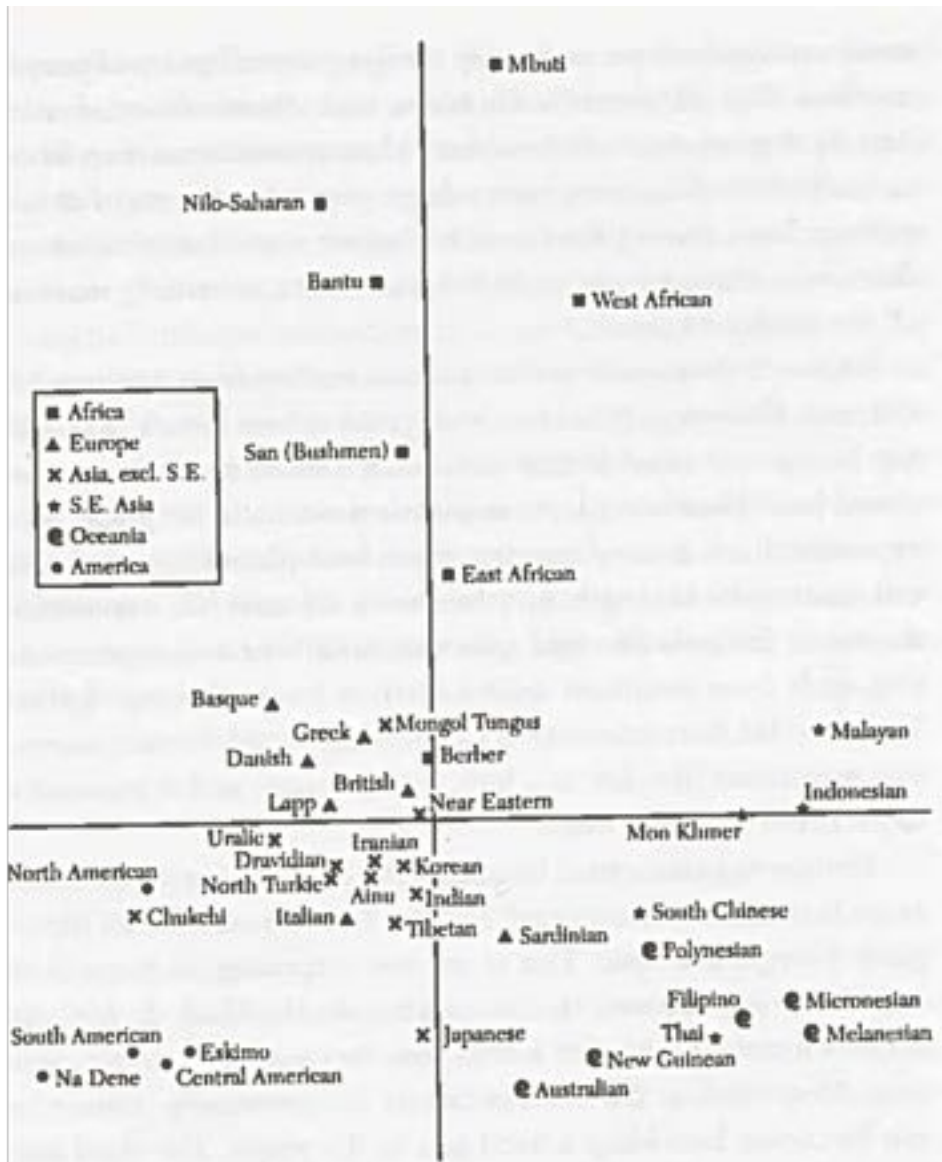
New Stone tools



Grains & Crops

Spread of Agriculture





African Genetic Distances – Take Home: Massive Variance within “Africans”

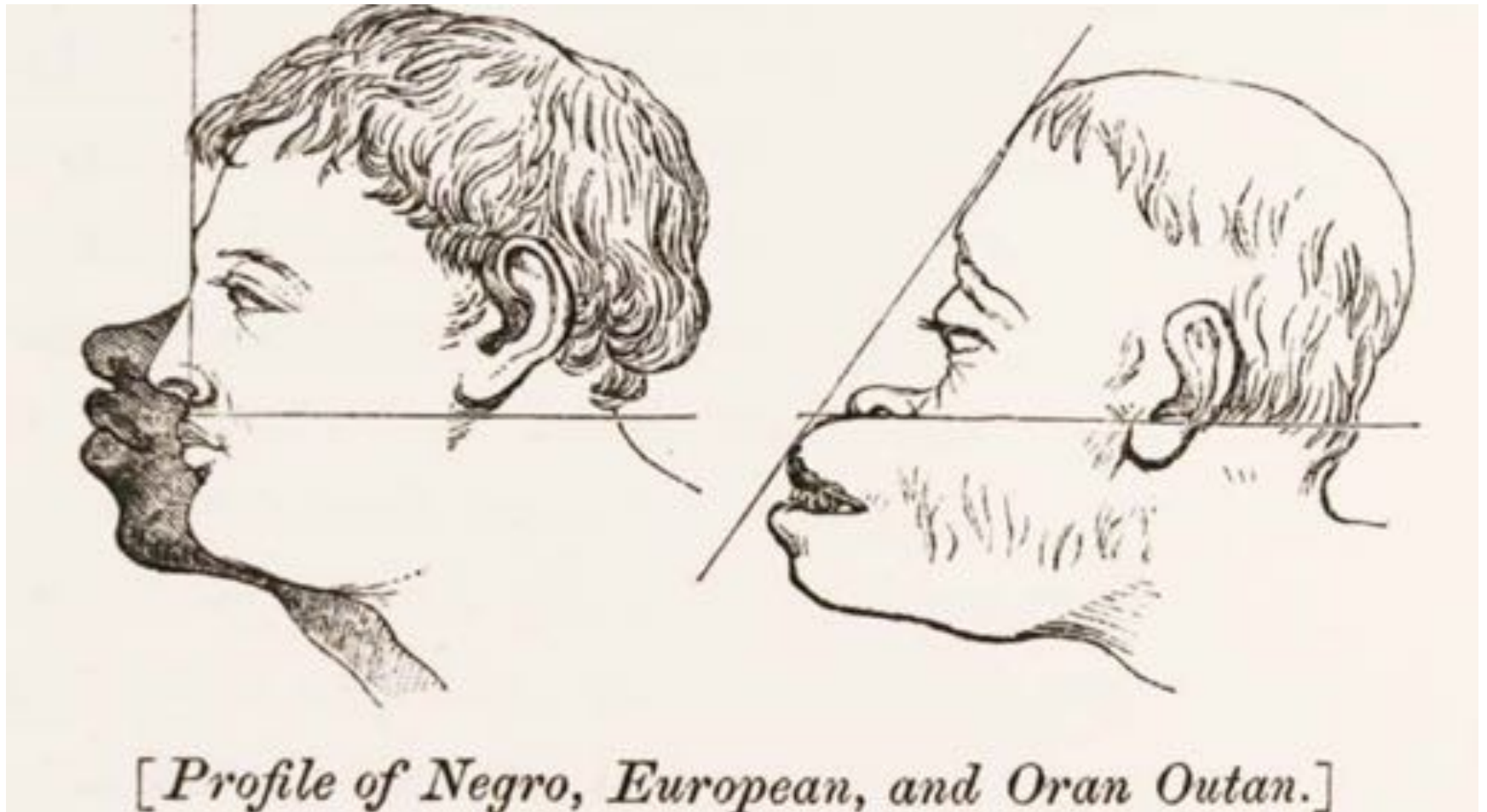
source: Cavalli-Sforza, 2001: 89

Figure 3. A synthetic view of 42 world populations, based on the genetic distances among them (see HGHG). The two-dimensional graph was built by multidimensional scaling, a variant of principal components analysis, and represents, with minimal loss of information, distances between pairs of objects (42 human populations in this case) calculated on the basis of many characters (110 genes). Populations

We are all from Africa

- Humans evolved from hominids who evolved from ancient apes
- Humans didn't develop much until the Neolithic transition
- Before that we had some art, probably oral traditions, and moved around in small groups

Racist Backlogs & measuring heads



Who was used? What were the post-hoc justifications?

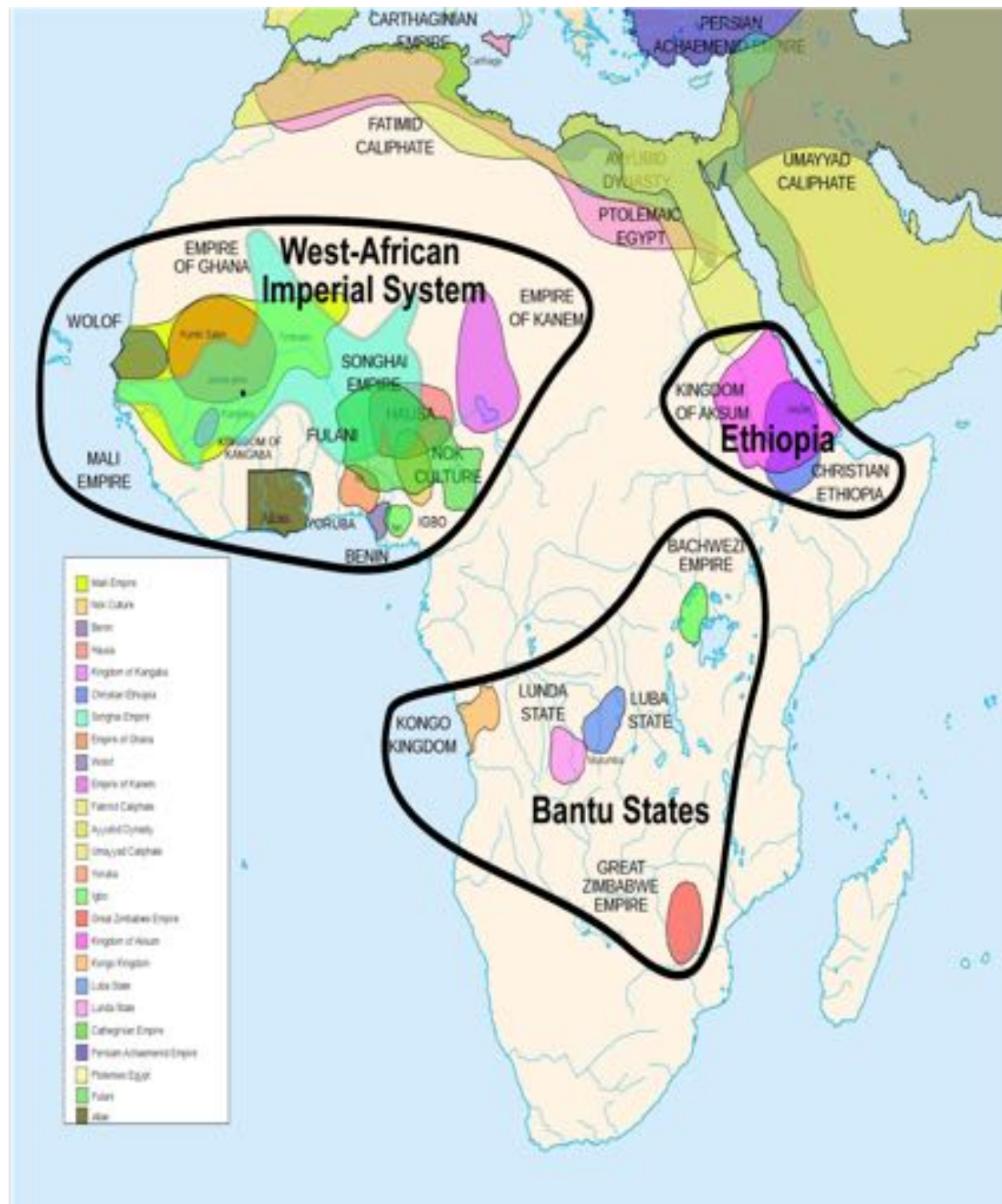
Hottentot Venus



Modern Boundaries Imposed by Europe



Africans Had Their Own Civilizations



Different Styles of Rule

- British
 - Indirect: British Administrator & relationships with chiefs for extraction, e.g. Nigeria, Ghana, Sierra Leone
 - Settler: Brits immigrate & settle, esp after WWII, & Brit policy served the minority settlers, e.g. Kenya, Rhodesia (Zimbabwe)
 - Results: Presence of English Language and British Law
 - Also: Britain recognized early on that colonialism was doomed (see Ghana)



