

Meditating on “Slow Growth in Africa” - New Evidence or Just Ol’ Stuff?¹

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The *Journal of Economic Perspectives* (Summer, 1999: 3-114) published a collection of symposium papers on “Slow Growth in Africa”. Clearly the collection added volume to Africa’s literature on the subject. However, the different opinions the papers expressed did little to enhance current understanding of Africa’s economic performance, mainly because the papers paint very different pictures of the same object. This short statement meditates on those papers. First, it summarizes the main conclusions of each paper. Second, it comments broadly on those papers as it seeks to understand if there is new evidence on economic performance in Africa or just ol’ stuff. Finally, it sketches one possible way for further research.

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¹ I shared the first version of this comment with the editors of the *Journal of Economic Perspectives* (JEP), and I gratefully cherish the brief conversation about that version which I had with Timothy Taylor, Managing Editor of the JEP.

1. Summary of the Papers

The first paper by Collier and Gunning (pp. 3-22) views Africa's performance as a function of external and domestic curses: destinies and policies. It includes among destinies geography and ethnolinguistics. While the paper hedges strong conclusions about the effects of destinies on economic growth, it declares that external policies in Africa have improved in recent years, leading to positive terms of trade. However, domestic policies, especially those relating to the domestic private investment, remain deficient.

Deaton's presentation (pp. 23-40) describes a strong relationship between economic growth and historical commodity prices (lagged by about two and a half years). The presentation concludes that price booms and bursts have been important to economic performance, but the "roots of Africa's slow development almost certainly lie elsewhere, in poor investment appraisal - whether financed from commodity exports or not - and in the quality of governance" (p. 39). The search must go on!

Thanks to the excellent arrangement of the papers, the effects of governance on growth in Sub-Saharan Africa are the subject matter of the discussion by Ndulu and O'Connell (pp. 41-66). There we are told that post-colonial African governments endorsed *state*-led and inward-looking industrialization policies. What seems a contradiction is that the paper goes on to assert that the *state* and private sector which new African governments inherited from colonial regimes were either weak. And so, by the 1970s-1980s the chosen path to economic growth in Africa has simply led to authoritarianism, fiscal and monetary imbalances, and ultimately economic decline. A major conclusion turns out to be that while "Africa has groped towards satisfactory modes of national governance under objectively difficult conditions" (p. 63), there is scope for further democratization and economic growth.

Utilizing his familiar framework P.T. Schultz (pp.67-88) takes human capital accumulation (health, nutrition and schooling) to be a key growth factor. He finds that Africa "overemphasizes higher education" although social returns to higher education are much lower than they are to lower education levels. Consequently, neglecting the importance of primary and secondary education has tended to bias the gains from investment in education towards the middle class, thereby restricting the upward social mobility of lower classes. Although the author says little about Africa's investment in health and nutrition, he notes that these are lower than in other regions. The policy and research implications of the paper are beautifully and unambiguously stated in four steps, which when combined can "set human resource priorities for Africa on a firm foundation" (p.86).

Adding a fresh but lonely voice of difference to the portrayal of Africa is Sender's optimistic piece, which outlines the "limitations of the current consensus": "people-friendly", and "tragic optimism", development strategies (pp. 89-114). Sender sees progress in Africa's recent past, present and future; I tend to agree with him, but that

should not become the point. His point is that the strategies with a “human face” assembled in Washington as alternative paths to development are doomed because those strategies do not have local political support in the countries they were supposed to serve. Tragic optimists, with whom Sender seems in agreement, view development within a capitalist system as an uneven, painful, and costly process, but one that succeeds when it has domestic political support.

2. New Evidence or Just ol’ Stuff?

Individually each paper has something important to say about Africa’s economic growth. However, the five pictures which the papers paint are astonishingly different. With the exception of Sender’s, the papers say about Africa what has always been said about Africa. Hence, one may conclude that collectively the papers fail to enhance current understanding of Africa’s growth. Moreover, it seems that the authors use different facts to tell their [preconceived] stories. The growth-destiny notion espoused by Collier and Gunning, for example, is an old-fashioned fatalism. I read it all in Andrew M. Kamarck (1976, 1977). Yes, geography is important to economic growth. However, the tropics are an area 3200 miles wide; Sub-Saharan Africa is neither the only nor the largest region of the tropics. In other words, while soil fertility is necessary for agricultural productivity; it is not sufficient for economic growth in Africa countries for which comparative advantages are in mineral sectors.² Similar arguments can be advanced against the claim that Africa has a higher number of ethnolinguistic groupings than other regions. Linguists identify about 6000 world languages of which only 20% are African, that is 1200 languages. Twenty sounds like a high percentage until one observes that three of the major African language families are spoken by over 400 million people - which means each language group is spoken by about 133.3 million people, more people than in any single African country.³ Moreover, if we took Africa’s total population to be about 800 million, then each language would have 666,667 native speakers. These simple examples question the suggestion that geography and ethnolinguistics are more essential to economic performance in Africa than they are elsewhere. Hence, the problem is not the number of ethno-languages; it is perhaps ethno-fragmentation which is due to geography as well as colonial divide-n-rule policies.

