

Explaining African Economic Growth: The Role of Anti-growth Syndromes

by

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1. Introduction – The AERC Growth Project

“Explaining African Economic Growth Performance,” or simply the “Growth Project,” was conceived in 1997 as a collaborative effort of Harvard University, Oxford University, and the African Economic Research Consortium (AERC). It was formally launched with the presentation of framework papers at a Harvard University workshop in March 1999. The project is designed to produce the first major, comprehensive assessment by African research economists of the continent’s growth experience in the post-independence period.

Until the mid-1970s, many African economies grew rapidly. However, growth decelerated substantially thereafter, both in absolute terms and relative to the experience of other regions. Although reforms produced a rebound in some countries as early as the mid-1980s, sustained growth has yet to sweep the continent or to make decisive inroads in reversing a cumulative legacy of stagnation. The Growth Project is designed to explain this growth record. It does this by combining the usual macro-growth framework, based on the global evidence on the determinants of growth, with country-based work on the microeconomic behavior of firms and households, the organization of markets, and the political economy of policy. By analyzing data from roughly 1960 to the present within this four-perspective approach, the study intends to answer the question of why economic growth in Africa has not been as rapid since the mid-1970s.

In a two-stage approach, research teams first use cross-country regression models to place each country’s growth in comparative perspective, and then attempt to identify its major determinants over time at the country level. The bulk of the research then occurs at the country level, where the task is to marshal evidence on why these determinants

evolved as they did. Growth episodes that are poorly captured by the first stage motivate a search for country-specific mechanisms omitted from the cross-country model. The two stages of analysis discipline and inform each other, producing unified and comparable accounts of individual-country experience and generating new insights both at the country and cross-country levels.

Guided by this methodology, a committee of outside scholars has interacted with 27 country-based research teams since December 1999, in a cumulative process of technical training, country research, and peer review. Countries were chosen with a view to achieving a structurally diverse and regionally balanced sample, with some emphasis given to economic size (see Table 1). While the sample covers the bulk of the sub-Saharan African population and income, some bias likely remains due to the under-representation of countries where armed conflict and/or state collapse have left major gaps in the historical record.

The Growth Project has established a network of African growth scholars and generated a rich store of analytically comparable country material. The challenge in bringing this work to fruition is to extract its lessons for economic policy. What were the key growth opportunities, country-by-country? What decisions led to their being so often missed? Why were these decisions taken, rather than the alternate more growth-enhancing ones? Where do the main growth opportunities and constraints now lie? In its culminating phase the project will merge research and policy objectives in an intensive examination of the political economy of African economic policy, in order to better understand the political pressures and institutions underlying observed policy choices.

At a conference of August 2003 at Stanford University, the editorial committee developed a taxonomy of the economic and political environments detectable in the country studies, together with a corresponding classification of country episodes. Where growth opportunities were favorable but countries nonetheless slipped into familiar anti-growth syndromes – control regimes, adverse redistribution, unsustainable spending booms, or failed states – the case evidence often suggests a clear role for imperfect information with respect to policy choice, in conjunction with poor quality of domestic political institutions. While the first three syndromes clearly reflect policy choices, the failed-state syndrome may be the result of deeply rooted institutional problems with only a marginal role for policy. Policy could still be salient even in this case, however. For example, appropriate redistribution could help to attenuate polarization and hence reduce the likelihood of conflict that could lead to state failure.

Governments managed to choose largely market-based policies roughly a third of the episodes identified in the country studies. The challenge, in these cases, is to explain the relative importance of structural constraints, external shocks, and country-specific features in generating the much lower observed frequency of rapid growth.

The case studies also provide support for the view that market-based reforms and improvements in public sector management establish a strong basis for renewed growth among politically stable African countries during the turbulent 1990s. Where reforms or political stability failed, however, so did growth. To achieve sustained economic growth and poverty reduction, therefore, the key is to create the political economy that keeps the reforms in place while preserving political stability.

****Table 1 about here****

2. The African Growth Record

The growth of African economies has differed distinctively between sub-Saharan Africa (SSA) and North Africa (Fosu [2001]). While average annual GDP growth of SSA fell by more than one-half of its value between 1960-74 and post-1974 (from 5.4 percent to 2.0 percent), the growth of North Africa declined only slightly (from 5.1 percent to 4.4 percent). (Ibid.) Thus, the precipitous decline in growth as of the mid-1970s appears to be a phenomenon of SSA rather than of Africa as a whole. Hence, the current analysis will focus on SSA, and “Africa” will be used synonymously with “SSA”.

****Table 2 about here****

Table 2 presents the GDP growth record of SSA countries,¹ based on half-decadal data for 1961-2000. Several observations are derivable from this table. First, the data confirm the view that for SSA as a whole the structural break in growth performance probably occurred in the mid-1970s. Second, the variance of growth among African countries appears to have increased as of the mid-1970s, suggesting that countries may have been subjected to different episodes during this period. Third, there is considerable variance in growth performance across African countries over the entire sample period, suggesting non-uniformity of performance. Fourth, the substantial inter-temporal disparity in growth performance rankings for most of the countries (the only possible exception being Botswana whose ranking is consistently in the top 25 percent) suggests the flip-flop nature of the relative growth performance of these countries. Finally, the inter-temporal variance appears to differ considerably across countries (see the coefficient of variation, for example), possibly supporting the view that growth episodes may have occurred in different degrees across countries.

¹ We use GDP rather than per capita GDP growth here in order to avoid the endogeneity issues associated with population growth. Note also that for inter-temporal consistency, only those countries with consistently available data are presented. Unfortunately, that reduces the sample of countries to 28, and a number of countries included in the Growth Project are missing.

An important hypothesis underlying the current study is that the prevalence of growth episodes has reduced long-term growth. A rough test of this hypothesis is to see if those countries with greater variance in growth have experienced diminished growth over the period. A first-order correlation between the mean growth and coefficient of variation indeed seems to support this hypothesis.² Thus, to the extent that the variance in the half-decadal growth is attributable to episodes, the simple test provided here suggests that greater prevalence of episodes can be growth-inhibiting. The question then is to identify factors leading to these growth episodes. One such factor is external shocks that may be exogenous to policy choices. However, the effect of external shocks, even if exogenous, may be influenced by policy, and policy choice may also be endogenous to external shocks. Nevertheless, it seems appropriate to search for policy-related syndromes that may explain the episodic nature of the growth record in African countries. What are the implications of these syndromes for growth? How are these syndromes generated? And how could they be addressed? We shall rely heavily on the case studies in order to attempt to answer these questions.

3. Growth Syndromes

Africa's growth experience is diverse.³ Periods of rapid growth have not been uncommon, and sustained rapid growth has emerged in Botswana and Mauritius, with sustained moderate growth observed in many more cases, as in Ghana since the early 1980s. But the central challenge is one of understanding a failure to achieve sustained growth. Given the central role of modern states in defining the incentive environment for private economic activity, this failure must ultimately be traced to some combination of adverse growth opportunities and unsuccessful policy choices, construing the latter broadly to include the full set of economic roles undertaken by the state, as producer, consumer, and regulator of economic activity. The central questions of the growth project are two: What were the growth opportunities and constraints? What explains success or failure in seizing the opportunities?

² The Pearson correlation coefficient equals -0.486 , which is significant at the 0.01 two-tailed level.

³ This section draws freely on Collier and O'Connell (2004) and O'Connell (2004). The first comprehensive presentation of the synthesis taxonomy was written by Paul Collier as a background note for the Growth project conference in November 2003.

In the ongoing synthesis of growth project findings, we have organized the analysis of these questions using a two-way taxonomy of opportunities by choices. The period since 1960 has been one of steady increases in the share of trade in world GDP, making success or failure at engaging with international markets a central determinant of development success. We therefore proxy underlying growth opportunities by aspects of geographical location and resource endowment that have powerfully differentiated the growth experience of developing countries on a global basis. As explained in detail in Collier and O'Connell (1994), three opportunity groups form the basis for our classification. *Resource-rich* economies are those in which the rents from natural resource exports are sufficiently large that success or failure in managing these rents plays a decisive role in overall growth performance. This is a time-varying category; economies like Zambia came to independence as resource-rich economies, but a striking feature of African experience has been the entry of countries like Cameroon, Nigeria and Equatorial Guinea into this category well after independence. This group will soon include Sudan and Chad. Among the remaining economies, we emphasize the importance of transport costs, political borders, and distance to markets on growth opportunities. We key distinction here is between *coastal, resource-poor* economies like Senegal, Tanzania, or Madagascar, and *landlocked, resource-poor* economies like Burundi and Malawi.

In the present paper we focus on choices. The narratives contained in our country studies organize experience by growth *episodes* – periods of a few years' duration to a decade or longer during which the incentive environment for growth had an identifiable and reasonably consistent character. Country authors were asked to characterize the nature of that environment, to assess its impacts on investment and growth, and of critical importance, to study the internal political economy of its evolution over time. While no single account can capture the complexity of African experience, this episodal structure lends itself to the identification of recurring patterns in the country evidence. In this section we review the four broad anti-growth syndromes that emerged in an intensive review of the draft country studies by the project editors. These are not exhaustive of the ways in which African governments have actively shaped the growth environment, and in a substantial proportion of episodes, countries avoided all four syndromes. Nor do the patterns we outline here constitute a complete account of growth outcomes, which

requires controlling for exogenous shocks and for the nature of underlying growth opportunities. Our interest here is more limited: how have governments shaped the incentive environment for growth?