Different Styles of Rule

- French
 - Direct rule by France – *La Francophonie*
 - Tried to remake African societies & '*evolues*' considered 'almost' French
 - Recognized arrival of independence, 1960: 14 countries got independence
 - Legacy: common currency pegged to French Franc & then the Euro



Léopold Sédar Senghor
© Hulton Archive / Getty Images

Léopold Senghor –
Senegalese President,
Professor, Poet,
négritude

Different Styles of Rule

- Portuguese
 - Fared the worst (relative to Brit & French)
 - No development of countryside
 - Fascist leaders in Portugal (Salazar then Caetano) who wanted extractive economies & no empowerment (also often explicitly racist)
 - At independence few graduates, few skills, difficult to manage transition economies



Angola



Mozambique



Guinea-Bissau

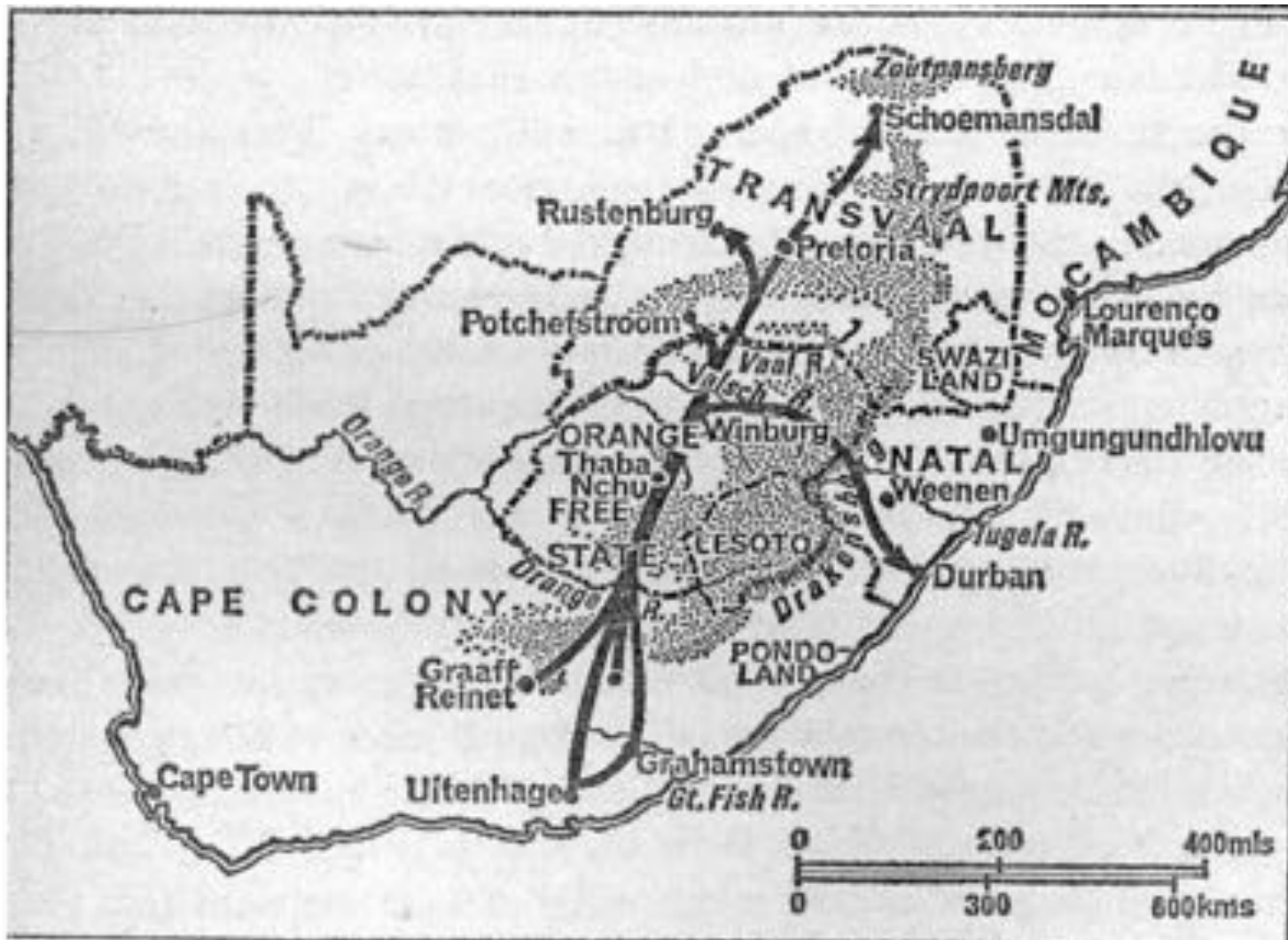
1652: Jan van Riebeeck



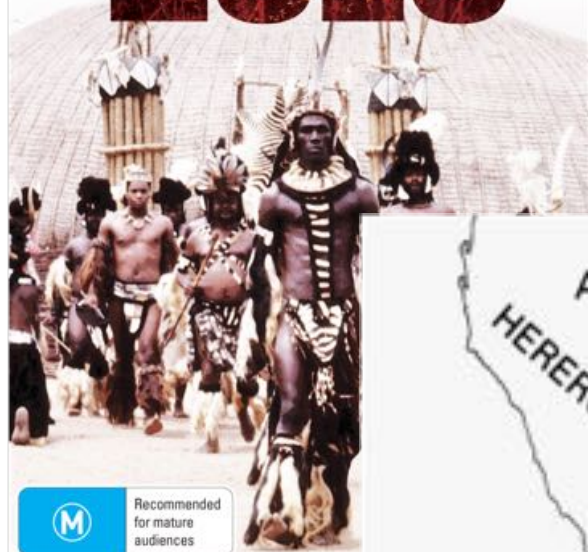
1805/6: Cape annexed by British



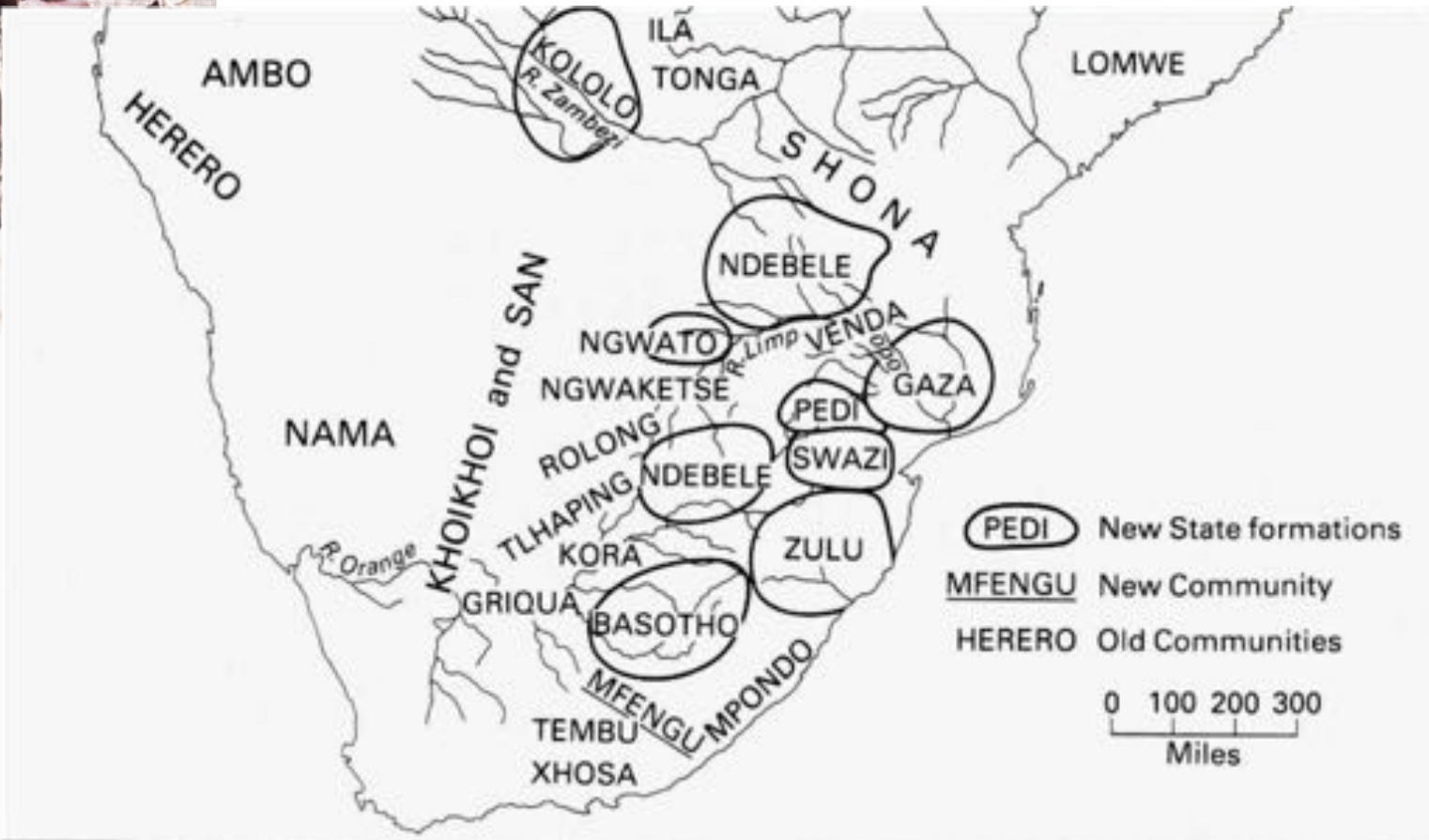
1830s: Groot (“Great”) Trek



AFRICA'S GREATEST WARRIOR KING
SHAKA ZULU



1815-40: Mfecane/Difaqane



African states and communities during and after the Mfecane

Boer Wars (1880-1; 1899-1902)



1910: Union of SA



1913: Native Land Act



1912: SANNNC



**1914 Delegation to UK: Back Row: Walter Rubusana, Saul Nsane;
Front Row - Thomas Mapikela, John Dube, Sol T Plaatje**

1948: National Party Wins Elections



1955: Freedom Charter

ANC
SACTU SAIC SACPO SACOD

Sign the FREEDOM CHARTER

THE PEOPLE SHALL WORK!
ALL NATIONAL GROUPS SHALL HAVE EQUAL RIGHTS!
THE PEOPLE SHALL SHARE IN THE COUNTRY'S WEALTH!
THE LAND SHALL BE SHARED AMONG THOSE WHO WORK IT!
ALL SHALL BE EQUAL BEFORE THE LAW!
ALL SHALL ENJOY EQUAL HUMAN RIGHTS!
THERE SHALL BE WORK AND SECURITY!
THE DOORS OF LEARNING AND OF CULTURE SHALL BE OPENED!
THERE SHALL BE HOUSES, SECURITY AND COMFORT!
THERE SHALL BE PEACE AND FREEDOM!