Other examples include the fact that in South America all (well, almost all) ethnolinguistic heterogeneity was eliminated by the Spanish and Portuguese languages.

² Professor Kamarck (2000) has continued his argument about a strong negative relationship between the tropics and economic development. He believes the symposium papers “greatly understate the adverse influence of the tropics and the primitive level of African economies in 1950” (p. 235), and “mineral development also has special drawbacks” (p. 236). But even Kamarck doesn’t view the tropics as a destiny (curse) because the “velocity of change could be harnessed by research (p. 236).

³ That is the third largest number of people after Indo-European (first and Sino-Tibetan (second), see **World Book, Inc.** 1999.

Yet it remains unclear to me that ethnolinguistic homogeneity led to better economic performance there. Moreover, at its height and prior the British Empire grew faster than the United Kingdom has done in recent years even though ethnolinguistic heterogeneity was greater then than now. South Korea is more homogenous than Tanzania and perhaps that is why the former performed better than the latter. However, Tanzania is more heterogeneous than Mynar (Burma). What is the difference in terms of growth between the two the countries that is due to the homogeneity of the population? Chances are none. Available evidence points out that natural resources (ethnolinguistics included) are necessary but not sufficient growth factors. Extensive research on the nexus between growth and natural resources has produced varying results^{445ZUBYC44}, see e.g. Sachs and Warner (1999), Rodriguez and Sachs (1999), Auty (1993), and Gylfason and Zoega (2002). Equally resourceful countries have often performed differentially, and some resource-poor countries have in fact done better than their resource-rich counterparts. And so, it seems that something other than destinies and policies is missing, and economists would do better searching for what is missing than just “translating [old religious and ideological] prejudices into respectable-looking numerals”, as Mishan (1974, pp. 93-4) has charged. In doing so *simplicity* is preferred to *complexity* and *clear thinking* about facts does better than *straight* and *deep thinking*.⁴

The argument that Africa has had more growth-retarding dictatorships than other regions is also not convincing, but I am willing to let that fly. However, to argue that Africa inherited small and/or weak states from colonial governments becomes un stomachable and inconsistent when it is claimed that those same weak and/or small states performed better pre-independence than post-independence. In a recent paper Daron Acemoglu, Simon Johnson, James Robinson (2001) show that where colonial institutions were weak or did not developed because of high settler mortality, modern institutions turned out weak or absent, and consequently economic growth was weak or worst as well. This well done research is a quantitative interpretation of Sir W. Arthur Lewis (1965), who argued that economic institutions are central to economic growth, followed by knowledge, capital, natural resources such as land and population, and government, in that precise order of importance. The idea about the central role of institutions is not new and Lewis credits Adam Smith for it. Yet, the myth fails to die that African countries are doing worse today than they did in the 1960s. Evidence is simply not there; the examples usually given as evidence compare apples to oranges under the assumption that apples and oranges are fruit. But even at the firm level the growth question is not about *why* fruit is produced; it is about *how* much good fruit is produced, *who* produced it, and *for whom*. To answer these questions by treating apples and oranges merely as fruit is deficient. And so at the macro-level where discussion is taking place one must recognize simple issues such as the fact that a South Africa pre-independence in 1994 is not the South Africa post-independence. The old South Africa appears to have outperformed the new South Africa only because the new economy now includes the majority of the people who were excluded from it before. Even assuming zero or negative real economic growth as a matter of fact, for the majority of South Africans an increase in real and potential earning

⁴ I may have been influenced by Ed Teller (1981) or Jensen and Jensen (2001).

power from zero pre-independence, on the one hand, to say one Rand, access to education, health care, improved nutrition, and even basic freedoms of security, mobility, and protection post-independence on the other hand, may all mean a 100% economic growth rate for those directly involved. Cross-sectional emphases on macro-variables simply understate the rate of economic growth implicit in micro-variables.

It is unfortunate that Africa seems to be the only region where careful studies of individual countries are always ignored. Worse still one often hears of Sub-Saharan Africa's conditions inferred from the conditions of other regions, in recent years from those of East Asia. In this inference observers look at other regions first, and then say of Africa whatever they found to be untrue for the regions they or others have studied. Hence, the "stew" of cross-sectional studies which Ed Leamer (2001) deplors is worst for Africa, which is a shame because the same experts seem to suggest that Africa needs help most. Already new developments are taking place in the horizon: the World Economic Forum, which met in Monterey, Mexico in March 2002 appear to have agreed about the soundness of tying aid for poverty reduction to reform and terrorism - where the latter two terms were left undefined. There is sufficient evidence that democracy is good for economic growth and for the distribution of the results of economic growth, i.e., reducing poverty. The relationship between terrorism and poverty is speculative insofar as it appears to be the case that where such a relationship exists, it is poverty that is more likely to lead to terrorism than the other way around.