Table 3 identifies four broad anti-growth syndromes. Three can usefully be thought of as directly reflecting the choices of incumbent state actors – in turn, control or *regulatory* regimes that distort productive activity and reward rent-seeking, *redistributive* regimes that compromise efficiency for the sake of redistribution, and *intertemporal* regimes that produce macroeconomic instability by systematically undervaluing the future. The fourth, *state breakdown*, refers to situations of civil war or intense political instability in which a government fails to provide security or to project a coherent identity in a substantial portion of the country. The policy patterns characteristic of each syndrome are described in full in Collier and O’Connell (2004), and we draw on that discussion before exploring the linkages of these syndromes to growth. In a subsequent section we turn to the case evidence to illustrate the syndromes and explore the forces behind their adoption and abandonment.

***Table 3 here.

In the cells of Table 3 we report the results of a detailed qualitative exercise undertaken by the editorial committee and refined further in consultation with the country authors. Based on a detailed reading of the country evidence, the episodes within each country’s overall narrative were classified as displaying one or more of the syndromes or, in the many cases in which syndromes were absent, as *syndrome-free*. At a subsequent stage the editorial committee extended the classification to the remaining African countries, based on a consultation of the relevant literature.⁴ We report the data first by country/years and then by person/years, with each country/year weighted by mid-sample population. Differences reflect the wide distribution of population sizes in the continent

⁴ The first stage of this exercise was undertaken by Jean-Paul Azam, Robert Bates, Paul Collier, Augustin Fosu, Jan Gunning, Benno Ndulu, and Stephen O’Connell in August 2003, based on draft versions of the country studies. The classification was assessed by country authors at a November 2003 conference and refined in response to their comments. In August 2004 the editorial committee undertook a similar judgmental exercise to extend the sample to most of Africa.

and particularly the influence of Nigeria (re-classified from coastal to resource-rich starting in 1971).

It is critical to emphasize that the classification we developed is based on policies and not on growth outcomes. For each syndrome, theoretical considerations and global evidence suggest potentially substantial effects on growth, holding other influences constant. But a country exhibiting an anti-growth syndrome may nonetheless grow rapidly, as Sudan has done in the latter half of the 1990s; and a country that steers clear of syndromes may stagnate, as Malawi did in the 1980s and Cote d'Ivoire in the early 1990s. What the African evidence suggests, however, is that being syndrome-free is virtually a sufficient condition for avoiding the short-run growth collapses that have so often undermined long-run growth performance on the continent. At the same time, while an absence of syndromes does not guarantee rapid growth, it is virtually a necessary condition for sustaining rapid growth in the medium term. Where strong growth emerges in the midst of a syndrome, it tends to do so either temporarily, as a result of unsustainable dynamics, or both temporarily and fortuitously, as a response to favorable shocks.

3.1 Regulatory syndromes

African countries came to independence in the wake of World War II and in an economic and intellectual environment transformed by the Great Depression and the emergence of the Soviet Union as an industrial power. Founding governments had highly ambitious views of what governments could and should accomplish in the service of modernization (a theme developed in detail by Ndulu (2004)). Yet the governments of Kenya (under Kenyatta) versus Tanzania, Cote d'Ivoire versus Ghana (under Nkrumah), and Botswana versus Zambia all differed qualitatively in the relative status attached to markets and private accumulation as opposed to direct controls and government regulation in the development process. Each pair also differed in the importance attributed to international markets and foreign private capital in the development process. These differences continue to distinguish episodes both within and across countries through the entire period.

We identify regulatory regimes as those in which governments heavily distorted major economic markets (labor, finance, domestic and international trade, and production) in service of state-led and inward-looking development strategies. These regimes often emerged under the banner of socialist or communist ideology. Within this category, *soft controls* are characterized by aggressive import substitution, financial repression, and rapid expansion of the state enterprise sector, as in Zambia under Kenneth Kaunda. *Hard controls* imply deeper and more widespread repudiation of markets and an embrace of Soviet-style planning; these are often, though not always, identified with revolutionary Marxist ideology as in Ethiopia under the Derg regime. The 1967 Arusha Declaration and the 1969 Mulungushi Declaration marked the formal adoption of socialist orientation in Tanzania and Zambia, respectively, and such pronouncements often provide key markers, with the distinction between soft and hard controls a matter of judgment. By the early 1970s, for example, we judge Tanzania to have adopted hard controls, with extremely tight exchange controls, price controls and government marketing monopolies covering major portions of internal and external trade, a monopoly nationalized banking sector, and the forcible relocation of smallholders into collective *ujamaa* villages. The regulatory regime in Zambia, by contrast, remained soft until the adoption of market-based reforms in the early 1990s.

The hallmark of regulatory regimes is a dirigiste mentality that tolerates substantial market distortions in an attempt to rapidly alter historical patterns of resource allocation. No single indicator captures these regimes, because patterns of intervention are country- and institution-specific. In countries with independent national currencies, for example, where exchange controls were widely used to direct cheap foreign exchange to favored uses, the size of the black market premium provides a measure of how far policymakers were willing to depart from market pricing in one key arena. This instrument was absent in the CFA zone where convertibility and an open capital account were enforced at the community-wide level and supported by a convertibility guarantee from France. Within the CFA zone, indicators like the steepness of effective protection or the ratio of public sector wages to national incomes provide better indicators of how far governments were willing to tilt the incentive environment. By a similar token real deposit interest rates in the banking sector provide useful differentiation in the degrees of

financial repression imposed or tolerated among countries with national currencies; for the CFA countries or members of the Rand monetary area (Namibia, Lesotho and Swaziland), real interest rates say less about national policy orientations and other measures of financial repression, including subsidies granted to loss-making development banks, would be more useful. While our classification is a qualitative one, Table 4 conveys some of its content using two leading indicators of market distortions among countries with national currencies. Using median values to avoid distortion from outliers, black market premia are distinctly higher in hard control regimes than in soft control regimes, and virtually absent in the syndrome-free cases. A measure of *ex ante* real interest rates is negative only in the regulatory regimes, and the distortion in hard control regimes is roughly twice that in the soft regimes at the median.

***Table 4 here.

Highly distorting regulatory regimes undermine growth both directly, through the deadweight efficiency losses associated with diversion of prices from social opportunity costs, and indirectly, through the diversion of private activity from socially productive arenas to rent-seeking. The classic treatment in the African context is Bates (1981), who argued that the stagnation of both industry and agriculture was rooted in the use marketing boards, import quotas, and other direct interventions to generate massive resource transfers from agriculture to industry and government. Agriculture stagnated because low producer prices and inadequate public investment undermined private incentives to invest and produce; industry stagnated for lack of foreign and domestic competition and because controls invited the diversion of resources from production to rent-seeking. What supported the resource transfer out of agriculture, in Bates' analysis, was the greater political coherence, and therefore political influence, of the largely urban interest groups who gained from the transfer. While Batesian interest-based accounts help explain the persistence of control regimes in our country studies, what looms larger in their adoption is the ideological background and political origins of leaders. Intellectual fashions go further than urban bias, for example, in explaining the strands of Fabian socialism adopted from Senegal to Tanzania to Mauritius; the agricultural origins of early

leaders in Cote d'Ivoire, Malawi and Kenya help explain the more supportive stance towards agriculture in these countries.

3.2 Redistributive syndromes

Redistributive syndromes are those in which efficiency-compromising resource transfers played a dominant role in defining the growth environment. Based on the country material, we distinguish progressive or *vertical* redistribution syndromes, which aggressively seek to equalize the size distribution of household assets or income, from *regional* redistribution syndromes, which often respond to regionally-polarized political conflict. Redistribution from rich to poor households has ambiguous effects on growth – deadweight efficiency losses are unavoidable, but if redistribution dramatically alters the investment constraints facing poor households the net impact may be growth-promoting. More fundamentally, of course, such redistribution may be highly desirable in its own right. But vertical redistribution does not feature prominently in the case material – we find very few cases in which it has become a defining characteristic of the growth environment, as it perhaps did in Namibia in the 1990s and is currently doing, much more damagingly, in Zimbabwe. Regional redistribution, by contrast, is considerably more common in the country material. This syndrome reflects pre-existing economic and political cleavages that were in some cases developed and more often articulated during the colonial period. Nigeria is a leading example; an uneasy federal accommodation of the poorer, larger and more politically coherent Muslim north with the Yoruba and Ibo-dominated coastal regions produced a civil war in 1967 and a succession of northern military governments intent on maintaining control over coastal oil resources.

Since investment is forward-looking, a redistribution that is *anticipated* by asset owners and potential investors can undermine growth well before it actually occurs. The anticipation is typically rooted in the prospect of a political transition that will remove the current elite from power and remove the protections afforded by that elite to favored groups. The leading example in our case material is South Africa, where the apartheid system became increasingly isolated politically beginning in the early 1980s, undermining the investment incentives of the white minority. This situation persisted, in our judgment, at least until the transition to majority rule and the adoption a few years

later of a federal structure. In our view it continues, to a substantial degree, under ANC rule.