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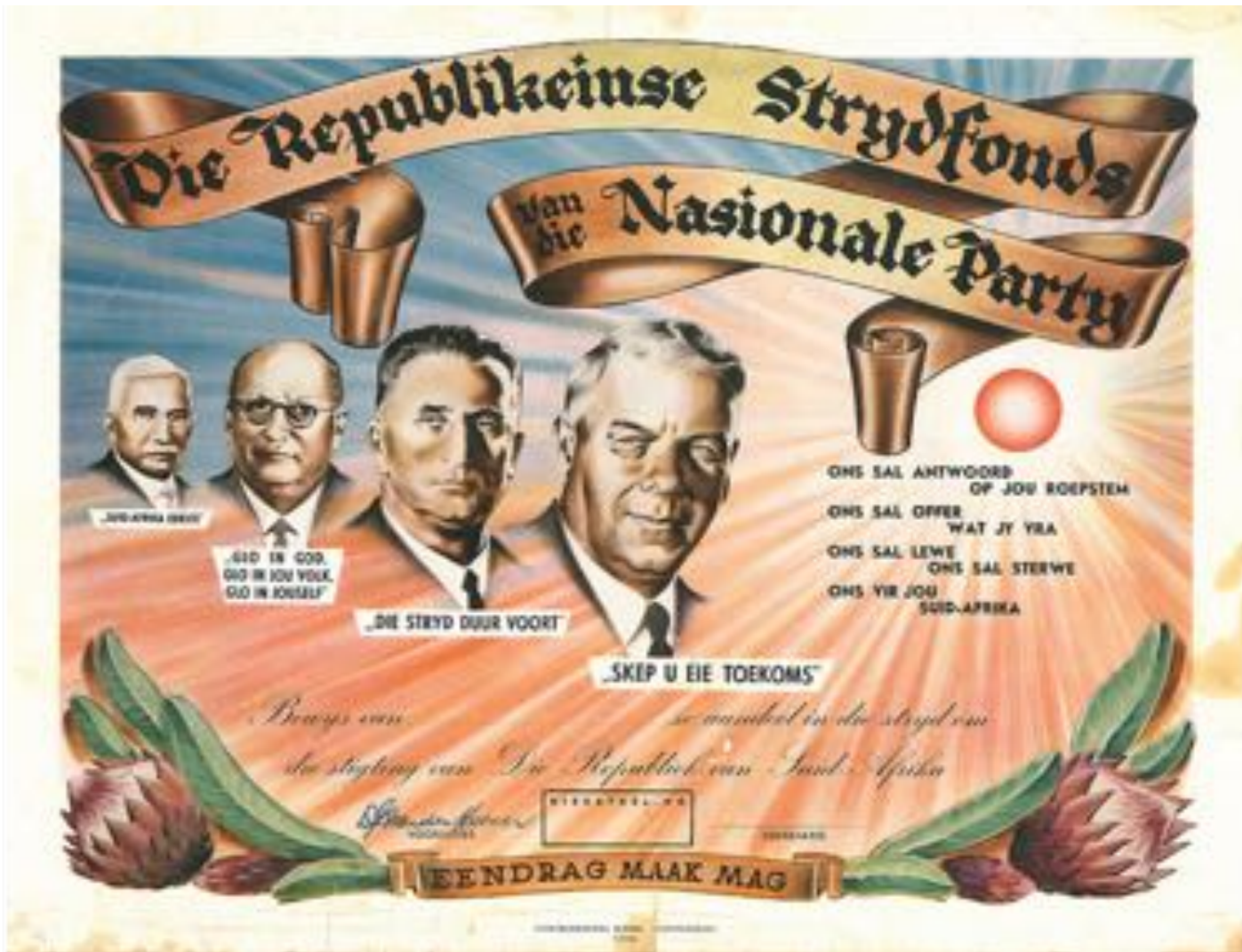
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1960: *apartheid* proper & Verwoerd



1960: Sharpeville Massacre

69 Dead, 21 March



1963: Rivonia Trial & Mandela's Imprisonment



1976: Soweto Riots & Steve Biko



1980s: States of Emergency



1990: Mandela's Release



1994: Democratic Elections



Greg Marinovich, 1994, Mandela in Bophutotswana

2000s: Mbeki & AIDS denialism



2008-: Zuma & contemporary SA



South Africa

- Dutch established colony in the Cape in 1652
- Brits annexed it in 1805
- Afrikaners (Dutch descendants) grew restive & left the Cape
- 1st Boer War 1880-1; 2nd 1899-1902
- Union of SA established 1910; Native Land Act 1913; SANNAC 1912
- National Party wins 1948 elections; Freedom Charter 1955; Sharpeville 1960; Mandela et al imprisoned 1963; Soweto riots 1976; States of emergency in the 80s; 1990 Mandela Released & ANC unbanned; 1994 elections won by ANC; Mbeki & AIDS Denialism; Zuma...

Legacies of Colonialism & Slavery

- Culture
- Ethnicity
- Racism
- Roads & Infrastructure?
- Institutions
- Lost generations of slaves & knock-on to development (think Solow-Swann)

Growth Puzzle

- Why growth?
 - Useful indicator (change over time w/in country)
 - Wealthier is better
 - Growth creates opportunities (depending)
 - Growth reduces poverty (depending)
 - Africa needs a 'bigger pie'

Warnings from Todd

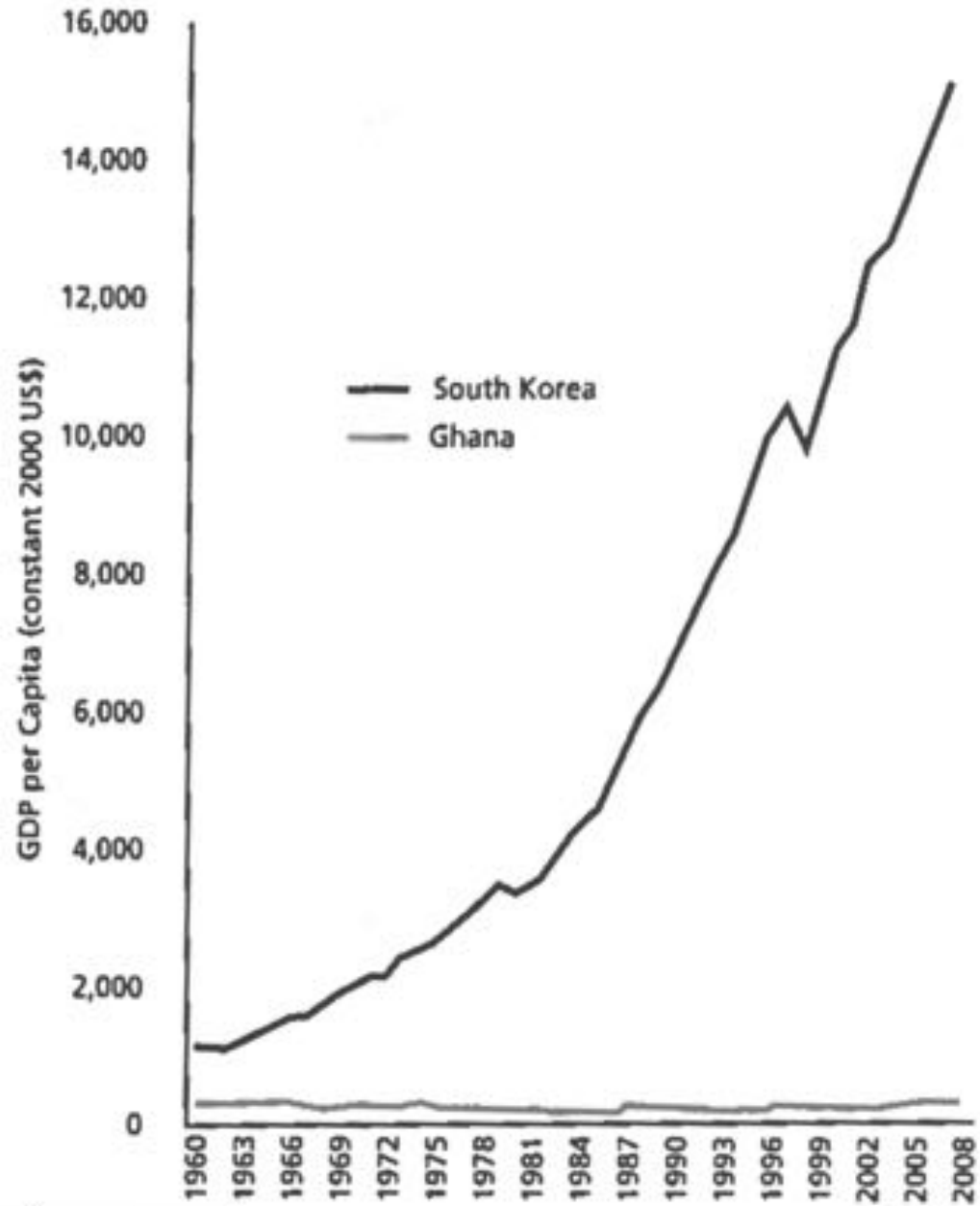
1. No silver bullets – see Hirschman quote
2. Don't believe the hype (good or bad)
3. Resist the urge to exoticise
4. It's always political (see A & R)
5. Development is more than money
6. Beware the 'facts' – check them
7. Beware the numbers – a great deal of terrible "data"
8. Perspective on Africa's Size
9. Go deep – into one country, one region, one language
10. Go – read and learn, experience, go to places other than South Africa

Todd's Things We Know

- Peace and Security are pre-conditions of development
- High inflation is bad for the poor and economic growth
- Vaccinations help save lives
- Governments are inefficient at some things, e.g. running farms & factories
- States must do some things, e.g. protect property & deliver basic services
- Transparency is preferably to secrecy (see Uganda and publishing transfers)

