

Mid-America Alliance for African Studies Conference

September 23-25, 1999

University of Kansas

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John Janzen:

...he has worked and published widely on the economics of development and debt and inequality in Africa and other regions. He wanted me to note that there is a third edition out of his Economics of Developing Countries and it's dated 1997. He is also working on a major three volume edited work on humanitarian emergencies and next year, in the year 2000, a three volume edited work will appear of which he is the lead editor. The first two volumes, coming out with Oxford University Press, are called War, Hunger, and Displacement: The Origins of Humanitarian Emergencies and the third volume, coming out with McMillan, is called War and Destitution: The Prevention of Humanitarian Emergencies. He also has an article with a co-author in The Journal of Conflict Resolution, "The Sources of Humanitarian Emergencies," this year, already out. Let us give our attention to Professor Nafziger. He has printed copies of his remarks this morning that you may pick up either now or later.

Wayne Nafziger:

Thanks very much John. Well let me start by talking about economic development and democracy so I can link what we're doing to the theme of the conference. In the early 1990s with the breakup of the Soviet Union and the apparent end of the Cold War, Western scholars and national leaders expected a surge toward liberal economic reform and competitive democratic elections. Russia, Central and Eastern Europe, Latin America and Sub-Saharan Africa appeared ripe for extensive economic and political liberalization. Now in 1991 Huntington visualized these changes as a later stage of a wave of democratization in these countries. He defines democracy as a procedure, "an institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of competitive struggle for *****" and for him, elections open, free, and fair are the essence of democracy. In Bratton ***** broaden this concept to include political protest, civil and political rights, and competitive elections, and they say that "the first half of the 1990s saw widespread political turbulence across the African continent which involved transitions away from one-party and military regimes starting with political protest, evolving through liberalization reforms and often culminating in competitive elections, and usually ending in the installation of new forms of regime. These transitions amounted to the most far-reaching shift in African political life in since the time of independence some 30 years earlier." Now from the perspective of the late 1990s, Bratton is uncertain that this early regime transition was a watershed in African politics, and Richard Joseph views the electoral democracies, remember, I think, that

Crawford Young mentioned this yesterday, as virtual democracies, deliberately contrived to satisfy international norms of presentability. The opposition parties, free press, labor unions and strong civil society needed to support a transparent accountable democratic society, all of these were still lacking. And also in the paper I quote Zakarian speaks of illiberal democracy in Africa run by strong men who divide, co-opt, and subdue the opposition. *****(name) regards these African countries as choiceless democracies, essentially. *****(names) note that the democratization process began about 1990 but it's actually increased the erosion of national sovereignty since aid donors now attach democratization as a condition for giving loans and grants, but essentially it has little effect, they argue, on elites, and it doesn't cause them to respond any differently to this political revolution. They also go on and look at major countries that have then had elections and argue in a sense that very few of them, perhaps South Africa being the only exception, have really undergone genuine democracy, at least in their words. Sandbrook, I quote him as well, in which he argues that democratization is actually aggravated after these divisions. And then I actually have a quote from Ottoman(?) in the paper, one part that isn't quoted, she says that "democracy as a stable state is highly desirable, but democratization of a process begins with such stable democracy and trigger highly undesirable side effects." Now let me go next and tell you what **** and O'Connell have done, they use Grafton's classification of 45 Sub-Saharan African states and they classify them in three different categories, multi-party systems, one-party systems, and military oligarchy, and they show that the five multi-party states, to be sure there are only five in 1988, have had you can see continuous economic growth since about 1960. They started out richer and they grew rapidly, expanding their advantage in terms of income per capita, which is perhaps the best measure we have of economic growth even though of course there is a substantial margin of error with the figure. And then one-party regimes, whether competitive or *****, grew in the 1960s but they barely increased after 1970, according to their data, they have 23 of these. And then finally military oligarchy, they started as the poorest nations and remain the poorest. They feel that all of this tends to reinforce what Lisitz(?) said, that there is this association between political democracy and economic development. Now of course the number of multi-party states they're talking about is very small, they have a small sample, and correlation doesn't mean causation, but nevertheless maybe when it comes to data in Africa this is maybe about as good as one can do. *****(name) also emphasizes the association of good governments with African growth, and on the other hand neo-patrimonial features or personalized patterns of authority and obligation with African authoritarian regimes and slow growth, or in many instances negative growth. Now when I did Inequality in Africa I tried to show how following average income and growing political consciousness in the 1970s and early 1980s added pressure to national leaders, whose response was usually not only anti-egalitarian, because you can see how being squeezed for the goodies they could distribute they might then not give as much to the bottom 50%, but also anti-growth, which means some of their policies like hurting small farmers incentives because they were really more concerned with those farms that count politically, or appropriating peasant surplus for para-statal industry, or building para-statal enterprises beyond management capacity, or using these inefficient firms to give benefits to clients, all of these sorts of items were not only anti-egalitarian but are anti-growth. Regime survival in this politically fragile system require expanding patronage to martial elite support at the expense of economic growth. Elites extract immediate ransom transfers(?) rather than providing incentives for economic growth. In addition, spurring peasant production(?) through market prices and through favorable exchange