Redistribution implies the appropriation and transfer of private incomes or assets, thereby drawing the state into market interventions that may compromise growth by distorting the incentive to invest. But as pointed out forcefully by Azam in a series of articles (1995, 2001), redistribution may be growth-enhancing in an environment of deep political polarization. Figure 3 shows the essence of this argument (developed by Azam in a forthcoming synthesis chapter). We conceive of two regions, whose relative income endowments are as given at point A. Region 2 is in control of the national government. By virtue of its low income, however, region 1 has a low opportunity cost of conflict. In this situation the option of armed rebellion may appear attractive to political leaders in region 1 even if it is inefficient for the country as a whole. Indeed, if the likely result of a (costly) civil war, at point B, is anywhere north of point A, then region 1 is strictly better off under rebellion than under the status quo. The threat of armed rebellion is then credible. If transfers were costless, the contract curve of efficient bilateral bargains between the regions would be the segment CD. Taking the efficiency costs of redistribution into account, the contract curve may be closer to EF, with point E being the minimal inter-regional transfer capable of “buying the peace.” To identify regional transfers as an anti-growth syndrome would reflect, in this case, the adoption of an irrelevant counterfactual. Put more simply, the “no redistribution” point (A) is not an equilibrium.

***Figure 3 here.

In the Azam analysis, deeply polarized countries that reach efficient political bargains avoid a counterfactual of state breakdown. Growth is slower than in structurally similar countries where polarization is absent, but faster than in polarized countries where institutional weaknesses, collective action problems, and opportunistic behavior by regional elites prevent the striking of durable and intertemporally efficient bargains. In our classification of episodes, we have sought to restrict the redistributive syndrome to the latter category, recognizing that these are contentious distinctions of degree.

3.3 Intertemporal syndromes

Intertemporal syndromes redistribute resources from the future to the present. The primary form of this syndrome is *unsustainable public spending booms*, often precipitated by the arrival or prospect of large commodity export incomes, with the attendant loosening of financial constraints. Policy errors are of two fundamental types, sometimes occurring in combination. The less subtle is a failure to keep consumption spending in line with a reasonable assessment of permanent income, as in the dramatic expansion of public sector employment in Guinea and Niger during the bauxite and uranium booms, respectively, of the 1970s. More subtle is a rush to expand the public investment budget in the absence of institutional mechanisms to ensure adequate economic returns, as in the proliferation of new state capitals and politically-located infrastructure investments in Nigeria during the oil booms of the 1970s. In identifying such episodes we characterize the full boom/bust period as a syndrome, rather than focusing only on the boom phase. This forces a reinterpretation of the bust phase as in large part a consequence of previous policy choices, rather than a response to intervening policy reforms.

Within the intertemporal syndrome we reserve the term *looting* for the limited set of episodes in which a narrow political elite subordinates any coherent economic program to its own subsistence on what the authors of our Burundi study term the “rents to sovereignty” – mineral resources, foreign borrowing, aid, tax revenues. Such episodes are in virtually all cases associated with individual dictators – Amin (Uganda, 1971-78), Taylor (Liberia, 1997-2000) – though in the Burundi case the cohesion of the Bururi faction survived a number of internal transitions. By some arguments these syndromes belong more properly in the state breakdown category. The hallmarks of intertemporal syndromes are debt accumulation and other indicators of macroeconomic imbalance, as indicated in Table 5.

***Table 5 here.

3.4 State breakdown

Our final syndrome differs qualitatively from the rest in constituting an outcome rather than a program. By *state breakdown* we mean situations in which the domestic security order has broken down, the prime example being large-scale armed rebellions as in Sierra Leone in the 1990s or Chad during its civil war of 1979-80. We also include a few brief episodes of acute political crisis, as in Niger's failed democratization during the 1990s, during which a sequence of constitutional crises undermined any projection by the government of a coherent incentive environment for private economic activity.

A fundamental intellectual challenge for interpreters of Africa's growth record is to assess the relative importance of exposure to shocks and actual experience of shocks. Dehn (2000) undertakes this exercise for commodity price collapses and argues that what matters for growth is the actual sample path taken by commodity prices, rather than the *ex ante* volatility of that path. In restricting attention to the actual occurrence of state breakdown we ignore the potentially powerful effect on growth of a high *ex ante* risk of civil war, where war is not currently underway. This underscores the broad nature of our syndrome-free category. It certifies countries as free of dramatic errors of commission but, as we will see, does not in itself constitute a sufficient condition for rapid growth.

3.5 Patterns over time

Figure 4 shows the evolution of our 4 broad syndromes over time, for the full set of 46 African countries that we have classified, from the date of political independence (or 1960, whichever is later) to 2000. The most dramatic change over time is the displacement of syndrome-free cases by control regimes between the late 1960s and the mid-1980s and their subsequent restoration between the mid-1980s and the early 1990s. The period of democratization that occurred between 1988 and 1994 (Bratton and van de Walle (1997)) was one of very concerted improvements in the growth environment, reflecting widespread liberalization of controls and the resolution of some redistributive and intertemporal syndromes. This period also saw, however, a substantial increase in state breakdown.

***Figure 4 here.

3.6 Syndromes and growth

The adverse impact of economic policy on growth became a central theme of the African development literature with the 1980 Berg Report and the global onset of the structural adjustment era. Our syndrome classification is consistent with many of the central themes of the subsequent cross-country growth literature, including the well-known finding that while individual policy measures rarely generate highly robust impacts, groups of policy measures are invariably jointly significant (Levine and Renelt (1993)). By comparison with that literature, our syndrome classification covers a much wider range of African countries – virtually the entirety of Sub-Saharan Africa. In this section we examine the relationship of policy syndromes to growth.

We begin in Table 6 by aggregating our anti-growth syndromes into a single dichotomous variable indicating whether a country is syndrome-free in a particular year or displays one or more anti-growth syndromes. Both mean and median growth rates (the latter are considerably more robust to outliers) are substantially higher in the absence of syndromes. The second panel of the table gives some sense of the nature of this difference. We identify a growth collapse as a year in which a 3-year centered moving average of growth is negative, and a sustained period of medium-term growth as one in which a 5-year moving average passes a modest positive threshold. An absence of syndromes emerges as a nearly-sufficient condition for avoiding collapse: the frequency of growth collapse is below 20 percent conditional on an absence of syndromes. By the same token, syndromes exert a powerfully negative impact on the prospects for strong growth over the medium term. The probability of observing a 5-year average of growth above 2.5 percent (roughly the developing country median for 1960-2000) is below 25 percent; this shrinks to below 20 percent if a threshold of 3.5 percent growth is used. These differences are all highly statistically significant.

***Table 6 here.

The correlations reported in Table 6 are descriptive rather than structural; causality may run in both directions. Nonetheless, for exploring within-Africa growth

differentials, Table 6 has the advantage of mobilizing a significantly larger sample of observations than is available in any cross-country growth regression (samples shrink drastically when individual measures of policy are used, or when other variables are present). Moreover, the coarseness of our syndrome classification protects us from some types of reverse causality – for example, exogenous shocks that simultaneously affect growth and standard measures of policy (like the black market premium, or the fiscal deficit), but without inducing a major shift in policy regime.

In Table 7 we turn to a regression framework in order to assess the impact of syndromes after conditioning exogenous shocks and unobserved country effects. The African growth data have extraordinarily high dispersion, and so in order to limit the leverage of outlying observations we estimate these regressions using a least absolute deviation criterion rather than the standard least-squares criterion. Estimated coefficients refer to the impact of marginal changes on the predicted median, rather than the mean, of the dependent variable.

***Table 7 here.

In columns 1 and 2, we condition on exogenous shocks to export markets (via partner growth rates) and agricultural supply (via normalized rainfall levels). In the rainfall-only case we include a set of fixed year effects to allow for time-specific influences that are invariant across countries. Columns 3 and 4 include location and endowment effects as proxied by our opportunity variables. The omitted geographical category is landlocked, resource-poor economies, so the coefficients on Coastal and Resource-Rich economies estimate the growth impact of these categories relative to the landlocked countries. The economic return to coastal location is decidedly smaller within Africa than in a global sample of developing countries, an issue discussed in detail in Collier and O’Connell (2004). Columns 5 and 6 repeat the specifications of 1 and 2, but with country fixed effects incorporated; in these columns any spurious correlation arising from unobserved country-specific factors is swept out, and the results assume only that the differential effect of syndromes is the same across countries.

Table 8 repeats this exercise for the full set of anti-growth syndromes. The omitted category is now “syndrome-free.” While the syndromes were classified by reference to policy regimes and not growth outcomes, their individual links to growth are powerful and in each case highly statistically significant. The marginal impacts of individual syndromes are strikingly consistent: the regulatory, redistributive and intertemporal syndromes shift predicted median growth by a full percentage point, while state breakdown reduces predicted median growth by roughly 2 ½ points per year. These are large effects. While it must be reemphasized that these results are descriptive rather than structural, we have significantly reduced at least one major source of spurious correlation by controlling for exogenous shocks that may simultaneously lower growth and induce the adoption or abandonment of syndromes.

***Table 8 here.

We argued on the basis of Table 6 above that being syndrome-free was (nearly) a necessary condition for sustained growth in the medium term. The final panel from that table suggests that the traction from this measure of policy declined over time. For a syndrome-free country, the probabilities of surpassing the modest hurdles of 2.5 or 3.5 percent growth on an annual basis declined by nearly half between the 1960s and the 1990s. Such a decline would not be implausible. Alternative hypotheses consistent with it might include uncertainties introduced by the wave of democratic reforms in Africa, ‘first mover’ agglomeration benefits accruing to the dynamic emerging economies in Asia and creating a more competitive international market for African exporters after the early 1980s, and lagged effects of previous syndromes including deterioration of institutions and infrastructure. But the result itself is of questionable robustness. In a version of Table 7 (not shown) we have checked for period effects after controlling for global growth rates and other shocks. Results are mixed, but it is clear that some portion, and perhaps most, of the apparent decline in the payoff from avoiding syndromes is associated with a deteriorating external growth environment. When we control for shocks via the inclusion of partner growth rates or period fixed effects, the growth differentials associated with avoiding syndromes are not significantly smaller in the 1990s than in earlier decades.