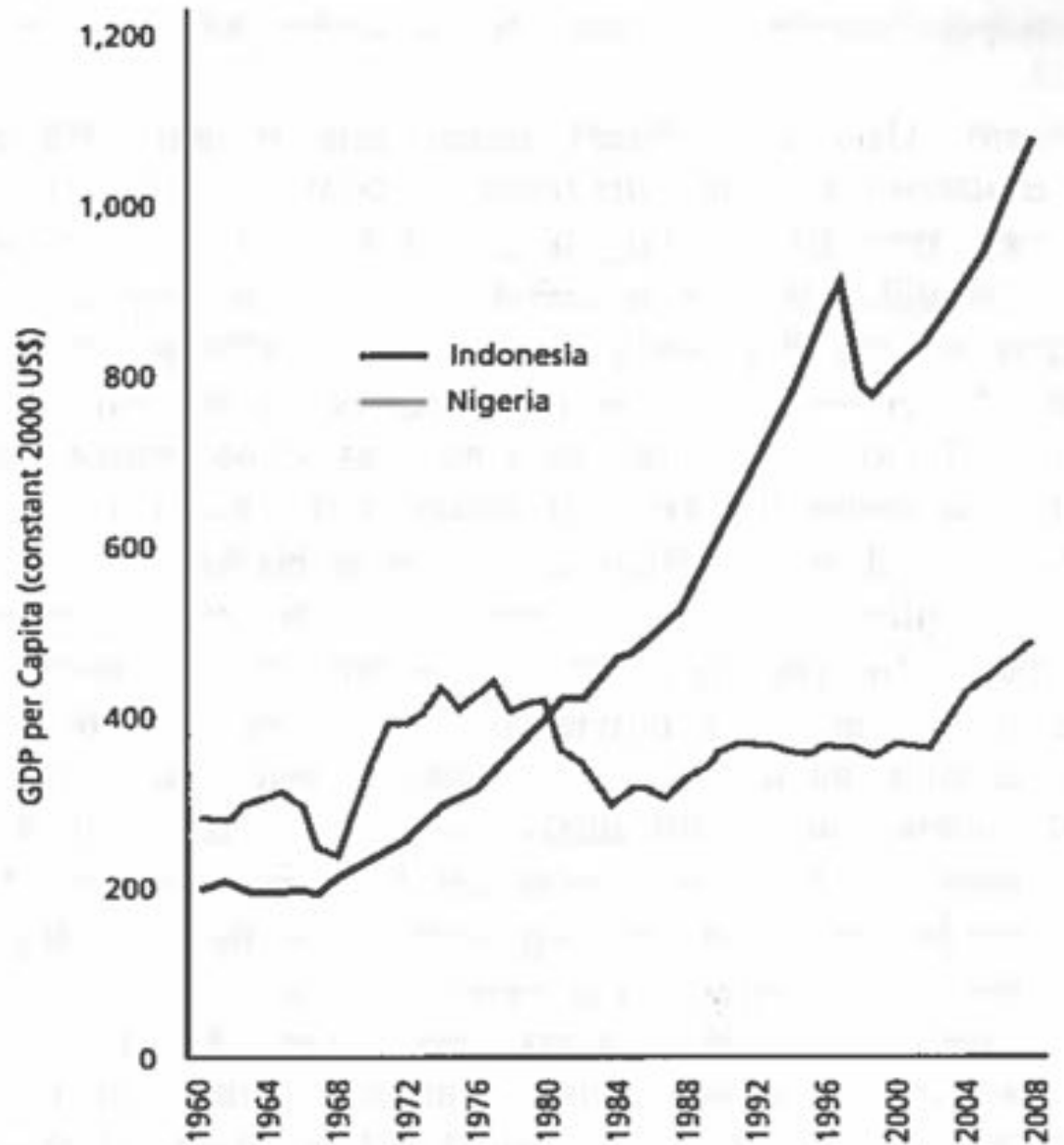
South Korea vs. Ghana

Figure 6.1 GDP per Capita in Ghana and South Korea, 1960–2008



Indonesia vs. Nigeria

Figure 6.2 GDP per Capita in Nigeria and Indonesia, 1960–2008



Geography & Culture

- Geography – landlocked countries, coastline, few navigable rivers
- Climate – tropical => bad for health & productivity, disease burden, reduced life expectancy, Malaria, unproductive agriculture
- Demography – high fertility drags growth? (direction of causality?)
- Ethnicity – more/less diversity bad/good for growth? Fragmented markets, few econs of scale

Policies

- Price controls & state monopolies
- Credit controls
- Currency (over)valuation
- Private property laws (lack thereof/unclear)
- Villagization & ujamaa
- Excessive regulation – e.g. Uganda and coffee only transported by rail
- Implication: structural adjustment?

Institutions & Governance

- Political reasons for failure of structural adjustment?
- Existence of law vs. its enforcement, e.g. with private property
- What are the rules of the game in SSA & who benefits?
- 'inclusive' vs. 'extractive' institutions (WNF)
- Role of democracy? Pluralism?
Representation?

African vs. Others

Easterly, 2009: 378

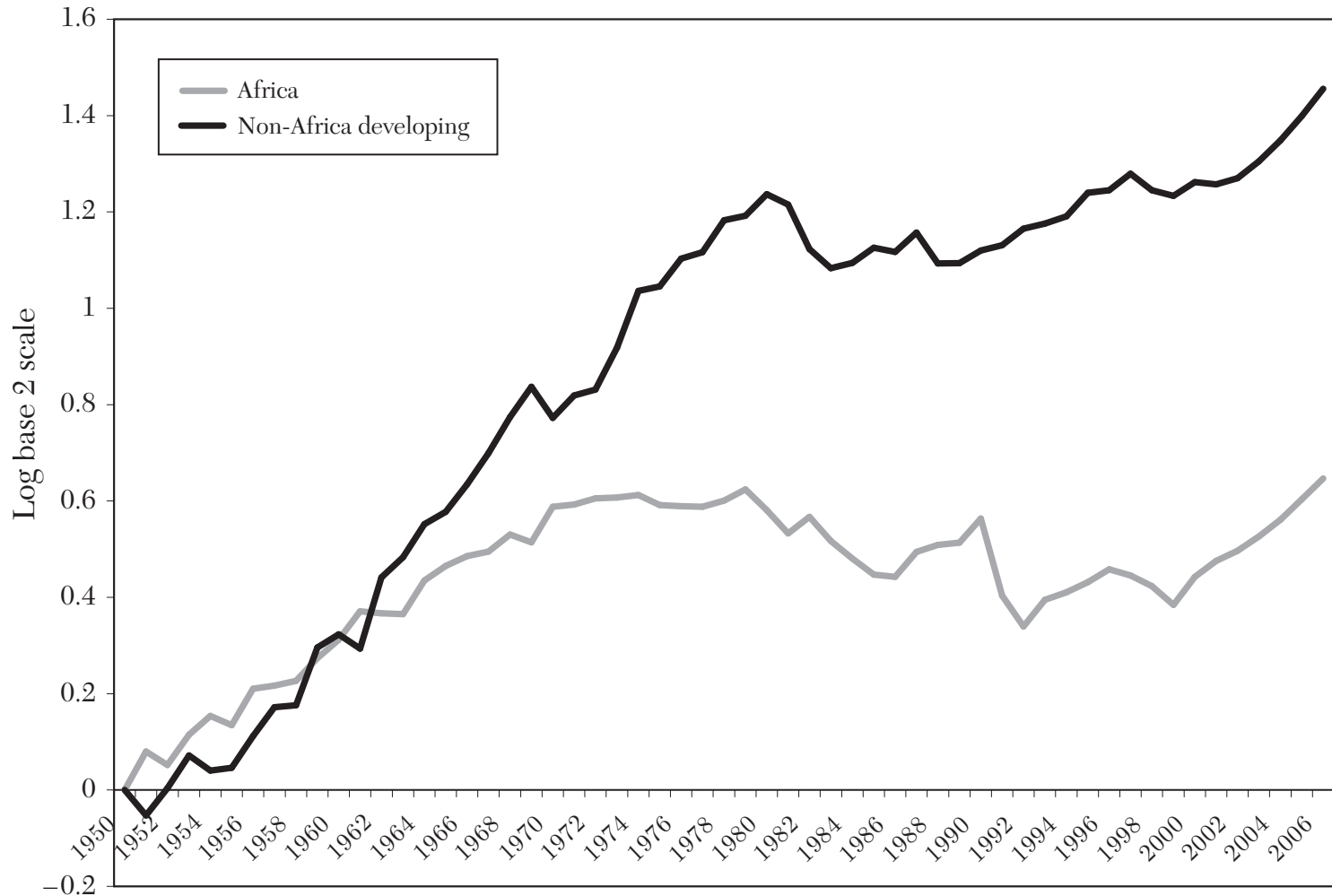


Figure 1. Index of Per Capita Income in Africa and Other Developing Nations

How long do Africans live?

Easterly, 2009: 379

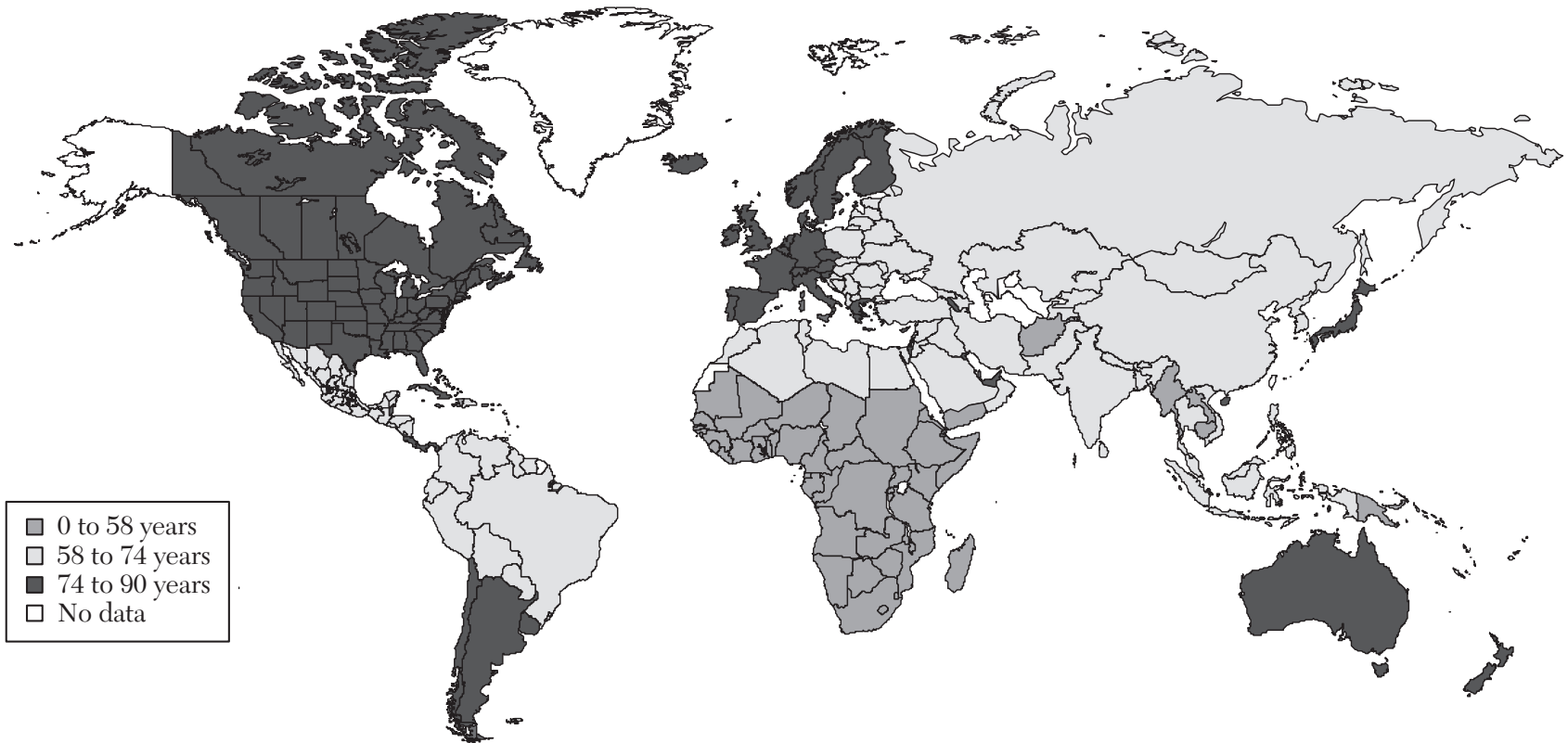


Figure 2. Life Expectancy in 2001

Aid Flows? Dead Aid?