rates would have interfered with state leaders' ability to build political support, especially in the city. But in a sense there's a dynamic here because on the one hand, say, you find that these policies tend to make it more difficult to govern, but I think it peaks back the other way in the sense that if it's more difficult to govern and you have to make some of these concessions in order to keep your coalition together then you're less likely to have economic growth. So it becomes almost a downward spiral, the kind of thing we've seen in countries like Angola, Ethiopia, Sudan, Somalia, Liberia, Sierra Leone, Congo, and Nigeria, where you have this continual interaction between negative growth and political decay, and I think that our case studies and also our econometric evidence seem to suggest that indeed it does work in both ways, the relationship between political decay and economic stagnation. Now if we were to look at African economic performance in the 1980s and 90s, well, you're aware of the oil crisis that took place in 1973 and '74, and then there was a credit cycle, the African leaders very much like small business people and farms in the United States were implored to borrow money from the sources that were available. Commercial credit, internationally in the case of the small farmers over here, but the banks, in any event they over-borrowed, actually they over-borrowed at a negative real rate of interest in the sense that the rate of interest was less than what the inflation rate was. And so very much like, for example, a farmer that I know who was told "Well, you can hardly lose in this situation because you are going to pay back in dollars that are worth far less than what they are today." In any event, that didn't last because as you know that in 1980 your real interest rates went very high, something like sometimes 15 or 20 percent. This then contributed to a lot of these problems which required stabilization, structural adjustment, as a last resort the IMF and World Bank got involved and many of these countries were saddled with a debt burden that they still haven't gotten rid of. The other thing of course that you know and I think it was mentioned the other day, I think that Young mentioned the idea, that there were these sort of statist economic policies during the '70s and early '80s, they emphasized detailed state planning, expansion of government-owned enterprises, heavy industry development, Crawford and I were just speaking today about the project in western Nigeria, actually expanded to three places in Nigeria where they had steel enterprises which, maybe one wasn't viable, certainly three weren't. But government intervention in exchange rates and food price setting, all of these were involved. It was often called African socialism, although in one sense say in terms of the effect on distribution of income or if you look at in the terms of the ability to plan comprehensively, well maybe in that sense it wasn't socialism, but anyway that was what it was coined. These policies contributed to stagnation and growing poverty, especially in rural areas, and also inequality. The political elite used the state to pursue economic policies that supported their interest at the expense of Africa's majority of the poor and working classes. What I wanted to do was to show you something to give you an idea of what has happened..... income per capita looked at in a different fashion in Sub-Saharan Africa. This is really the one we should talk about, this is the population weighted figure [refers to graph]. And if you look at the period from 1960 to 1980 real income for capita, that means what's the best measure we have of average material well-being, during that period roughly three quarters of the 29 states we have evidence for actually grew, so that in 1980 things were better of than in 1960. But if you look at the period of 1980 to 1970(mistake?), roughly two-thirds of the Sub-Saharan had a decline in their average income, you can see that that's the case, and actually if you look in the back [of the handout] at one of the graphs, graph number three, you can see the same sort of thing. And indeed from 1980 to 1997 there was a reduction in average income in the Sub-Saharan at about one percent