The results reported here pose a set of questions that send us back to the case study evidence. Why were anti-growth syndromes adopted? What led to their abandonment?

4. Some Case-Study Evidence

We present here examples from the 27 SSA country case studies illustrative of the various forms of anti-growth syndromes: state controls, adverse redistribution, inter-temporal unsustainable spending, and state failure. Using these illustrative examples, we shall attempt to shed light on the dynamics involved in the occurrence of each syndrome and how /why it was ended. As a complement, we also present examples of “syndrome-free” regimes, which usually entailed market-friendly policies.

4.1 State controls

There are two types of state controls, depending on the degree to which economic activities are controlled: “soft” and “hard”. Under both, the state intervenes in economic activities via altering market incentives, usually involving the distortion of market prices: internally such as direct or indirect price controls of basic commodities of transportation, foodstuffs, finance, etc; and externally involving fixing the price of foreign exchange, along with the use of quantity controls as a rationing mechanism, such as import and export licensing. Under soft controls, the degree of pervasiveness is considerably mild. In contrast, hard controls would be relatively severe, with harsh enforcement of comparatively binding constraints, normally involving a radical Marxist modus operandi that seriously restricts private operation and individual choice, to the point where much of resource allocation is subject to government control. Many African countries engaged in either or both forms of controls in their respective histories, with illustrative examples provided here:

Burkina Faso, 1960-82: (soft control) This was a period of “state interventionism throughout” in the “absence of a dynamic private sector” (Savadogo et al.), with much political instability as reflected by the first coup in 1966 following independence in 1960,

and additional coups in 1980 and 1982. This period may be characterized as soft control, involving little intervention in the market of cereals (sorghum, millet and maize) in the first decade; however, this changed following the drought period of the mid-70s, when private trade became restricted and OFNACER (the Cereal Office), originally set up to handle food aid, became a bilateral monopoly on cereal trade. The first two coups were apparently in response to the lack of satisfaction among the people with economic conditions, with per capita GDP growth averaging less than 1 percent annually.⁵ The key factor contributing to rendering this period as soft control is the relatively political conservative nature of the authority in control at the time (President Yameogo, 1960-66; General Lamizana, 1966-80; and Colonel Zerbo, 1980-82), resulting in a mild form of controls, with a considerable, but uneven, latitude for the private sector to operate during the period. The era of soft control ended, however, when a more radical officer corps, presumably due to power play, overthrew the government in a coup.

Burkina Faso, 1983-90: (hard control) When the radical young officers took over the government in a coup of August 1983, a more severe form of “state capitalism” was imposed, where the government’s role became much more pervasive. For example, a draconian rental law was levied that required landlords to transfer a whole year of rent to the government; in 1994 rent was declared free. The period was further punctuated by a bloody coup in October 1987, when the radical charismatic leader Thomas Sankara was killed as part of the power play among the radicals, replaced by Blaise Compaore. Thus, the mood of radicalism continued, and this was a period of hard control. However, the consequence was “increasing financial imbalances and economic difficulties,” which forced the Compaore government to seek salvation from the Bretton Woods institutions, beginning with a new constitution in 1991.

Cameroon, 1960-77: (soft control) The first president following independence, President Ahidjo, pursued soft-control policies amidst early attempts at industrialization based on

⁵ The first coup was actually “staged from a popular uprising demanding the departure of the president and not by a conventional coup d’etat carried out by the army” (ibid); labor unions played a key role in organizing the uprising, and the excesses of the first president, Mr. Yameogo (1960-66), also played an important catalytic role.

import substitution. The soft-control, rather than hard-control, approach derived in great part from Ahidjo's relatively politically conservative background. The government's priority at the early stages of independence was peace building, given the pre-independence ethnically based insurrection.

Chad, 1960-79: (soft control) As cotton was the primary export product capable of generating foreign exchange, it attracted some form of some form of government control. The policy during this period was then based "on a heavily controlled and taxed export crop sector (cotton), whose evolution was in fact driven by a parastatal company." (Azam and Djimtoingar [2004]). This period may, however, be characterized as "soft" control, with much of the political system not particularly radicalized.

Ghana, 1960-66: (hard control) At the time of independence in 1957, the clear choice was between Mr. J. B. Danquah, a politically conservative politician from the majority Akan ethnic group who preferred a go-slow market-friendly approach, and Mr. Kwame Nkrumah, from a minority-Nzima ethnic group, who in contrast favored a socialistic modality with a strong role for government based on his "veranda boys" approach. The latter won the election based in part on the appeal of the promises of faster economic progress through the government's active role in the economy, but also because of fear of possible Akan domination. Nkrumah transformed the country to a one-party state by 1960, as the Republic of Ghana, where he assumed a strong role as President from his initial position as Prime Minister from the time of independence. The government embarked on a radical path of industrialization, with the state playing the leading role. The socialistic ideology of collective ownership, later dubbed "Nkrumahism", rather than capitalistic individual ownership, reigned supreme. Thus, nearly all large-scale operations were owned by the state. In the process, private enterprises, especially those of medium-to-large sizes, were rationed out, through political intimidation or via diminished availability of finances. Huge spending on nationally unproductive projects, given Nkrumah's vision of a larger vision of total liberalization of the African continent from colonialism and imperialism, led the country rapidly toward fiscal difficulties. By 1966, net international reserves were -US\$391, compared with US\$269 at the time of

independence. With the corresponding economic difficulties (for example, inflation increased from 1 percent in 1957 to 22.7 percent in 1966, while per capita GDP had fallen from \$500 dollars in 1960 to about \$470 by 1966 (1987 real US dollars). Thus, when the military overthrew Nkrumah's government in a coup in February 1966, there was much dancing in the streets.

Ghana, 1972-83: (soft/hard control) This was a period of “muddling through” (for details see Aryeetey and Fosu [2003]), with a series of five governments, primarily military, coming to power through coups and counter-coups (except for a very brief period of a civilian government of Limann, 1979-81). All these governments responded to economic difficulties by imposing further constraints, particularly price and import controls, given these governments' unwillingness to devalue the local currency, especially cognizant of the high likelihood of coups when such devaluations occurred (Fosu [1992]). Except for the explicitly ideological tinge of the Rawlings regime, which came to power in a coup in December 1981 (following a brief coup by Rawlings in 1979), these governments were not particularly radical, but viewed the control policies as the way out. The Acheampong military government (1972-79) had, for example, engaged in schemes such as “Operation Feed Yourself” and flirting with “Uni-government ” that would include both the military and civilians. In any case, severe fiscal difficulties were apparent in the early 1980s. By 1983, for example, and incidentally a year of very severe drought, central government revenues had shrunk to only 5 percent as a proportion of an already diminished GDP, compared with a rate of 20 percent in 1970; inflation had accelerated from 18 percent in 1974 to 116 percent in 1981, even though prices were supposed to be controlled; domestic investment had fallen to less than 4 percent, from its value of 14 percent in 1974; and the current account balance was US\$175 million in deficit, with no loans or grants to finance any of it, and with the country already experiencing major arrears. (Ibid.). Thus, the radical-leaning Rawlings appeared to have little choice but to succumb to the IMF/World Bank-sponsored Economic Recovery Program (ERP), which was ushered in during April 1983, to be followed by the Structural Adjustment Program (SAP) in 1986.

Sierra Leone, 1975-89: (soft control) The ascendancy of the All People's Congress (APC) to power in 1968, through an election, spelt the end of conservative politics and market-friendly policies. It took sometime for the new government to consolidate power, however. The oil supply shocks of the 1970s propelled the implementation of wide-scale price and foreign-exchange rate controls, as well as financial repression and increased borrowing to finance grandiose public projects such as the OAU summit of 1980 held in Freetown, which consumed more than 60 percent of the 1980 government revenues. (Davies [2004]). Export crops - palm kernel, cocoa and coffee - were subjected to both explicit and, perhaps more significantly, implicit tax via the monopsonistic Sierra Leone Produce Marketing Board (SLPMB). Meanwhile, import subsidies and price controls became a source of economic rents to political allies, including redistribution to the North. By 1981-85, the exchange rate overvaluation index had reached 229, though its rate of 190 in 1961-65 and slightly smaller ones in subsequent periods were not that low, to begin with. As the economic situation deteriorated steadily with low growth, a poverty rate of 80 percent by 1987, inflation rates reaching a peak of 180 percent in 1987, and tax revenues dwindling to less than 10 percent of GDP, about one-half of the value in the early 1980s, the government sought relief from the IMF in the form of SAP late in 1989. (Ibid.) The civil war began in 1991.

4.2 Adverse redistribution

Redistribution could be favorable to growth in cases where it reduced polarization. However, it may also be perverse by increasing polarization, especially in cases where those in government at the time reward their cronies or their regions of origin via redistribution. This latter form may be vertical or regional. Many SSA governments engaged in this type of redistribution as a mechanism of shoring up their respective power bases. Several examples follow:

Burundi, 1975-87: The government created a large number of public corporations that distributed rents to the members of the Tutsi political elite, mostly Bururi-Tutsis, who formed the political base for the ruling elite. Meanwhile, the army-led Tutsis perpetrated severe political repression against the majority Hutus, following a massacre of the Tutsi

minority by Hutus in 1972. This is essentially an ethnically based form of vertical redistribution, which presumably ended only when Major Pierre Buyoya replaced Colonel Jean-Baptiste Bagaza via a coup in 1987. The rationale for such a redistributive policy, coupled with political repression by the minority Tutsis, likely emanated from the perceived fear of domination by the majority Hutus in a general democratic political contestation. Thus, in the short run, this redistributive strategy to maintain the political base of the government is a politically optimal strategy.