Easterly, 2009: 382

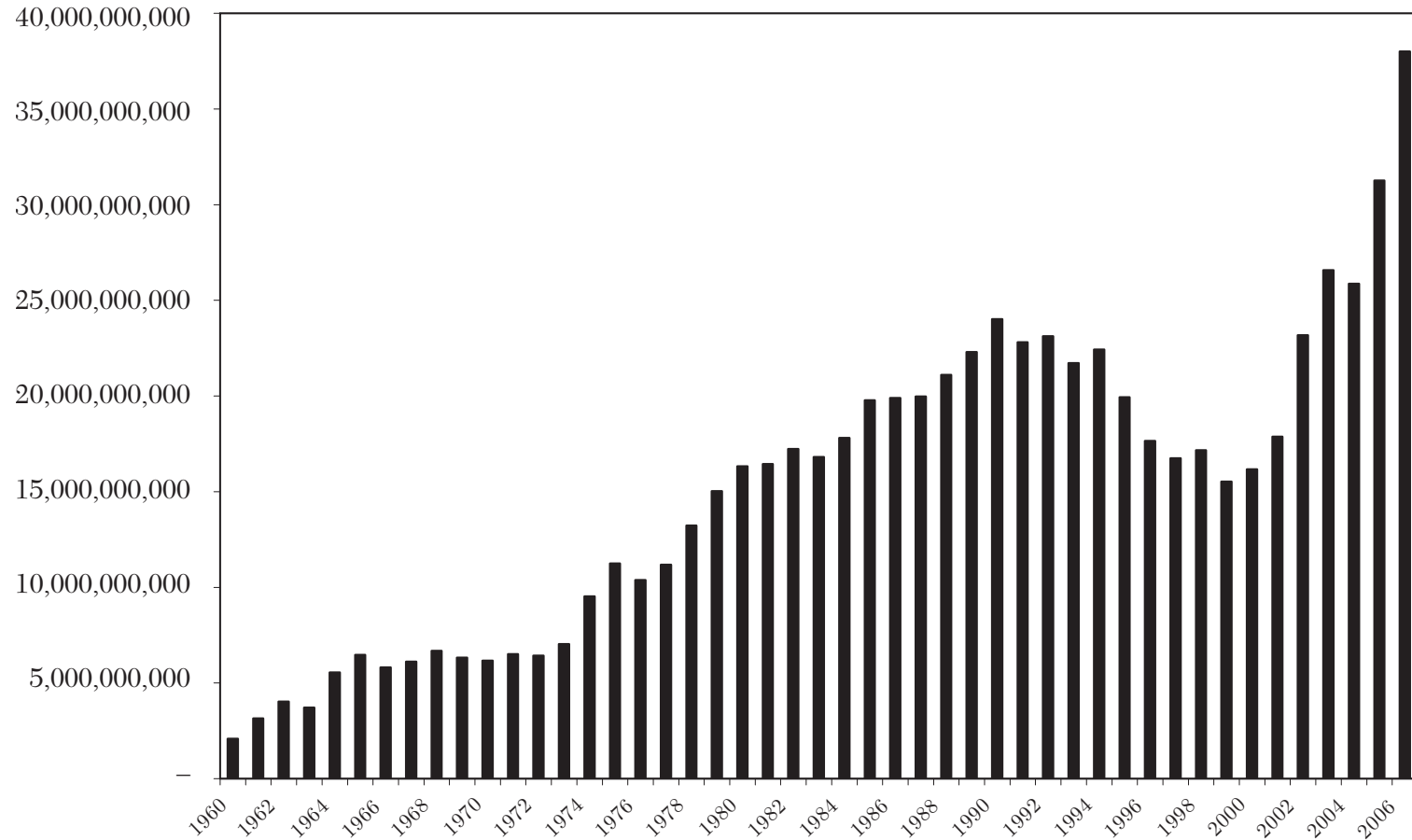


Figure 3. Total Flows of Aid to Africa (Constant 2006 Dollars)

Aid to Africa vs. Others

Easterly, 2009: 383

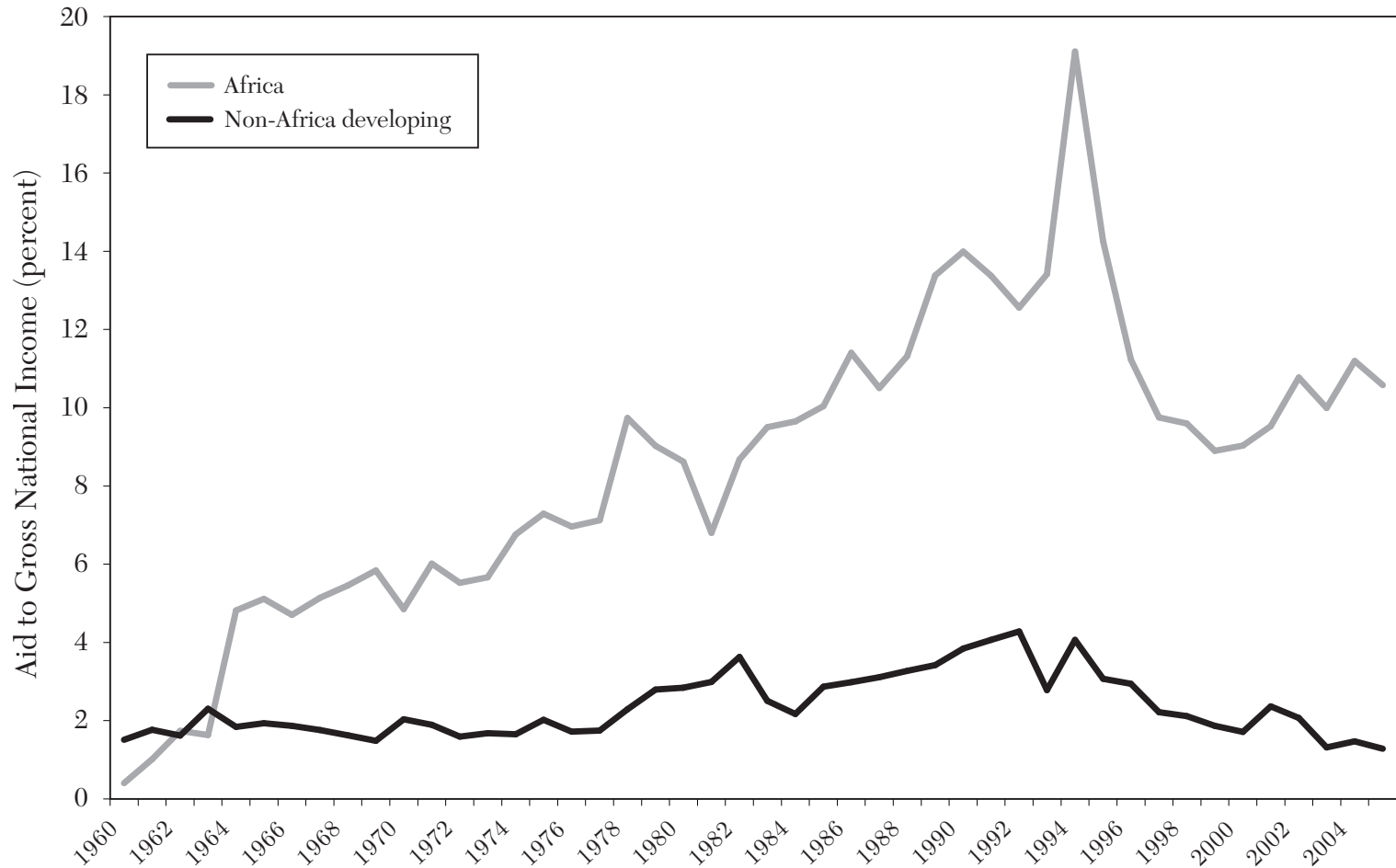


Figure 4: Aid to Africa in International Perspective

Does Education Pay?

Easterly, 2009: 402



Figure 7. Relative Education Performance in Africa

Improving Health?

Easterly, 2009: 406

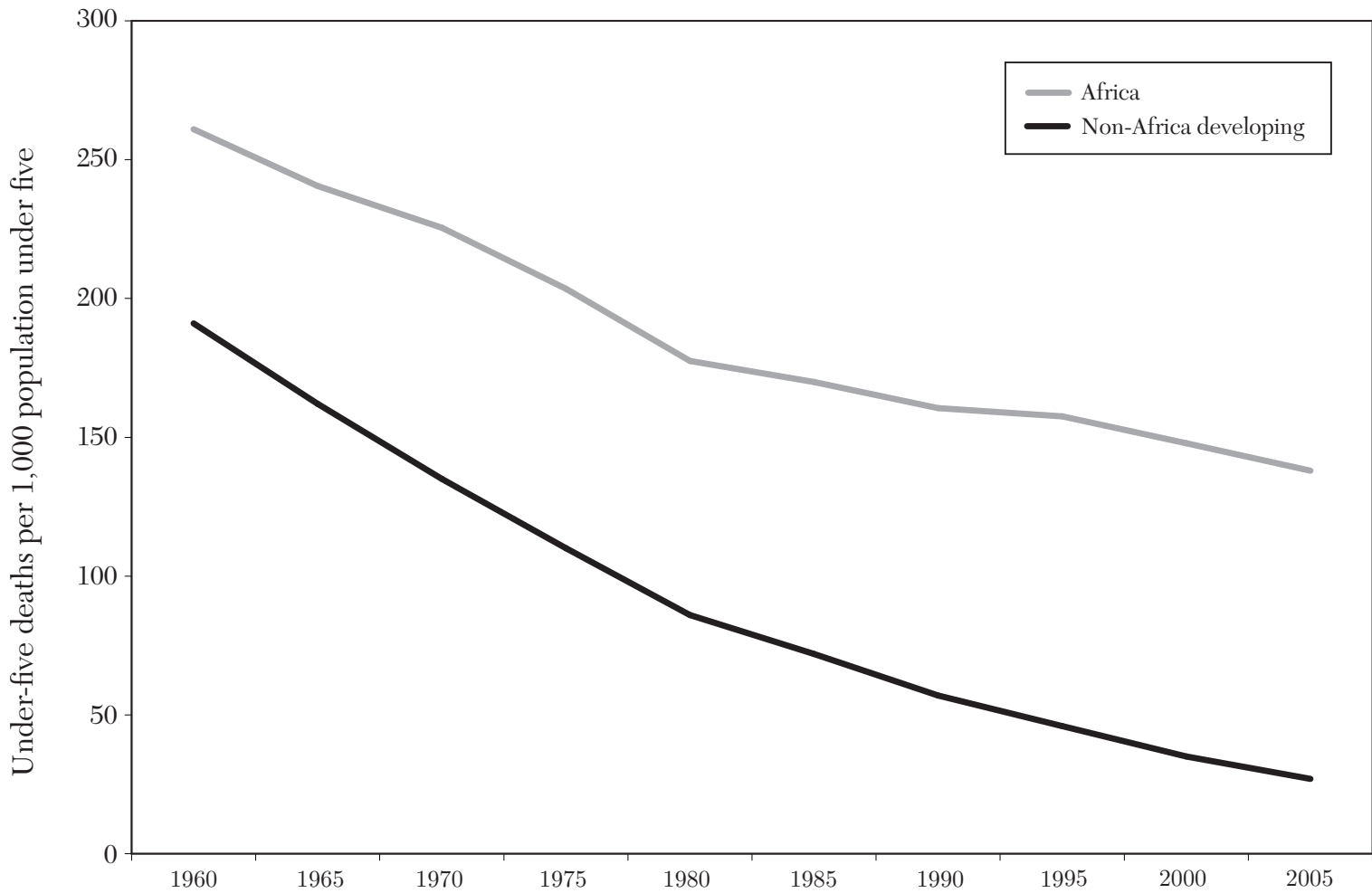


Figure 8. Relative Health Performance in Africa

Where's the Green Revolution?