yearly. Another way you can look at it, I hope too much doesn't confuse you, another piece of data has to do with Africa's growth shortfall(?), which is again on that last page [of handout], and if you look at it, zero means that there's no difference, then everything above that means that Africa is growing more slowly, or else that it is declining faster than what Latin America and Asia are doing. Now to be sure, of course, we are always dealing with a large margin of error, but I think that this is sufficiently convincing that one can believe these figures. And in addition if you look at the back page we have a Table One, and really just focus on purchasing power parity, because your nominal GNP per capita figures are not always very good. Purchasing power parity adjusted is probably a bit better. And here you can see that Sub-Saharan Africa today ranks at the bottom. Again there is a large margin of error, but in any event it gives you some kind of an idea of the plight of Sub-Saharan Africa. Now its decline during the 1980s, if you could go back to that first graph I gave you, decline during the 1980s and early 1990s is very widespread, and indeed if you look at those that were the slowest growers in the 1980s, half of them from 1970 to the early 1980s experienced persistent stagnation, so for these we have a situation where the 1990s are no better than say the late 1960s. Most of this is in the face of the fact that they did increase the amount of physical capital that they had, there was more educated labor than before, but a substantial fall in the best measure of a level of technology, technology was not gaining, and I won't try to demonstrate this but if you want to ask about it I can go into it in more detail. One bright spot that Indulah(?) finds is that since 1995, well maybe since 1995 there's actually been growth, but especially this is the case of the Sub-Saharan countries that have political stability, and they even outperform a comparable group of non-African countries. Now if you look at poverty rates in the Sub-Sahara, again it's close to being at the bottom and maybe South Asian actually is, and if you look at it in terms of poverty gap, which I won't try to explain here, but it has to do with the distribution of income below the poverty level, the poverty level is often set at one dollar per day, looked at in terms of 1985 purchasing power parity, and you then look at what it takes to get all those people below the poverty level at poverty level. In the case of Sub-Saharan Africa it's estimated by the World Bank that it would take something like 15% of income to move all incomes up to the poverty level, which means that the gap is the largest of any region. Now on the other, and I think all of this is in the paper, literacy rates improved a bit, adult and child survival rates also improved, life expectancy improved, although the last figure we have is 1996 and perhaps since the AIDS crisis got worse there may no longer be that improvement. But you don't take the kind of investments to improve these, you can borrow many health practices, perhaps, overseas, at a much cheaper kind of way than you could if you were trying to improve technology in other sectors. Well there also have been some encouraging news, Sender has an article and Sender mentioned that Sub-Sahara has made overall advances in infrastructure such as electricity, private roads, newspapers, radios, and even televisions, and also information telecommunications technology, and when I spoke to someone this morning he mentioned the case of ***** farming out some of its work to a Nigerian company. Now the next thing I want to mention is the crisis in food and agricultural development. Since the 1960s and 1970s Sub-Saharan food output has fallen, and it's really rather startling, and if you look at the graph in the back, I believe it's figure four, you'll see that in the case of the Sub-Sahara you have almost, between 1962 and 1989, you have almost a one percent yearly production if food output per person, whereas in the developed countries you have three-tenths of a percent growth each year, whereas in the case of other developing countries it's something like half each year, and this is even when we try to use five year moving averages so you aren't