Others, and the paper by Ndulu and O'Connell is a moderate example of this, often represent Africa by all African countries LESS all good African performers. By contrast, Asia, Europe, or America is often defined as all relevant countries LESS poor performers in that region. For example, in rationalizing the making and essence of the East Asian miracle (see reference in footnote 9 above), the World Bank claims that "from 1965 to 1990 the twenty-three economies of East Asia grew faster than all other regions" (p.1). But emphasis ended up on the eight high-performing Asian economies: Japan, Hong Kong, South Korea, Singapore, Taiwan, Indonesia, Malaysia, and Thailand. Where did the rest of Asia go? How did the rest of Asia fare? Moreover, when referring to Africa the study excludes Botswana from its discussion on condition that Botswana is a mono-commodity economy. One is left to wonder what the purpose of comparison in all circumstances is since most African countries are mono-commodity economies!

Using these arbitrary approaches any one can show Sub-Saharan Africa performing better than Asia, it all depends on which country, countries, or region(s) one picks. If one chooses to represent Sub-Saharan Africa with Botswana or with a wealthy suburb of Windhoek in Namibia, and Asia with Afghanistan or worse still with some run-down township in Bangkok, Thailand, then Sub-Saharan Africa has been outperforming Asia for decades. Clearly the running of regressions before the data is even collected, seems so wrong to continue, but it does. Continuous drum-beating the poor performance of Sub-Saharan Africa is a waste of time. It is for the economics profession what IQ debates are for psychology; they generate a lot of interesting information but little insight.

Until researchers begin to study individual Sub-Saharan African economies rather than inferring them from the performance of other countries, policy-making in Africa will not benefit from recent advances in growth and development economics. In a recent IMF Staff paper, for instance, Ghura and Hadjimichael (1996) modified Mankiw, Romer, and Weil (1992) to examine the economic growth of a number of Sub-Saharan African countries over the 1981-1992 period. However, the endogenous aspects of the model motivated in the theoretical part of the paper are ultimately not tested. Hence, the results of the paper lack the prescriptive guts that one would expect from it. In that limited sense the paper says too much about Sub-Saharan Africa's poor performance and too little about what must be done, and leaves individual African countries in the cold (once again). To some of us this is a contradiction: unlike academic institutions the World Bank and IMF policy studies are a major part of their mandate, or are they?

From W. Arthur Lewis (1965) we know that economic growth is determined by *specialized resources* of two kinds: factors and forces. Included among factors are (neo)classical inputs of a fixed variety such as physical capital (from savings and investment), population (raw labor from natural procreation), and government, on the one hand, and *enriched* inputs produced or enhanced means of production such as human and fluid capital, on the other hand. Lewis would list among the forces of growth the will to economize, which is a function of the desire for material wealth (goods and services); the cost of efforts to acquire such wealth; the existence of working economic institutions that promote and reward efforts, by enabling trade and specialization, fostering economic freedom, institutional change, and knowledge building. Like natural resources specialized resources are quantitatively and qualitatively unevenly distributed within and without regions, but besides availability successful use of resources depends on the institutional surrounding.

3. Where to from Here?

Sir Lewis's notion about what determines economic growth has a fresh and creative restatement in Paul Romer's (1993) concept of objects and ideas as determinants of progress. Romer's concept predicts that in the long run objects (fixed factors) are subject to diminishing returns, while ideas (dynamic factors and forces) are characterized by unbounded (at the least expandable) increasing returns. Romer's model puts ideas at the center of progress (technical and technological changes), and in turn technical and technological changes drive economic growth. One research implication of this model recommends public investment in the production of ideas, but the policy implications about how that can be done are clear only for individual countries, not for regions.

The simplicity of the form of Romer's concept relative to the richness of its contents makes analysis of growth more realistic than before. However, important elements which may prove critical to economic growth are missing from both Lewis and Romer. The missing elements are (a) *the intra-actions among fixed inputs associated with a constant technical change*, (b) *the intra-actions among fluid factors related to dynamic technical change*, and (c) *the inter-actions between objects and ideas which underlie technological*

change. On balance the net force of progress resides in the inter-actions between objects and ideas given intra-actions among different objects on one side, and intra-actions among ideas on the other side. Another shot at it: Growth depends on factors, and forces such as technological change. However, technological change comes about by integrating over time “areas” of *intra-sections* among different objects, among different ideas, and the *intersections* between different objects and ideas.

This simple modification of Romer and Lewis represents a new way of looking at economic growth. Unfortunately, it narrows the scope and size of the market for familiar cross-sectional regional studies which have found the same results about Sub-Saharan Africa’s performance since who knows when. According to these studies Africa has always done better in the past than in the present; it will have performed worse tomorrow than today, and worse still today than yesterday. Africa’s population would have x-pled by the 2020 (which is a terrible thing), even as we are told today that more than 20% of Sub-Saharan Africans between the ages of 15 and 45 years carry the HIV/AIDS virus and will most likely die of complications associated with the feared virus (which is another bad thing). There is nothing new here - just ol’ stuff, and so one can see in Africa whatever one wants to see simply by finding facts supportive of one’s [preconceived] beliefs.

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