Easterly, 2009: 415

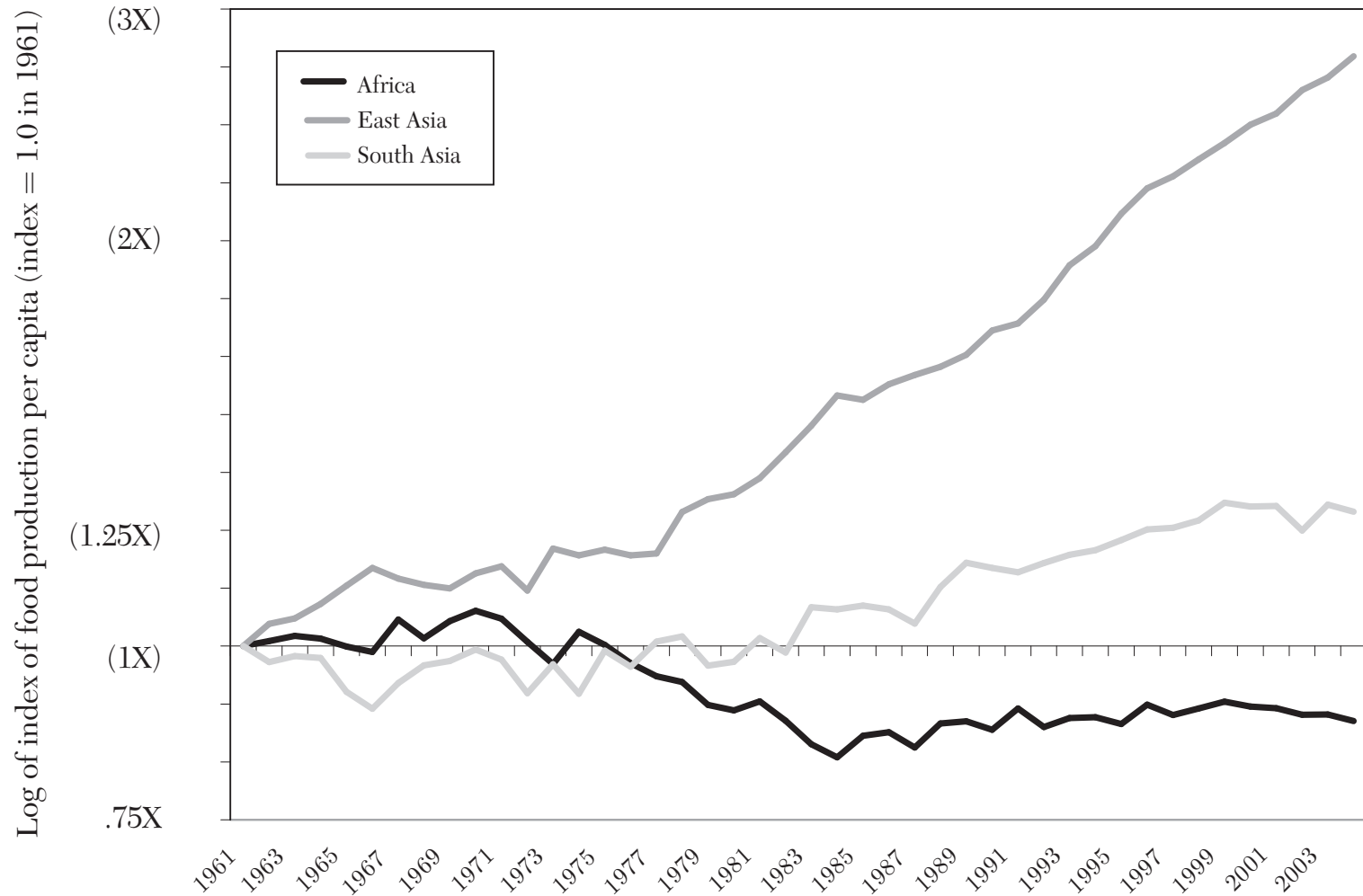


Figure 10. Failure of Food Production in Africa Relative to Green Revolution in Asia

Where'd agricultural aid go?

Easterly, 2009: 417

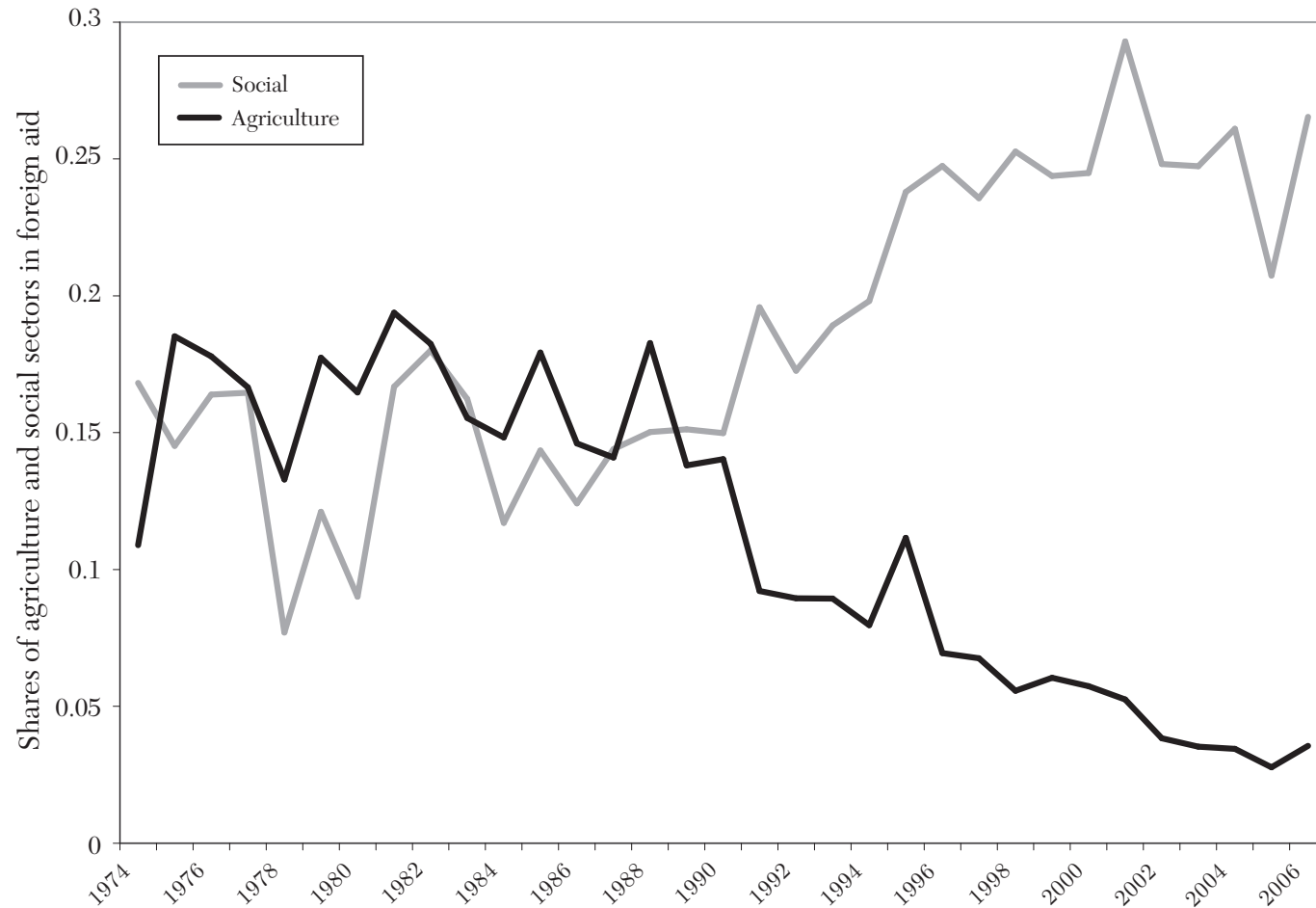


Figure 11. The Shift Out of Agricultural Aid into Social Sector Aid

Overvalued Currency?