Sierra Leone, 1969-1990: The redistributive behavior of the government during this period was based on inter-ethnic rivalry between the North-based Temnes and South-eastern Mendes groups, which commanded roughly 30 percent of the population each. The former group dominated the APC political party, which took over the government in 1968. To consolidate its political base, the new government engaged in regional redistribution from the in favor of the Temnes. The redistribution, however, disenfranchised the Mendes and increased inter-ethnic polarization.

Togo, circa 1976-1990: There was regional redistribution in favor of the president's ethnic group of the Kara region in the North, the Kabyles, mainly through the ballooned and monopolized public sector, with a lion's share of desirable employment going to this group, even in response to the structural adjustment program (SAP) when the retrenching of public sector employment was in effect.

4.3 Unsustainable spending

This syndrome constitutes a situation where the government engages in large spending that is unsustainable. This usually occurs when there is initially a bonanza of revenues emanating from commodity booms: coffee, oil, etc. Additional resources are usually required, presumably because the government underestimates the amount of resources required to complete such projects, leading to external borrowings. Sooner or later, however, the government runs into fiscal difficulties and is forced to curtail its spending. The upshot is that many projects remain uncompleted, and given the lumpiness of

investment, the value of the marginal product, which might be low to begin with, is seldom realized. Meanwhile, the boom comes to an end, further starving the spending spree. Thus, the subsequent period is usually one of reduced public growth, as the previous period's growth was fuelled by pure spending rather than by any real output increases, and such spending can no longer continue. Several case examples follow:

Burundi, 1975-85: The government undertook a massive program of public investment following the coffee boom of the 1970s, leading to financial imbalances that forced an adoption of an IMF-administered structural program in 1986.

Cameroon, 1978-1993: Oil was produced and exported in 1978. The revenues were removed from the normal budget process and placed in a special account managed directly by President Paul Biya, who had replaced President Ahidjo in 1982 upon the latter's voluntary retirement. However, a failed coup attempt in 1984 led Biya to solidify his grip on power. This entailed major spending, inter alia, thanks in part to the oil revenues directly under his direct control, geared toward an increasing effort to build an ethnically based political alliance. The introduction of multiparty politics in 1990 further fueled political rivalry and spending to win electoral authority. Following the 1994 devaluation of the CFA in the franc zone, amidst the reforms of the 1990s, a relative market-economy seems to have emerged as of the mid-1990s.

Togo, 1974-79: Despite the negative oil-supply shock of 1973, the phosphate boom of 1974 and 1975 (five-fold price increase), coupled with a price increase in coffee prices in 1977, produced a windfall in public revenues. Correspondingly, government spending rose substantially. As a percentage of GDP, public investment increased from 13.4 percent in 1973 to 47 percent by the late 1970s, matched by more than a doubling of the workforce in the formal industrial sector, mostly public, between 1973 and 1979. (Gogue and Evlo [2004]) By the late 1970s, however, Togo had already begun to experience fiscal difficulties, which forced the country to seek major increases in external borrowings, resulting in substantial increases in its external debt, rising relative to GDP from 15.1 percent in 1970 to 116.4 percent by 1978. (Ibid.) Thus this was a period of

unsustainable spending, which required the government to seek an IMF-administered Financial Stabilization Program (FSP) negotiated in 1979 and the SAPs, which began in 1982.

4.4 State Failure

Burundi, 1988-02: Following the history of redistribution in favor of the minority Tutsis and harsh political repression of the majority Hutus, the seed was sowed for severe political instability, with a civil war in 1988, and another war in 1993 following the assassination by the army of the first democratically elected (Hutu?) president.

Chad, 1979-84: A civil war broke out between the North and South. The existence of political polarization between the North and relatively educated South, who dominated the political and administrative government apparatus, sowed the seeds for the civil war. Following independence, the South-dominated Tombalbaye government failed to sufficiently share the Southern wealth with the North, resulting in a Northern rebellion. Following a 1975 coup, General Malloum, another Southerner, attempted to bridge the political divide with the North by appointing Habre, a rebellion leader from the North, as Prime Minister. Unfortunately, Habre engaged in actions that alienated the South, leading to the civil war.

Chad, 1985-93: Following the 1979-84 civil war, the North severely repressed the South politically, indicating severe political instability, which was attenuated only after Iddris Deby took over the government in 1990 (there was a 1993 massacre under his watch as well, however!), and subsequently established a regional balance by in particular choosing General Kamougue, who formerly led the resistance in the South, as president of the national assembly. The devaluation of the CFA in 1994 helped stabilize the economic environment as well, especially for cotton production.

Sierra Leone, 1967-68: A period of severe PI that saw three successful coups within a short period of one year, following the closely fought election of March 1967 that the

APC opposition party, dominated by the North-based Temnes, won the election but was prevented from taking office by a coup, and not until a third coup in 1968.

Sierra Leone, 1991- 2001: A civil war broke out in 1991 and was not officially declared over until January 2002. Though multiple reasons are usually cited, the primary cause of the war appears to be the autocratic rule of the APC that prevented any smooth political changeover and thus caused a rebel movement to take up arms against the government. The war was fuelled by discontent, with ethnic rivalry mainly between the Temnes of the APC and the Mendes as a driving force, together with readily available diamonds at the control of the rebels. It ended when the RUF was practically defeated through external intervention.

4.5 Syndrome-free

The syndrome-free phenomenon is usually akin to a politically stable regime with market-friendly policies. These usually happened when a politically conservative government was in charge at the time of independence. To some extent, such occurrence could be viewed as a political accident. It could also occur briefly when a military coup usually replaced an authoritarian government with a disastrous economic record. Furthermore, it might merge from a case of major fiscal difficulties that would force the government to seek fiscal space by submitting to a structural adjustment program administered by the Bretton Woods Institutions. Several case examples follow:

Botswana, 1960-2000: Botswana is the shining example of a syndrome-free country in Africa. This outcome emanates from the democratic multiparty political arrangement based on the Tswana traditional political culture, which also served to protect the interest of minority groups. The state-led development, unlike the case of most other African countries, was based on strategic facilitation of the private sector rather than state suppression. Furthermore, unlike the historically authoritative governments of China and East Asia, the government of Botswana has been democratic. Why did Botswana succeed in establishing such a market-friendly democratic government when so many countries failed or never even attempted? One possible answer is the decision by the time

of independence in 1966 to base the government on pre-colonial traditional conservative Tswana culture involving widespread political participation, creating “an indigenous developmental state.” (Maudeni [2001]). This was further made possible by the fact that Botswana has had a relatively small (less than 2 million even today), homogeneous population. Thus, the country did not suffer as much pre-independence polarization as many other African countries with much inter-ethnic rivalry. In addition, the interests of the members of the government, mostly cattle raisers, were consistent with the pursuit of market-friendly policies favoring the rural sector. Thus, rural-unfriendly urban-bias policies, such as overtaxing the rural sector via the use of state marketing boards or overvaluation of the exchange rate, were avoided. There was also the historical endowment advantage with respect to the nature of the diamonds, the main pillar of the Botswana economy. The Botswana diamond deposit required deep-earth mining, unlike the alluvial diamonds of Sierra Leone, for example. Thus the marginal cost of mining without appropriate state sanctioning was relatively high, attenuating the use of diamonds as a financing tool for insurgency. Another geographical benefit is Botswana’s proximity to South Africa. Being a member of both the Southern African Customs Union (SACU) and the regional monetary union, RMA, exchange rate and monetary stability was maintained. Moreover, the country was the beneficiary of generous donor support based on to its status as a democratic state at the doorsteps of apartheid South Africa.

Burkina Faso - 1991-02: This period constituted a relatively market-driven economy, with a new constitution in June 1991 that ushered in political liberalization and then a devaluation of the CFA in the franc zone in 1994. The genesis of this regime was the set of fiscal difficulties faced by the military regime in the late-1980s. Captain Compaore of the Front Populaire (FP) came to power in October 1987 through a coup. The FP “first attempted to continue with the revolutionary mood,” (Savadogo et al [2003]) but faced major fiscal/economic difficulties and was compelled to seek assistance through the structural adjustment program of the IMF/World Bank.

Ghana, 1984-2000: This syndrome-free phase was arrived at following some very harsh economic conditions that saw severe fiscal conditions (see above), forcing the radical-

leaning government to nevertheless accept the IMF/World Bank bitter medicine of deregulation/liberalization as of 1984 and structural adjustment beginning in 1986. After years of muddling through, with the economy on its knees, and with little revenue to turn the situation around and no hope for external financial support, the radicals had to bow to reason and accept the reforms program. In addition, it was clear that after years of coups and counter coups, and with nothing to show for the record, another coup would not necessarily be the solution.⁶

Togo – 1960-73: Market-friendly policies were generally in place, despite the “successful” coups of 1963 and 1967, and the assassination of the more politically conservative but economically liberal President Sylvanus Olympio during the former coup. The genesis of this policy regime is believed to have emanated from the background of Olympio as a former executive of an international trading company, and the influence of the business community, which constituted his support base. The syndrome-free period ended following the phosphate booms of the mid-1970s.

