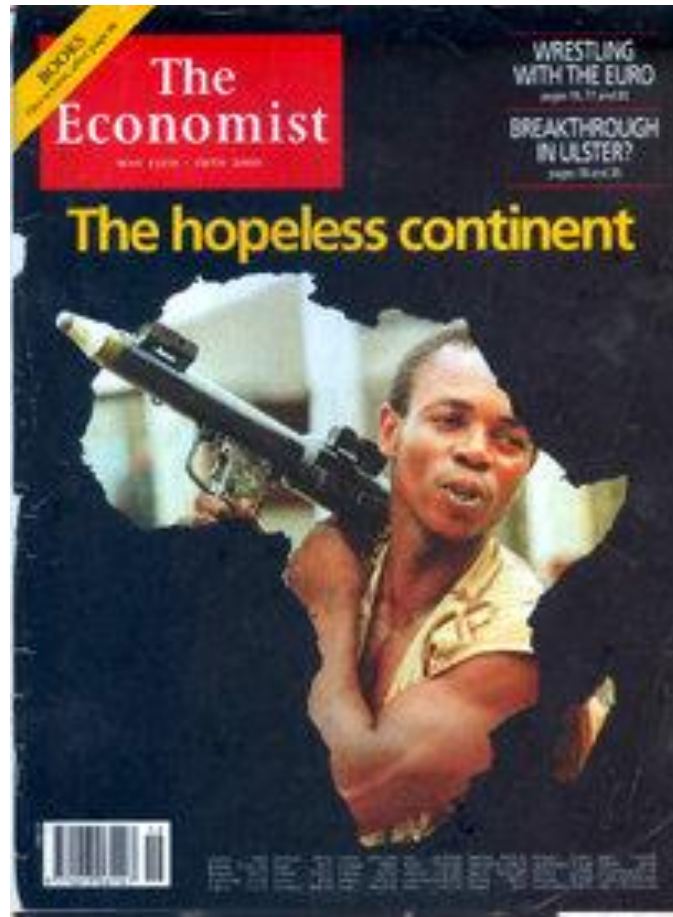


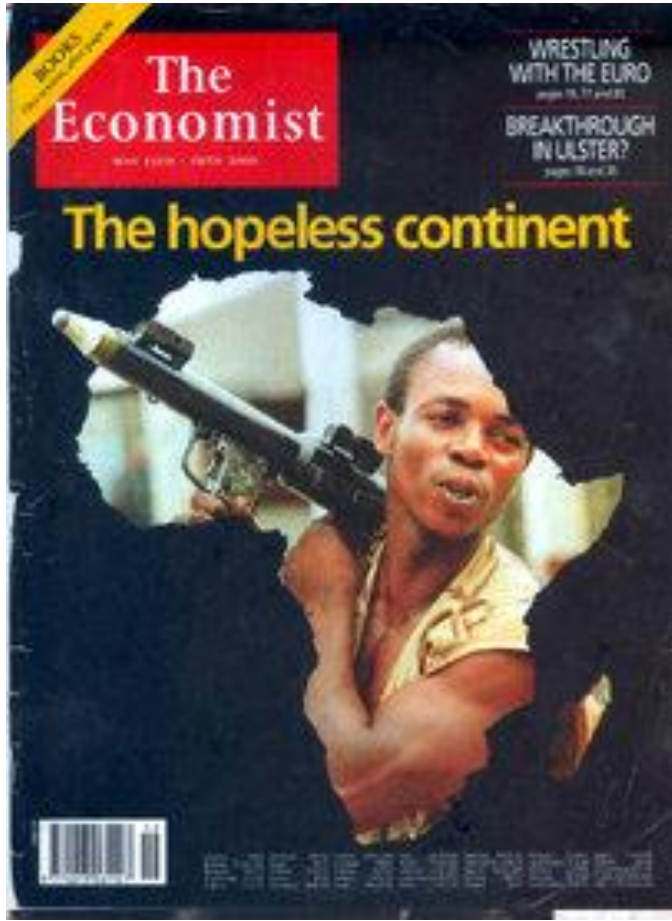
EXPLAINING AFRICAN ECONOMIC DEVELOPMENT

Evidence, Methods,
and Narratives

THE ECONOMIST 2000: THE HOPELESS CONTINENT



THE ECONOMIST 2000: THE HOPELESS CONTINENT



“Does Africa have some inherent character flaw that keeps it backward and incapable of development?”

THE ECONOMIST 2011: THE HOPEFUL CONTINENT: AFRICA RISING



THE ECONOMIST 2011: THE HOPEFUL CONTINENT: AFRICA RISING



Do the editors of *The Economist* have a character flaw that makes them incapable of consistent judgment?