dependant on what happens in any given year, and even since 1989 things haven't improved a great deal. I believe I may even say in the paper what's happened to daily calorie consumption per capita, it hasn't really increased since 1970, and other sources of date seem to suggest that nutritional standards have if anything gone down in the last couple decades, and I give an illustration, you can look at it, about how India and the Sub-Sahara were both producing 50 millions tons in 1960, but by 1988 India had tripled its output as a result of the Green Revolution and technological change, but the Sub-Sahara was stuck virtually at that level. Now if we talk about agricultural policies before liberalization, and since we don't have a lot of time I think maybe I'll just try to go over it very quickly, you can see what my outline was, and I suppose if basically I can talk about the general picture of what's happening to the African economy that's probably all that one can expect before 9:45 which is the time that's approaching, but at any rate the policies before liberalization, which began say 1979, 1980 and the early 80s, are a product, of course you have the colonial period and the post-colonial neglect of agriculture, and the fact that say African political elites required the support of urban elites and working classes to maintain power and they tended to neglect agriculture, both in terms of the prices that they had to pay for their inputs from industry which often were subsidized, also in terms of the prices that they got, and also the exchange rate, what they got back in local currency by selling *****, indeed, one calculation that I did suggests that in Ghana the foreign exchange rate policy, remember of course that one military head of state ostensibly killed ,was condemned to death in part because of the exchange rate policy in value to the.... at any rate in Ghana such exchange rate policy coupled with the industrial price guarantee and the fact that food was artificially made very cheap meant that essentially you had 70% of agriculture savings was transferred to the non-agriculture sector in the 1960s and 70s, and since liberalization we've also had only slight improvement. Price distortions are not as great as what they were, but many of the institutional changes haven't been made. Of course there's very little irrigation in Africa compared to other developing countries. There's also a problem which I won't try to go into in it's complexity, but the problem of sort of changing from the traditional landholding system to individual titling(?), which in the process of allocation of political leaders results in a situation where the poor and marginalized lose their land to larger commercial and estate interests. And actually here the mainstream of economists, the World Bank and the IMF, have been guilty in a way of putting too much emphasis upon the idea of individualized property ownership, assuming that this was substantially superior to the traditional sector. But often at least in the transition it can be very expensive and can lead to agricultural production falling. I think another that's probably hurt even after liberalization is the fact that you have a larger concentration of holdings and these large holdings tend to be more inefficient per acre than what the small holdings was, and one can see this in terms of a couple kinds of arguing, one is that if you're looking at a person's own labor, the farmer's own labor and that of his or her household, that's a large part of the labor input for small farms and it's quite cheap, the other thing is, imagine when you have a hundred in a work force working for a large estate, how do you monitor and supervise these people? It's relatively easy when you have a small family farm to supervise and monitor people so they're efficient, and any of you who have been children on the farm know that there's a tendency at least to identify with the family's goal of trying to make more money or produce more food, but you don't have the same incentive when it comes to large estates. And then there's the issue of stabilization and structural adjustment which I think I can't discuss in detail. I talked about the fact that as interest rates went so high during the 1980s and you had a decline in the

terms of trade for much of Africa's primary exports, and I won't show you the transparency but I think it's in the back [of the handout], the last graph, if you want to ask about what these mean, it has to do with the price of exports relative to the price of imports and also the purchasing power of these exports, and you can see that there's a substantial decline in them, and all of this contributes to the continuing deficit and substantial debt on the part of African countries, and without debt rescheduling they had to undergo economic adjustment. Now most of these countries did not undertake economic adjustment on their own, but they went to the institution of last resort which is the World Bank and finally the International Monetary Fund. The conditions that the International Monetary Fund set, most of you are familiar with, they're often quite Draconian, including for example cutting back on spending which often means spending for the poor, I mean you have all kinds of horror stories, say for example the case of Ghana in the early 1980s, they had a mass vaccination project and they just pulled out the equipment and the refrigerators just like that because they were compelled in a way to reduce these expenditures. But in addition devaluation/deregulation, a whole host of changes, and rather than going into this in detail, surely of course part of the reason for these problems were mismanagement, slow growth on the part of many African countries. Not just mismanagement, actually perhaps misdirection in a way, where not much attention was paid to say the agriculture sector and to the poor. In any event for all these reasons you had very slow growth, increasing inequality, and the counterpart of that was substantial deficits internationally. Well, I could give you figures on how much the debt has increased, but I think most of you have probably heard this story and the effect this has had on the ability of African countries to be able to manage their own economies. There are instances, obviously, where the political leadership wanted to manage their economies well and improve the position of the population generally, but felt very much constrained by this major debt, sometimes they inherited it from the previous regime. Now I think rather than get into detail about economic policies I'll just simply kick off, in fact. Actually in these volumes coming out we tried to look at the economic policies African countries might have to improve their economic development, to reduce the risk of war and state violence, and they happen to be, very often, you may find it hard to believe and I can't persuade you in two minutes, but they also happen to be the policies that are best for economic development, and they happen to be consistent, many of you who have read the political science literature are acquainted with Davies' 1963 article on the beginning of political instability and also Beer's(?) work on relative deprivation and so forth, but I think that our findings, which essentially say that countries that have more economic stagnation, high inequality are more vulnerable to humanitarian emergencies of war, state violence, and refugee displacement. I think that all of this is consistent with the political science literature, if it's well argued, I really can't do this in a couple minutes, but I, well, I have my web page on the first page and you might take a look at some of the summaries of this evidence, but let me just kick off. We discuss for example the change in the IMF, World Bank goals. There's a lot of questioning even by World Bank economists of whether the emphasis upon reducing inflation is really a good policy because the evidence, some of the empirical evidence now by World Bank economists, show that if inflation rates are below 20% then these macroeconomic stabilization policies that ***** are probably counterproductive, the ones that say you have to cut back on spending substantially, et cetera. Also there's a question about how you phase in some of the changes. Oh, just recently the IMF admitted that Malaysia's prime minister, Mohammed Mahatur, actually did the right thing in terms of putting controls on capital a year ago. This enabled the country to grow reasonably well and to get out of the