Sierra Leone – 1961-66: The politically conservative leadership of the Protectorate-based Sierra Leone People’s Party (SLPP), comprising chiefs and those from the hinterland, facilitated a market-friendly set of policies. The SLPP also maintained political stability by forging an alliance with the relatively educated Freetown-based Creoles. The stability ended when the closely fought election of March 1967 resulted in a successful coup that prevented the winner, the All People’s Congress (APC) from taking office. The APC was finally able to assume office following a third successful coup since the election. The more socialistic APC began to put in place relatively market–distorting and adverse redistributive measures of state controls.

⁶ Although Fosu [2002] shows that a successful coup could actually raise growth when an economy is that dismal with very low investment, there was no guarantee that a coup attempt would necessarily succeed; an abortive coup would likely only exacerbate growth plight (ibid.).

4.6 Synthesis

The nature of policies adopted in the period immediately following independence appears to be very much determined by the coalition that won out. The more politically conservative the winning coalition was, the more likely that relatively market-friendly policies would be adopted. To a great extent such political leaning was influenced significantly by the experience of the leadership with respect to the competing development paradigms at the time: capitalist versus socialist.⁷ Most African leaders found the socialistic direction particularly attractive for several reasons. First, they were strong believers in the need for a relatively equitable growth, and viewed capitalism as a mechanism for few capitalists to become richer at the expense of the masses. Second, the private sector was very much non-existent in many of these countries; thus the state was seen as the primary agent for economic growth and development. Third, the government's role was seen as preserving the state, which normally comprised different and adversarial ethnic groups; that objective was seen as requiring a strong central authority with the power for resource redistribution to be targeted at attenuating centrifugal forces. The need to preserve the non-cohesive embryonic nation following independence was the preoccupation of the vast majority of African leaders. Such preoccupation would dominate most of the policies pursued. Ironically, in many instances, the pursuit of such policies resulted in anti-growth syndromes discussed above.

In the few cases where the leadership at the time of independence was politically conservative (capitalistic) with market-friendly policies, however, these governments did not last long.⁸ There was much political agitation in favor of the government leading the charge to improve the lot of the people, especially given the rather slow pace at which the relatively undeveloped private sector was able to deliver the expected development outcomes for the population at large. Sooner or later, such governments were supplanted by more politically radical leaders, which preached the need for governments to quickly

⁷ See for example Ndulu [2004] for a discussion of the influence of international paradigms on African leaders' policy choice.

⁸ There were several notable exceptions. For example, Ahidjo of Cameroon voluntarily retired in 1982, and Houphouet-Boigny of Ivory Coast and Hastings Banda of Malawi continued in power till retirement. Most importantly, Botswana was able to continue with its multi-party democracy without military intervention. One reason behind this feat might be that there was little ethnic rivalry to be taken advantage of by coalitions of a fractionalized military. Another, perhaps more significant, is that the military was not an important institution in Botswana.

improve the lot of the masses through more active intervention. These relatively interventionist, but initially popular, governments also tended to resort to autocratic measures, as well as redistribution (regional or vertical), in order to solidify their political position. Resorting to controls is consistent with such a strategy for two reasons: (1) government control of resources through marketing boards is intended to provide monopoly/monoposonistic rents for redistribution; (2) price and foreign exchange controls that result from the rationing of resource shortages by the state or policies to reward the elite constituency (overvaluation of foreign currency, for example) and at the same time provide opportunities for economic rent for the political coalition.

In cases where relatively radical governments won out at the time of independence, the economic outcome was usually dismal eventually. Such regimes usually became authoritarian, making the military the only recourse for change. In many cases, however, attempted coups did not succeed, leading to even harsher measures by the targeted government and resulting in further deterioration in economic conditions (Fosu [2002]).⁹ The inability to ascend to power through the ballot box led to the tendency to usurp power unconstitutionally, first through the military in the form of coups, and second through armed rebellions where the coup route was foreclosed.¹⁰ Thus political instability and state failure were the likely eventual outcomes.

The role of supply shocks in the adoption of control regimes or engaging in inter-temporal unsustainable spending booms is not to be underestimated. In many cases, droughts and/or negative supply international shocks led to the adoption or strengthening of government controls. And, in the case of positive supply shocks, governments would usually misinterpret such events as permanent rather than transitory and would engage in spending booms that could not be sustained.¹¹ In either case, however, fiscal difficulties would usually result, forcing governments to eventually seek assistance through some form of structural adjustment measures administered by the IMF/World Bank, thus beginning the process of adopting market-friendly policies.

⁹ See for example the case of Cameroon where following the failed coup of 1984, President Biya became more authoritarian and engaged in a strong ethnically redistributive process in order to shore up his political support.

¹⁰ The genesis of the Liberian civil war, for example, is traced in great part to the inability of the Samuel Doe-antagonists to overthrow him via the regular military (Davies [2005]).

¹¹ Alternatively, governments may undertake short-term projects especially if they have a relatively short expected political lifespan due to a high risk of government overthrow.

The heretofore adoption of policies inconsistent with market forces, usually leading to syndromes, would seem to nevertheless be consistent with the political interests of the ruling elite. In the absence of general elections, the most important political coalitions in support of the government would be the elites, most of whom resided in the urban setting. Thus, urban-bias policies in terms of overtaxing of rural production such as cash crops would be politically optimal (Bates [1981]). And so would the overvaluation of the domestic currency (Fosu [2003]), which would furthermore provide the basis for elite political instability in the form of coups (ibid.).

A notable exception to the African norm of the urban elite constituting the electoral coalition for governments was the case of Botswana. There, the ruling party drew its support from the rural sector and therefore reflected rural interests. Hence, it avoided urban-bias policies such as overtaxing rural production through state marketing boards and overvaluation of the exchange rates, for example. By not going the way of one-party states, Botswana also succeeded in allowing the voices of other interest groups to be heard. This direction probably helped to provide room for addressing grievances and to avoid the need for coups or armed conflicts.

The important question then is how Botswana was able to maintain its multi-party democracy. Apparently, the relative homogeneity of its electoral coalition and the weakness of the opposition parties meant that the ruling party had little threat of being replaced. Thus, multi-party politics could be accommodated without the usual inter-ethnic rivalries holding sway in most localities in Africa. Such rivalries led leaders at independence to view the creation of one-party states with strong central governments as the solution; they were concerned that multi-party politics would only exacerbate ethnic polarization. Unfortunately, the authoritarian nature of these governments, coupled with latent ethnic rivalries, led to competition for economic rents created by government controls of the economy. Thus, already existing ethnic polarization presented many African leaders at independence with the “bad luck” to pursue policies that were meant to hold the newly created states together. Furthermore, those policies were consistent with a major paradigm in favor of the important role of government in the development process. Unfortunately, however, those policies also resulted in anti-growth syndromes.

Table 1. *Country cases in the Growth Project, by sub-region.*

Eastern and Central Africa	Burundi, Cameroon, Chad, Congo, Ethiopia, Kenya, Niger, Sudan, Uganda.
Southern Africa	Botswana, Malawi, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia.
West Africa	Benin, Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Mali, Nigeria, Senegal, Sierra Leone, Togo.