Easterly, 2009: 423

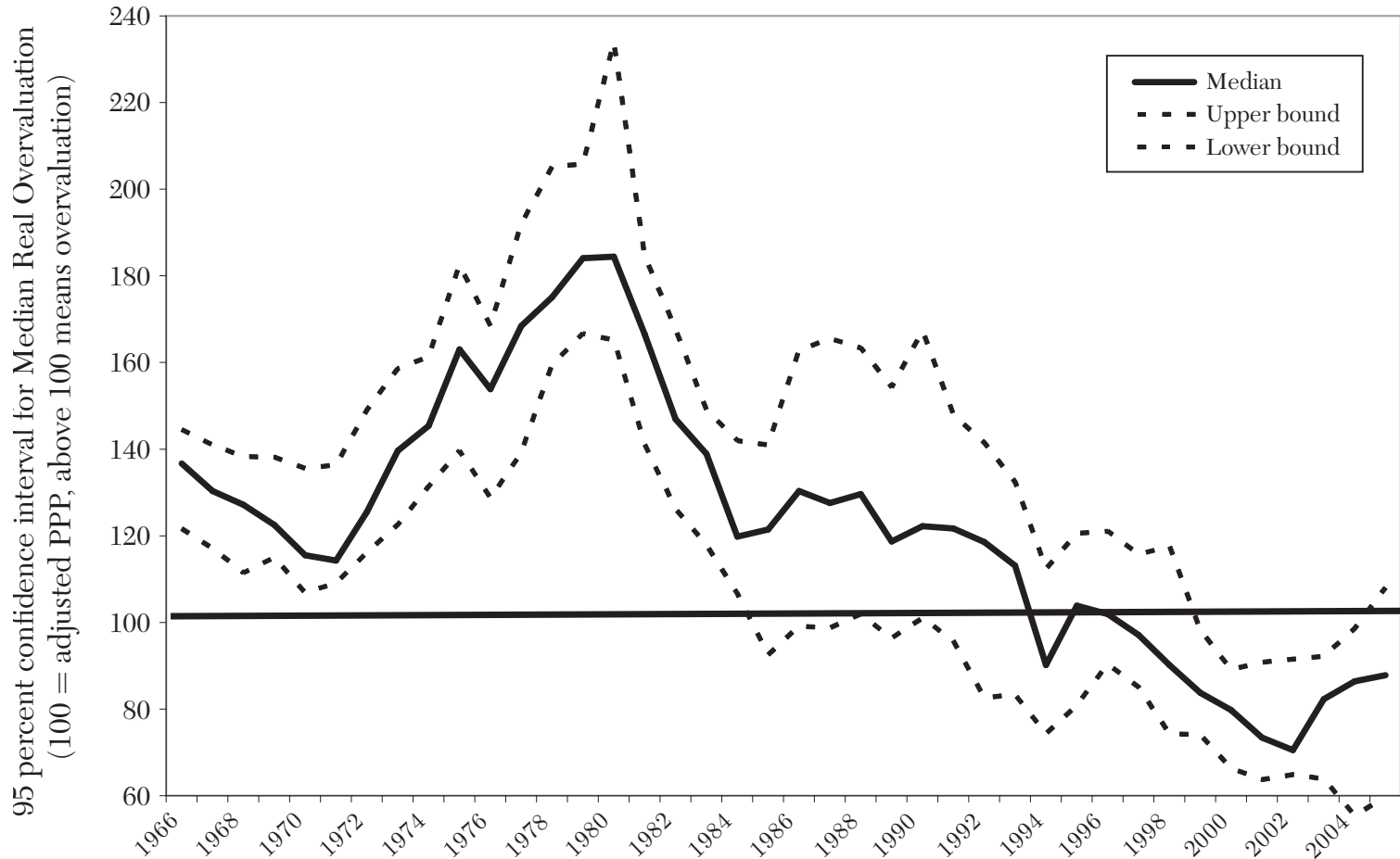


Figure 12. Downward Trend in Real Exchange Rate Overvaluation

A Decade of Consistent Corruption

Easterly, 2009: 427

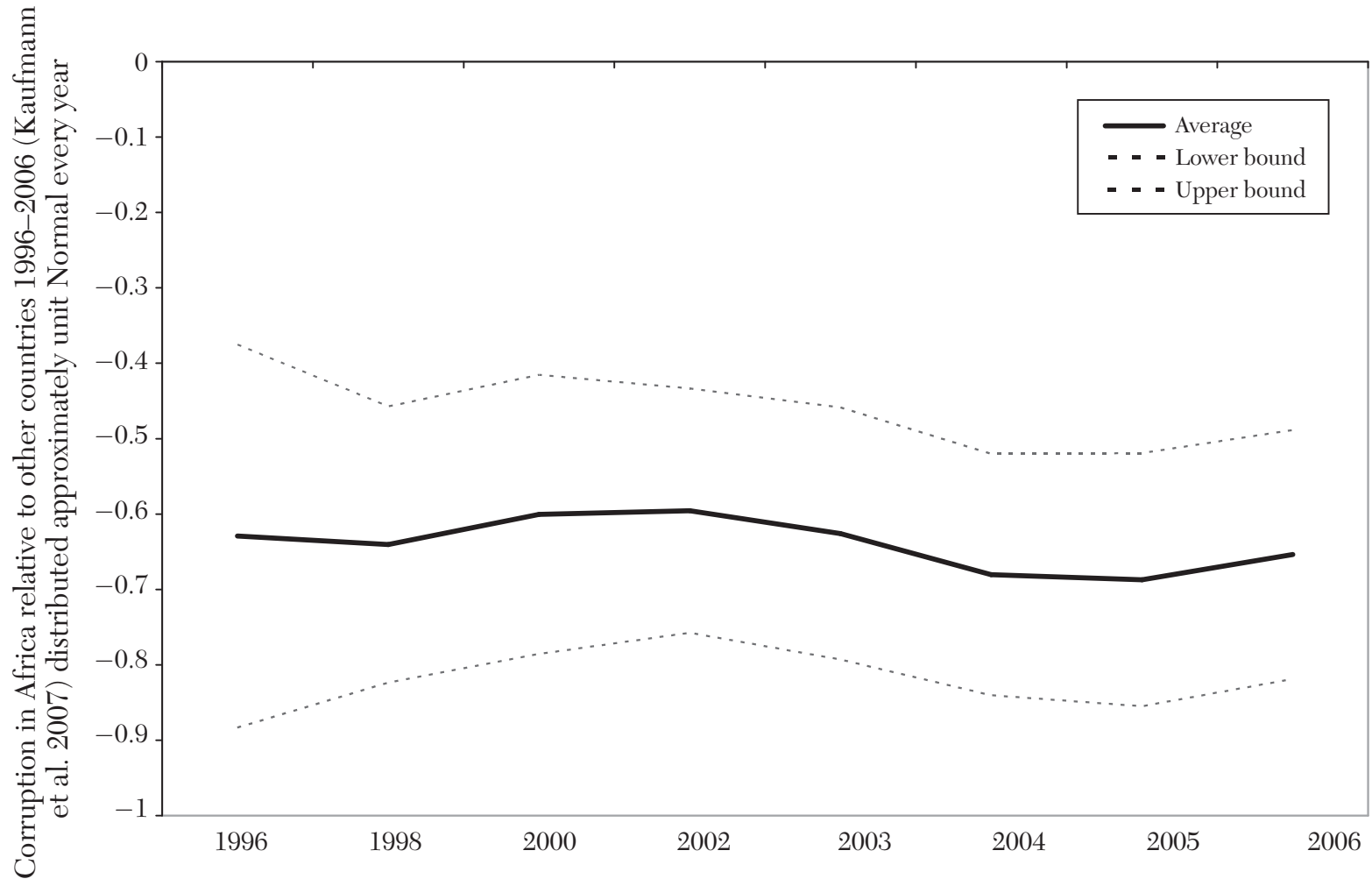


Figure 13. Corruption in Africa in International Perspective

Freer than thou?

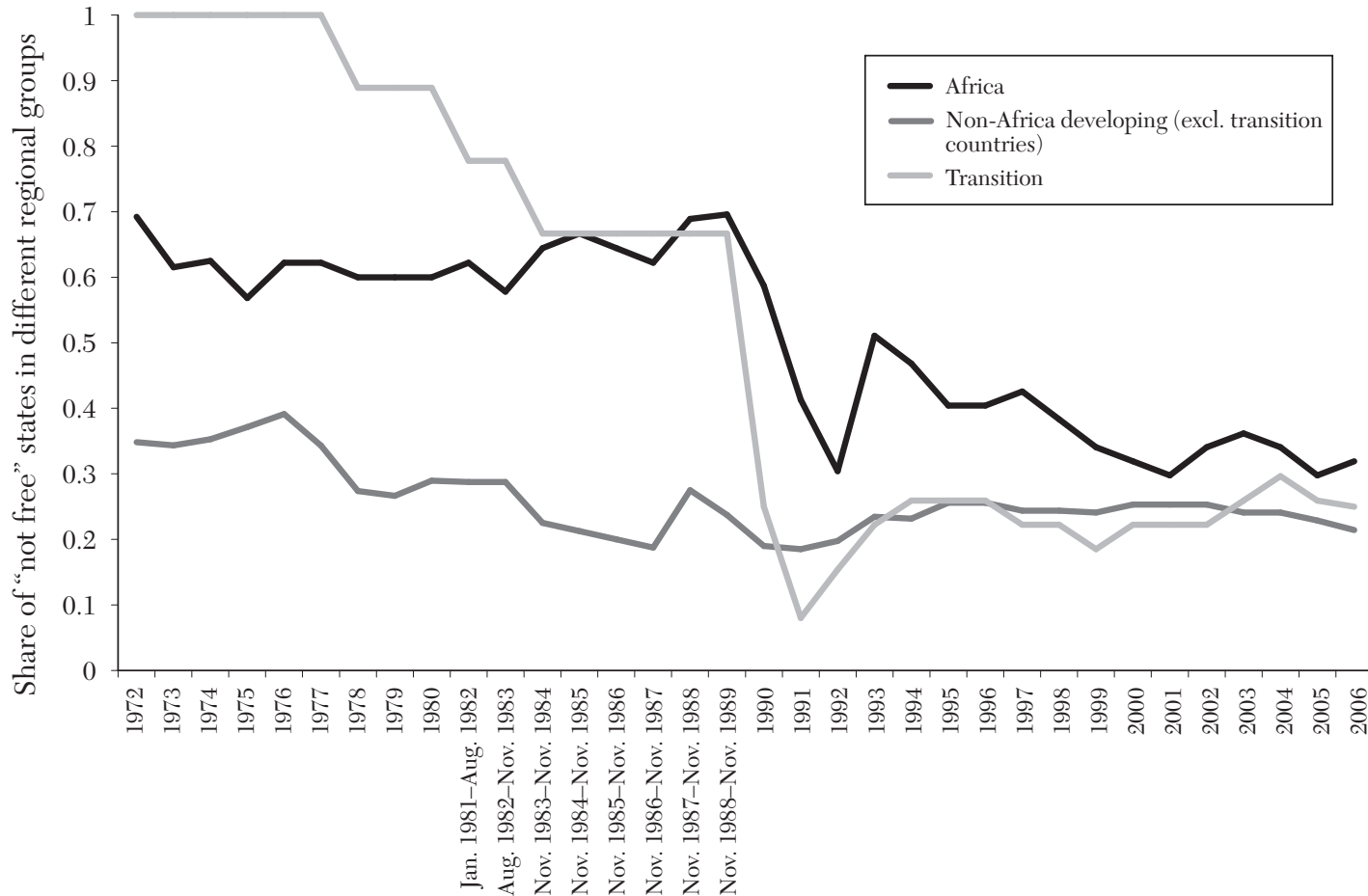


Figure 14. Democratization in Africa in International Perspective

Explaining Differences

- What kinds of theories do we have?
 - Poverty traps – people trapped in poverty because they do not have the capital or ability to escape
 - No poverty traps – something else that prevents income/aid from shoving people up the curves we care about

Poverty Trap?