depression which many Asian economies had experienced in 1997 and 1998, and there are a lot of other sort of policies that mainstream economists think are bad which however, if they're done very suddenly can have drastic consequences, for instance trade liberalization, in general a good thing, for the long run may not be good if you do it in an abrupt way for a short period of time. So those are some of the things I would have discussed. The question of aid and debt relief. Aid really doesn't seem to correlate with either political stability or economic growth, but certain kinds of aid, for example food aid, especially commercial aid as opposed to direct commodities coming all the way from Europe or the United States. Or aid to farm technology, research on the necessary agriculture technology, biological, chemical, whatever it might be in these very particular ecological zones that Africa represents. Also the kinds of aid which guards against these sudden external shocks, like a sudden increase in oil prices or raw material prices, seem to be a good investment but again there don't seem to be very many funds. Clearly there are certain kinds of economies, I think we could put Nigeria even today under civilian rule, quote civilian rule, in that category where you can easily see why the IMF and World Bank and other lenders which depend on the IMF for their signal, would have qualms about say debt relief for Nigeria. So when we're talking about aid and debt relief I do think that much more ought to be done for some of the African countries which are not highly corrupt and utilize capital well, but I think there are others where it might sort of be like putting your money into a black hole or something similar. So that's another issue. The issue of investment, I think that economists are looking differently at this in terms of some of the benefits of investment. The ability to collect taxes and provide basic services are a major part of whether you are a legitimate government, it's very difficult to raise taxes to actually find sources of revenue, you simply can't of course use the kind of tax system which we have in Europe and the United States, and even that Value Added tax which many would say are so ideal for developing countries, is probably not the kind that you could use for the retailers, the peddlers, the small traders and industrialists in so many of the African countries, so you have to them resort to the kinds of taxes on things like corporate profits and wages, the wages of government bureaucrats, excise taxes, luxury taxes, taxes that might be assessed on manufacturers rather than retailers. These are not considered in literature to be very good taxes to restore production, but sometimes it's better to use say the tenth best alternative that can be done rather than the best alternative which is impossible. And there are other kinds of issues as well that one could discuss when you're talking about the economic policy. But I think that rather than going into that I will try to conclude by saying that the counterpart to the democratic wave in politics is not really economic liberalization, Africa has liberalized, I think you should be aware that its elites, even elites who were once Marxists, now sing the tune of Milton Friedman and other Western economists. It's not really economic liberalization but economic development that seeks down to the masses, let's say reducing inequality and poverty, I think when we're talking about the equivalent to the democratic wave maybe that's what we're talking about. The sort of thing not where the peasant and the poorest worker has lots of power, but at least perhaps has a more decent standard of living. Africa has made little or no progress during the 1980s and the early 1990s in improving the material welfare of workers, peasants, and the poor. There is however some evidence that since the mid-1990s poverty has fallen as a result of some growth. Africa will require greater political stability, wider political participation, substantial economic institutional change, and reduced income inequality for poverty to continue to fall, as it has for the last four or five years, over a longer period of time.