Table 2. Real GDP Growth (%), SSA, 1961-2000

Country	1961-65		1966-70		1971-75		1976-80		1981-85		1986-90		1991-95		1996-00		1961-2000			
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Std. Dev	Coef. Var. (%)
Benin	3.3	16	2.7	22	1.4	22	4.1	13	4.7	6	0.9	23	4.2	3	5.3	6	3.3	16	1.6	47
Botswana	6.3	6	11.0	1	18.2	1	12.2	2	10.0	2	11.9	1	4.1	4	6.3	4	10.0	1	4.5	45
Burkina Faso	3.0	19	2.9	20	3.1	15	3.6	15	4.2	8	2.6	12	3.8	6	4.3	10	3.4	14	0.6	18
Burundi	1.9	24	7.6	4	0.6	26	4.2	12	5.4	5	3.7	9	-2.2	24	-1.0	26	2.5	20	3.3	131
Cameroon	2.7	21	1.6	24	6.7	8	6.9	5	9.4	3	-2.2	27	-1.9	23	4.7	8	3.5	12	4.2	120
Central African Republic	0.7	26	3.2	18	2.0	20	0.7	24	2.3	14	0.0	24	1.1	16	2.4	20	1.5	25	1.1	70
Chad	0.7	27	1.4	26	0.9	23	-4.5	28	9.2	4	1.9	16	2.4	11	2.3	22	1.8	22	3.7	210
Congo, Dem. Rep.	2.8	20	3.8	16	2.5	16	-1.5	27	1.9	16	0.0	25	-7.1	27	-3.9	28	-0.2	28	3.8	2044
Congo, Rep.	3.4	15	5.0	12	8.0	5	5.2	8	10.6	1	-0.3	26	0.7	19	2.5	19	4.4	7	3.6	83
Cote d'Ivoire	8.0	3	9.7	2	6.4	9	4.5	11	0.3	22	1.2	21	1.5	14	3.5	13	4.4	6	3.4	78
Gabon	8.2	2	5.6	11	18.1	2	0.4	26	2.6	12	1.7	18	3.1	8	1.8	25	5.2	3	5.8	111
Ghana	3.1	18	3.0	19	0.0	27	1.0	23	-0.3	24	4.8	6	4.3	2	4.3	9	2.5	19	2.0	79
Kenya	3.5	14	5.9	8	10.0	3	6.3	6	2.5	13	5.6	3	1.6	12	1.8	24	4.7	5	2.9	61
Lesotho	7.6	4	2.8	21	8.6	4	12.3	1	3.2	10	5.9	2	4.0	5	3.0	14	5.9	2	3.4	57
Liberia	3.2	17	6.6	7	1.6	21	2.2	19	-1.9	26	-16.5	28	-21.7	28	38.3	1	1.5	26	17.9	1209
Madagascar	1.4	25	4.7	14	0.7	25	1.5	21	-1.5	25	2.7	11	-0.3	21	3.8	12	1.6	24	2.1	128
Malawi	4.6	9	5.0	13	7.6	6	4.9	10	2.2	15	2.3	15	3.5	7	3.9	11	4.3	8	1.7	41
Niger	6.3	7	-0.5	28	-2.1	28	5.4	7	-2.3	27	2.6	13	0.8	18	2.9	15	1.6	23	3.2	197
Nigeria	4.5	10	5.6	10	5.8	10	4.1	14	-2.8	28	5.4	5	2.5	10	2.8	17	3.5	11	2.8	80
Rwanda	-1.6	28	7.6	5	0.8	24	10.3	3	2.7	11	1.5	20	-4.0	25	9.8	2	3.4	15	5.3	156
Senegal	2.0	22	2.0	23	2.5	17	1.2	22	3.2	9	3.2	10	1.5	13	5.3	7	2.6	18	1.3	50
Seychelles	3.7	12	3.8	17	7.1	7	8.6	4	0.9	17	5.6	4	2.9	9	6.4	3	4.9	4	2.5	51
Sierra Leone	4.4	11	4.2	15	2.4	19	2.3	18	0.9	19	1.1	22	-5.0	26	-3.3	27	0.8	27	3.4	399
South Africa	6.8	5	5.8	9	4.6	13	2.5	17	0.9	18	1.8	17	0.9	17	2.6	18	3.2	17	2.2	69
Sudan	1.9	23	1.4	27	5.0	11	2.7	16	0.8	20	4.6	8	5.1	1	6.1	5	3.5	13	2.0	57
Togo	10.1	1	6.7	6	3.7	14	5.1	9	-0.2	23	2.5	14	0.6	20	2.3	21	3.8	10	3.4	88
Zambia	6.2	8	1.6	25	2.5	18	0.4	25	0.5	21	1.6	19	-1.3	22	2.8	16	1.8	21	2.2	122
Zimbabwe	3.6	13	9.4	3	4.9	12	1.7	20	4.4	7	4.6	7	1.4	15	2.1	23	4.0	9	2.6	64
Mean_SSA	5.1		5.0		4.8		2.8		1.3		2.4		1.4		3.3		3.3			
Mean_SSA excl. South Africa	3.5		4.1		4.9		3.2		1.7		3.1		2.0		3.9		3.3			
Mean_SSA_WDI	5.4		5.1		4.6		2.7		1.0		2.5		1.1		3.3		3.2			
Std. Dev.	2.6		2.8		4.8		3.8		3.6		4.5		5.2		7.2					
Coef. Var (%)	51.6		55.5		101.0		135.2		288.1		184.7		359.9		218.4					

Notes: (1) Sample selection is based on the availability of information for the entire period of 1961 to 2000

(2) Across-country sample means are GDP- weighted

(3) Standard deviation is based on the total sample

(4) Coefficient of variation is computed using the absolute value of the mean

Source: World Development Indicators CDROM 2004.

Table 3: Opportunities and syndromes.

Opportunity category	Distribution of years by opportunity category	Relative frequency of observed syndromes within each opportunity category, independence to 2000.				
		Regulatory	Redistributive	Intertemporal	State Break-down	Syndrome-free
		Unweighted				
	(1)	(2)	(3)	(4)	(5)	(6)
Coastal	50.7	45.0	14.3	6.4	12.1	33.8
Llocked	30.3	50.7	17.2	21.0	14.4	28.3
Resrich	19.0	44.4	24.1	23.8	10.6	34.4
Total	100	46.6	16.9	13.9	12.5	32.3
		Population weights				
	(7)	(8)	(9)	(10)	(11)	(12)
Coastal	52.5	40.4	22.8	4.1	11.1	37.8
Llocked	26.13	40.2	23.3	30.4	17.0	14.2
Resrich	21.37	15.2	73.2	63.2	6.5	7.9
Total	100	35.1	33.5	23.3	11.7	25.4

Cols 7-12: Country/year observations are weighted by population in 1980.

Table 4: Regulatory distortions, African countries with national currencies.

	Hard	Soft	Syndrome-Free
	<i>Black market premium, %</i>		
	(1)	(2)	(3)
Mean	196.0	148.9	23.8
Median	79.6	41.0	9.6
# observations	93	242	316
	<i>Ex ante real deposit interest rate, %</i>		
	(4)	(5)	(6)
Mean	-19.6	-76.1	-5.2
Median	-7.6	-4.7	-0.8
# observations	49	127	147

Cols 4-6: The ex ante real deposit rate is the nominal deposit rate minus expected inflation, with the latter proxied by a weighted average of once- and twice- lagged inflation (weights .7, .3).

Table 5: Intertemporal syndromes.

Classification of year	Indicator variables					
	<i>Fiscal deficit</i>			<i>Overvaluation index</i>		
	# obs	mean	median	#obs	mean	median
Intertemporal	108	4.2	3.4	151	173.5	168.1
Syn-free	159	2.3	2.5	402	133.6	124.3
Total	267	3.1	2.9	553	144.5	134.2
	<i>Increase in external debt</i>			<i>Inflation rate*</i>		
	# obs	mean	median	# obs	mean	median
Intertemporal	182	5.6	3.1	197	452.2	21.2
Syn-free	280	1.3	0.2	503	11.8	6.5
Total	462	3	1	700	111.5	8.5

*Inflation rate reported for countries with national currencies only.

Source: World Bank and IMF data.

Table 6: Joint distribution of syndromes and growth.

5a. Growth rates by syndrome status

Syndrome status	Growth rate		
	# obs	mean	median
Not free	1,109	-0.37	0.02
Syn-free	515	2.33	1.82
Total	1,624	0.49	0.78

5b. Distribution of growth collapses and surges by syndrome status (% of row).

Syndrome status	3-yr MA of growth		
	<0	>=0	Total
Not free	50.7	49.3	100
Syn-free	80.9	19.1	100
Total	60.5	39.5	100

Syndrome status	5-yr MA of growth		
	<2.5	>=2.5	Total
Not free	75.9	24.1	100
Syn-free	47.5	52.6	100
Total	66.7	33.3	100

Syndrome status	5-yr MA of growth		
	<3.5	>=3.5	Total
Not free	80.7	19.3	100
Syn-free	55.8	44.2	100
Total	72.6	27.4	100

5c. Syndrome-free status and frequency of growth surges over time (%).

	1960s	1970s	1980s	1990-00
Syn-free and $g > 2.5$	73	52	44	40
Syn-free and $g > 3.5$	60	41	42	35

Table 7. Robust regressions controlling for shocks.
Dependent variable is growth in real GDP per capita.

Variable	(1)	(2) a/	(3)	(4) a/	(5) b/	(6) a,b/
Syndrome-free	1.747 0.315***	1.650 0.294***	1.672 0.291***	1.816 0.293***	2.120 0.292***	2.086 0.080***
Partner growth	0.309 0.092		0.309 0.084		0.296 0.072***	
Rainfall	0.165 0.144	0.167 0.151	0.135 0.131	0.171 0.150	0.178 0.112	0.177 0.031***
Coastal			0.502 0.298*	0.104 0.299		
Resrich			0.451 0.375	0.595 0.378		
N	1492	1795	1492	1795	1492	1795

* p<.1, ** p<.05, *** p<.01.

All regressions are estimated by the least absolute deviation method.

The excluded category in regressions 3 and 4 is landlocked, resource-poor economies.

a/ Regression includes yearly fixed effects.

b/ Regression includes country fixed effects.

Table 8. Robust regressions controlling for shocks: all syndromes.

	(1)	(2) a/	(3)	(4) a/	(5) a,b/
Regulatory	-0.987 0.290***	-0.914 0.196***	-0.908 0.253***	-0.860 0.219***	-1.73 0.308***
Redistributive	-0.997 0.366***	-1.158 0.244***	-0.946 0.319***	-1.123 0.271***	-0.652 0.434
Intertemporal	-0.878 0.409**	-1.090 0.291***	-0.891 0.367**	-1.044 0.333***	-0.335 0.425
Breakdown	-2.320 0.432***	-2.482 0.300***	-2.138 0.378***	-2.612 0.334***	-2.59 0.439***
Partner growth	0.292 0.093***		0.280 0.081***		0.317 0.079
Rainfall	0.102 0.146	0.157 0.106	0.076 0.126	0.141 0.118	0.179 0.122
Coastal			0.330 0.292	-0.062 0.240	
Resrich			0.757 0.360**	0.605 0.298**	
N	1492	1795	1492	1795	1492

Notes: see Table 7.