Poor Economics p 12

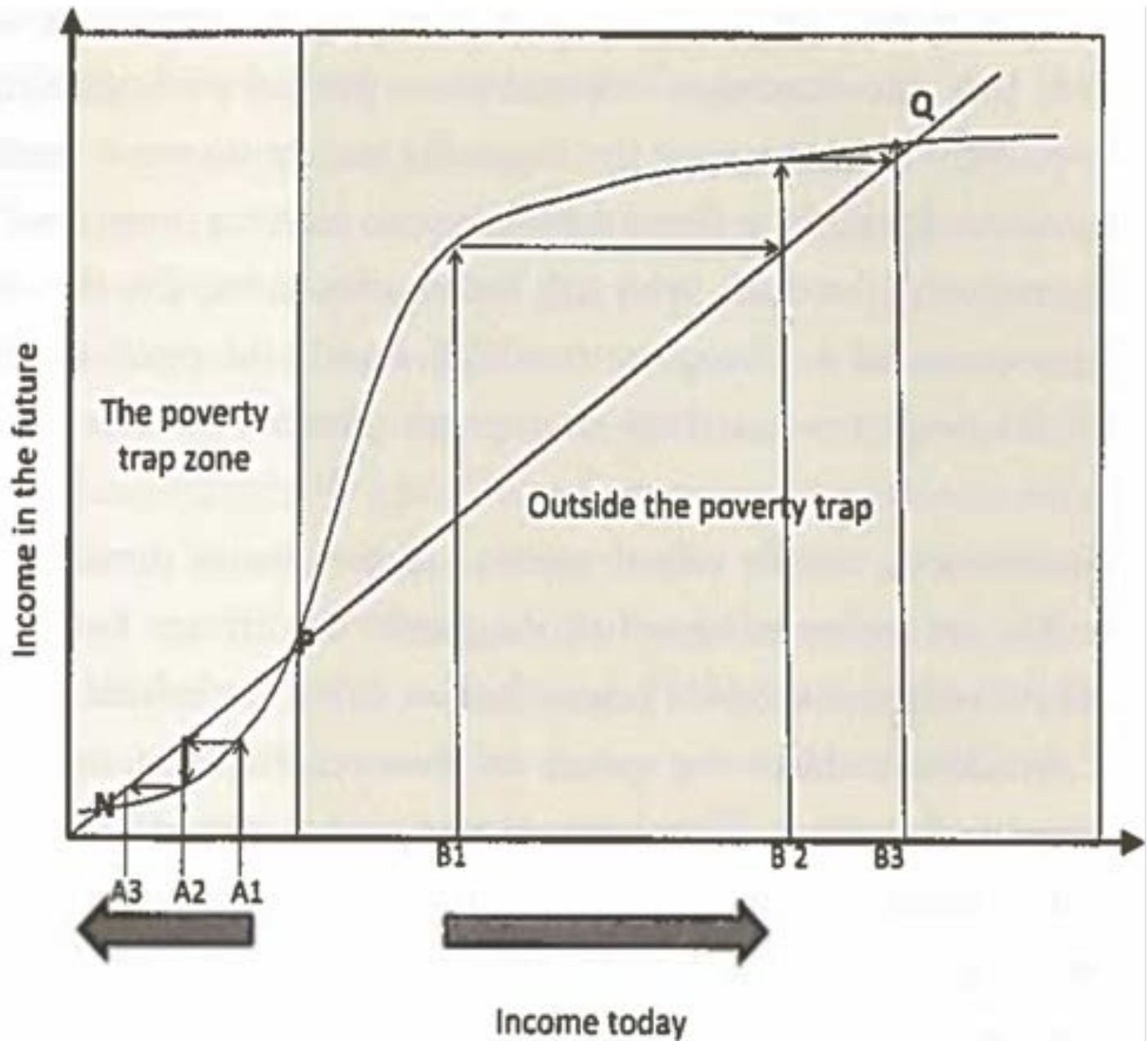


Figure 1: The S-Shape Curve and the Poverty Trap

Or no trap?

Poor Economics, p 13

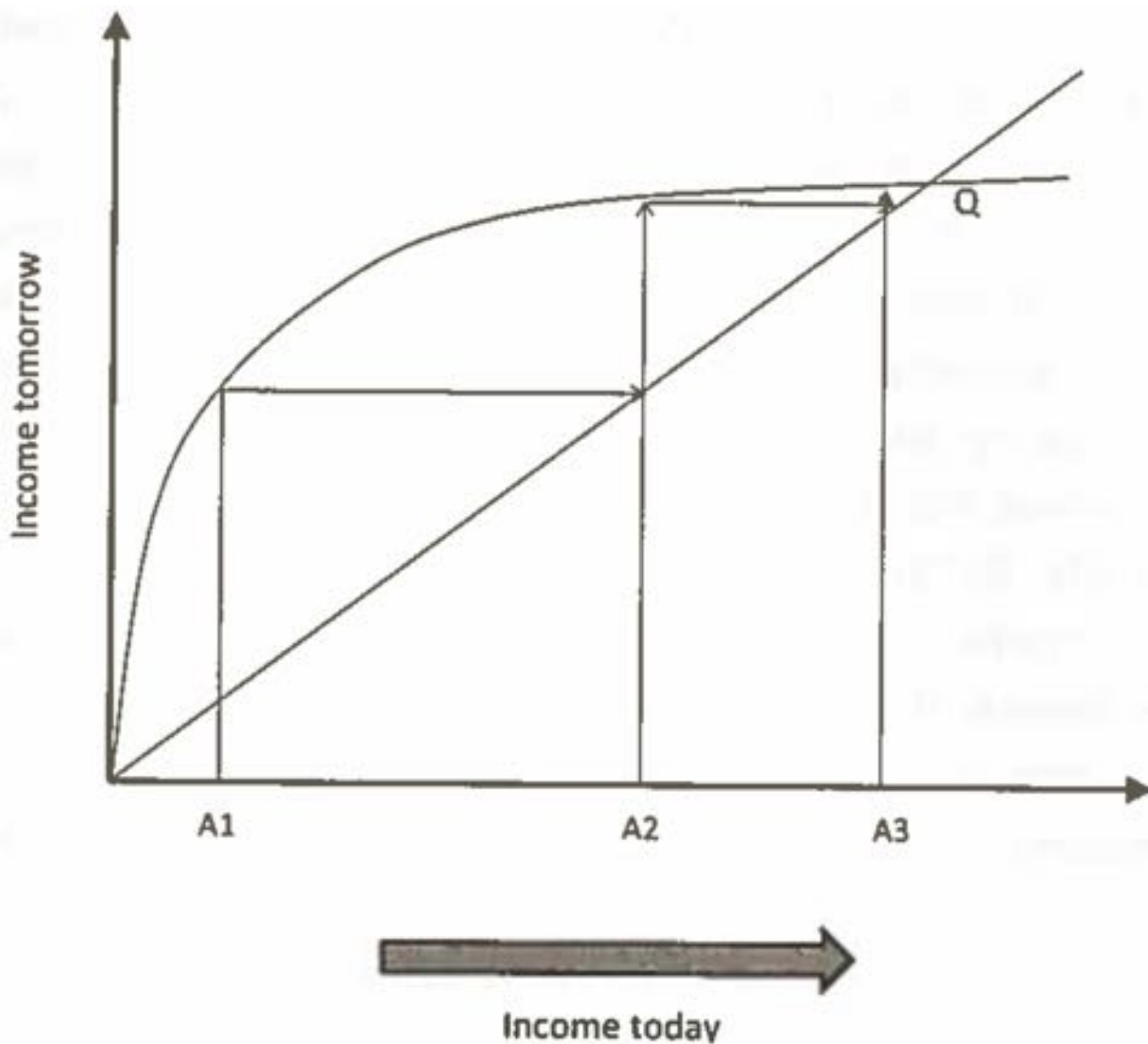


Figure 2: The Inverted L-Shape: No Poverty Trap

Hunger

- First Millennium Development Goal:
 - To reduce poverty and hunger
 - Poor essentially defined as someone without enough to eat
 - Are the 'bottom billion' all hungry?
 - Poor choose to allocate Y among X s?
 - Why do they substitute among goods and go for taste & not nourishment (calories)?
 - Rational? i.e. Poor and Rational, not *irrational*

Irrational Poor?

- What do B&D have to say about choices that poor individuals make with their income?
- What might their evidence suggest about 'helping' (or being paternalistic towards) poor individuals?
- Do you think there is a better way to go about facilitating poverty policy?
- What about in Africa? What extrapolations can you make from their data to African countries?

World Poverty

Thorbecke, 2008: 235

Headcount index

| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2005 |
|------------------------------------|------|------|------|------|------|------|------|------|------|
| East Asia and Pacific | 78.8 | 67.0 | 54.4 | 56.0 | 51.2 | 37.1 | 35.5 | 29.6 | 17.9 |
| of which China | 84.0 | 69.4 | 54.0 | 60.2 | 53.7 | 36.4 | 35.6 | 28.4 | 15.9 |
| Eastern Europe and Central Asia | 1.6 | 1.2 | 1.0 | 1.5 | 3.8 | 4.5 | 5.4 | 5.6 | 5.0 |
| Latin America and Caribbean | 12.3 | 13.9 | 12.4 | 10.7 | 10.8 | 11.5 | 11.6 | 10.1 | 8.2 |
| Middle East and North Africa | 8.6 | 6.8 | 6.9 | 5.4 | 5.2 | 5.3 | 5.8 | 4.7 | 4.6 |
| South Asia | 59.4 | 55.6 | 54.1 | 51.1 | 46.1 | 46.9 | 44.1 | 43.8 | 40.3 |
| Sub-Saharan Africa | 50.8 | 54.7 | 53.4 | 54.9 | 54.8 | 57.5 | 56.4 | 52.7 | 50.4 |
| Total | 52.0 | 47.1 | 41.8 | 41.6 | 38.9 | 34.8 | 33.7 | 31.0 | 25.7 |

Source: Chen and Ravallion (2008).

Numbers of Poor

Thorbecke, 2008: 235

Number of poor by region (millions)

| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2005 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| East Asia and Pacific | 1,087.6 | 968.8 | 826.2 | 893.4 | 851.7 | 642.2 | 635.7 | 543.9 | 336.9 |
| of which China | 835.1 | 719.9 | 585.7 | 683.2 | 632.7 | 442.8 | 446.7 | 363.2 | 207.7 |
| Eastern Europe and Central Asia | 6.6 | 5.0 | 4.3 | 7.0 | 17.8 | 21.1 | 25.7 | 26.7 | 23.9 |
| Latin America and Caribbean | 44.9 | 54.3 | 51.4 | 46.7 | 49.7 | 56.0 | 58.8 | 53.7 | 45.1 |
| Middle East and North Africa | 14.9 | 12.9 | 14.3 | 12.2 | 12.7 | 13.7 | 16.0 | 13.5 | 14.0 |
| South Asia | 548.3 | 542.3 | 568.2 | 572.3 | 549.5 | 593.1 | 588.9 | 616.1 | 595.5 |
| of which India | 420.5 | 410.8 | 428.8 | 433.9 | 411.2 | 471.6 | 471.2 | 488.9 | 455.8 |
| Sub-Saharan Africa | 202.0 | 237.1 | 252.8 | 283.7 | 305.9 | 347.8 | 370.0 | 373.2 | 384.2 |
| Total | 1,904.3 | 1,825.8 | 1,717.7 | 1,815.5 | 1,787.2 | 1,673.8 | 1,695.1 | 1,627.0 | 1,399.6 |

Inequality v. Poverty?

- What is a Gini Coefficient?
- How does it relate to income inequality?
- What happened to income inequality in Africa over the period Thorbecke inspects?

Anti-growth syndromes

- Thorbecke refers to 4 Anti-growth syndromes (pace Ndulu, 2008):
 1. Regulatory, based on reliance and controls and nationalization
 2. Ethno-regional redistribution (including looting)
 3. Inter-temporal redistribution (future to present)
 4. State Breakdown – inability to maintain internal security

Thorbecke's Typology

- Four factors:
 1. quality of institutions/failed - ELF
 2. Structure of production & importance of agriculture in growth & poverty
 3. Resources – rich or scarce
 4. Geography & role of coastal/landlocked
- How do these interact with/affect poverty/development?