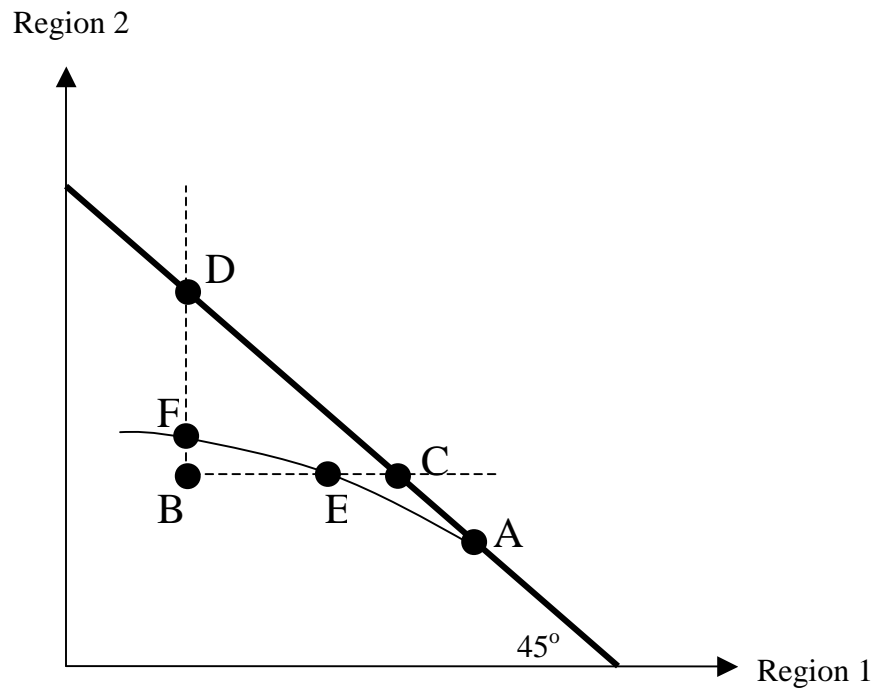
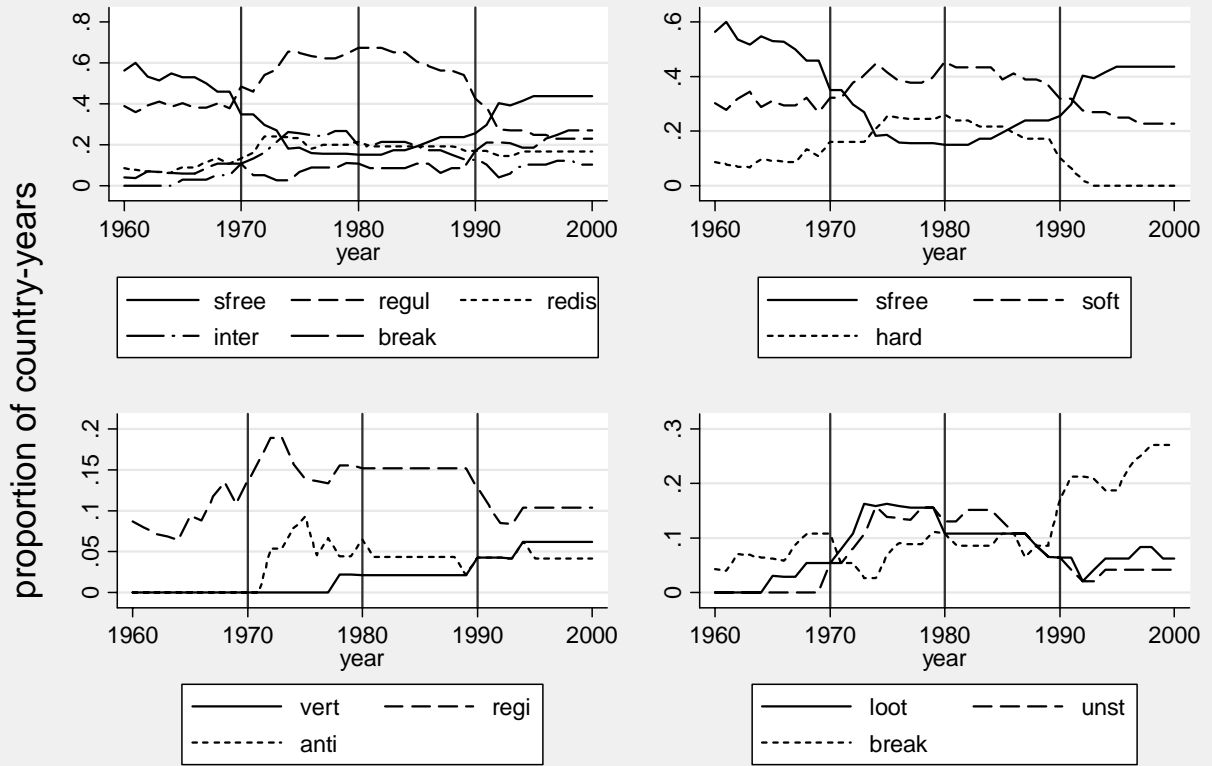


Figure 3: Buying the peace

Source: J.P. Azam, working paper, growth project synthesis.

Figure 4: Policy syndromes in 46 SSA countries



Source: Judgmental classification by editorial committee based on country studies and broader literature.

Key: *sfree* = Syndrome-free; *regul* = Regulatory (of which: *soft* or *hard*); *redis* = Redistributive (including in various combinations *vert* = Vertical, *regi* = Regional, *anti* = Anticipated); *inter* = Intertemporal (including *unst* = Unsustainable spending and/or *loot* = Looting); *break* = State Breakdown.

Appendix

Table A1. Real GDP growth (%), SSA, 1961-2000

Country	1961-65	1966-70	1971-75	1976-80	1981-85	1986-90	1991-95	1996-00
Angola	..	..	..	..	..	3.3	-3.8	6.5
Benin	3.3	2.7	1.4	4.1	4.7	0.9	4.2	5.3
Botswana	6.3	11.0	18.2	12.2	10.0	11.9	4.1	6.3
Burkina Faso	3.0	2.9	3.1	3.6	4.2	2.6	3.8	4.3
Burundi	1.9	7.6	0.6	4.2	5.4	3.7	-2.2	-1.0
Cameroon	2.7	1.6	6.7	6.9	9.4	-2.2	-1.9	4.7
Cape Verde	..	..	..	..	8.6	3.5	5.2	6.4
Central African Republic	0.7	3.2	2.0	0.7	2.3	0.0	1.1	2.4
Chad	0.7	1.4	0.9	-4.5	9.2	1.9	2.4	2.3
Comoros	..	..	..	..	4.3	1.6	0.9	1.0
Congo, Dem. Rep.	2.8	3.8	2.5	-1.5	1.9	0.0	-7.1	-3.9
Congo, Rep.	3.4	5.0	8.0	5.2	10.6	-0.3	0.7	2.5
Cote d'Ivoire	8.0	9.7	6.4	4.5	0.3	1.2	1.5	3.5
Djibouti	..	..	..	..	..	-0.7	-1.8	-0.2
Equatorial Guinea	..	..	..	..	..	1.4	7.0	35.7
Eritrea	..	..	..	..	..	..	12.5	1.2
Ethiopia	..	..	..	..	-0.9	5.3	1.5	5.3
Gabon	8.2	5.6	18.1	0.4	2.6	1.7	3.1	1.8
Gambia, The	..	4.5	5.5	4.4	3.2	4.1	2.1	4.8
Ghana	3.1	3.0	0.0	1.0	-0.3	4.8	4.3	4.3
Guinea	..	..	..	..	..	4.5	3.7	4.2
Guinea-Bissau	..	..	3.2	-0.6	6.4	3.8	3.2	1.1
Kenya	3.5	5.9	10.0	6.3	2.5	5.6	1.6	1.8
Lesotho	7.6	2.8	8.6	12.3	3.2	5.9	4.0	3.0
Liberia	3.2	6.6	1.6	2.2	-1.9	-16.5	-21.7	38.3
Madagascar	1.4	4.7	0.7	1.5	-1.5	2.7	-0.3	3.8
Malawi	4.6	5.0	7.6	4.9	2.2	2.3	3.5	3.9
Mali	..	3.4	3.4	4.9	-2.2	3.9	3.0	3.9
Mauritius	..	..	..	..	4.3	7.4	5.1	5.3
Mozambique	..	..	..	..	-4.6	5.6	3.5	8.0
Namibia	..	..	..	..	-0.2	2.7	5.0	3.5
Niger	6.3	-0.5	-2.1	5.4	-2.3	2.6	0.8	2.9
Nigeria	4.5	5.6	5.8	4.1	-2.8	5.4	2.5	2.8
Rwanda	-1.6	7.6	0.8	10.3	2.7	1.5	-4.0	9.8
Sao Tome and Principe	..	..	..	..	..	1.8	1.6	2.1
Senegal	2.0	2.0	2.5	1.2	3.2	3.2	1.5	5.3
Seychelles	3.7	3.8	7.1	8.6	0.9	5.6	2.9	6.4
Sierra Leone	4.4	4.2	2.4	2.3	0.9	1.1	-5.0	-3.3
South Africa	6.8	5.8	4.6	2.5	0.9	1.8	0.9	2.6
Sudan	1.9	1.4	5.0	2.7	0.8	4.6	5.1	6.1
Swaziland	..	..	9.6	3.2	2.6	11.2	2.8	3.3
Tanzania	..	..	..	..	..	..	1.8	4.2
Togo	10.1	6.7	3.7	5.1	-0.2	2.5	0.6	2.3
Uganda	..	..	..	..	0.7	5.1	7.0	6.5
Zambia	6.2	1.6	2.5	0.4	0.5	1.6	-1.3	2.8
Zimbabwe	3.6	9.4	4.9	1.7	4.4	4.6	1.4	2.1

SSA	5.1	5.0	4.8	2.8	1.2	2.7	1.6	3.6
SSA excl. South Africa	3.5	4.1	4.9	3.2	1.5	3.4	2.2	4.2
SSA_WDI	5.4	5.1	4.6	2.7	1.0	2.5	1.1	3.3

Notes: Means are weighted by GDP

Source: World Development Indicators CDROM 2004

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