MISUNDERSTANDING ECONOMIC GROWTH IN AFRICA

DIAGNOSING AFRICAN GROWTH

Collier and Gunning (1999)

“It is clear that Africa has suffered a chronic failure of economic growth. The problem for analysis is to determine its causes.”

Collier (2007)

“The central problem of the bottom billion is that they have not grown. The failure of the growth process in these societies simply has to be our core concern”

A PROBLEM AND A QUESTION

With the help of economists we can now explain why African economies are *not* growing.

Problem: African economies are growing on average, and they have been for two decades, they also grew in the 1950s, 1960s and 1970s on average.

My question: how could economists miss decades of growth?

EXPLAINING GROWTH IN AFRICA

Barro (1991) provided the seminal paper

- Cross Country Growth Regressions
- Global Sample — Explaining averaged GDP per capita growth rates 1960-1985



THE QUEST FOR THE 'AFRICAN DUMMY'

Barro (1991) provided the seminal paper

- Cross Country Growth Regressions
- Global Sample — Explaining averaged GDP per capita growth rates 1960-1985

Large negative significant African Dummy

→ Models not yet capturing the characteristics of the typical African economy
(Barro 1991)

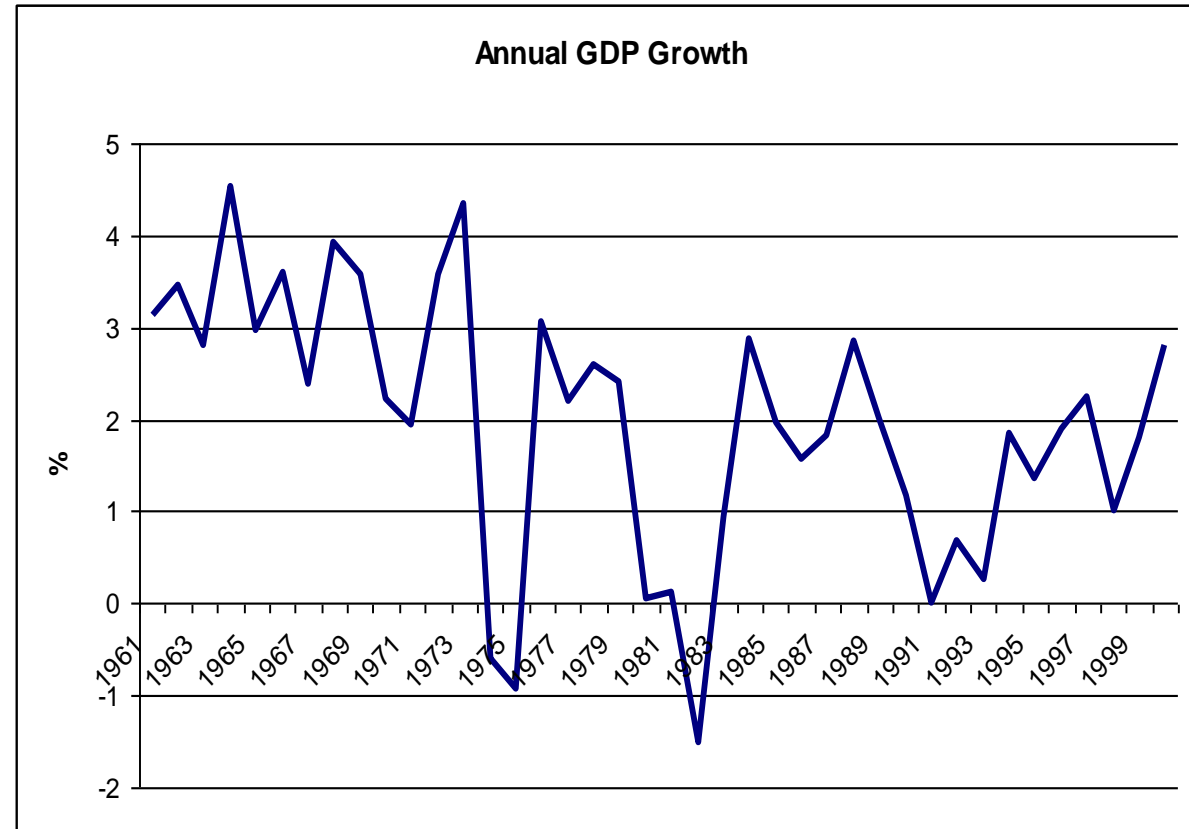
→ African economies grown inexplicably slowly

(Collier and Gunning 1999)



WHERE IS THE AFRICAN DUMMY?

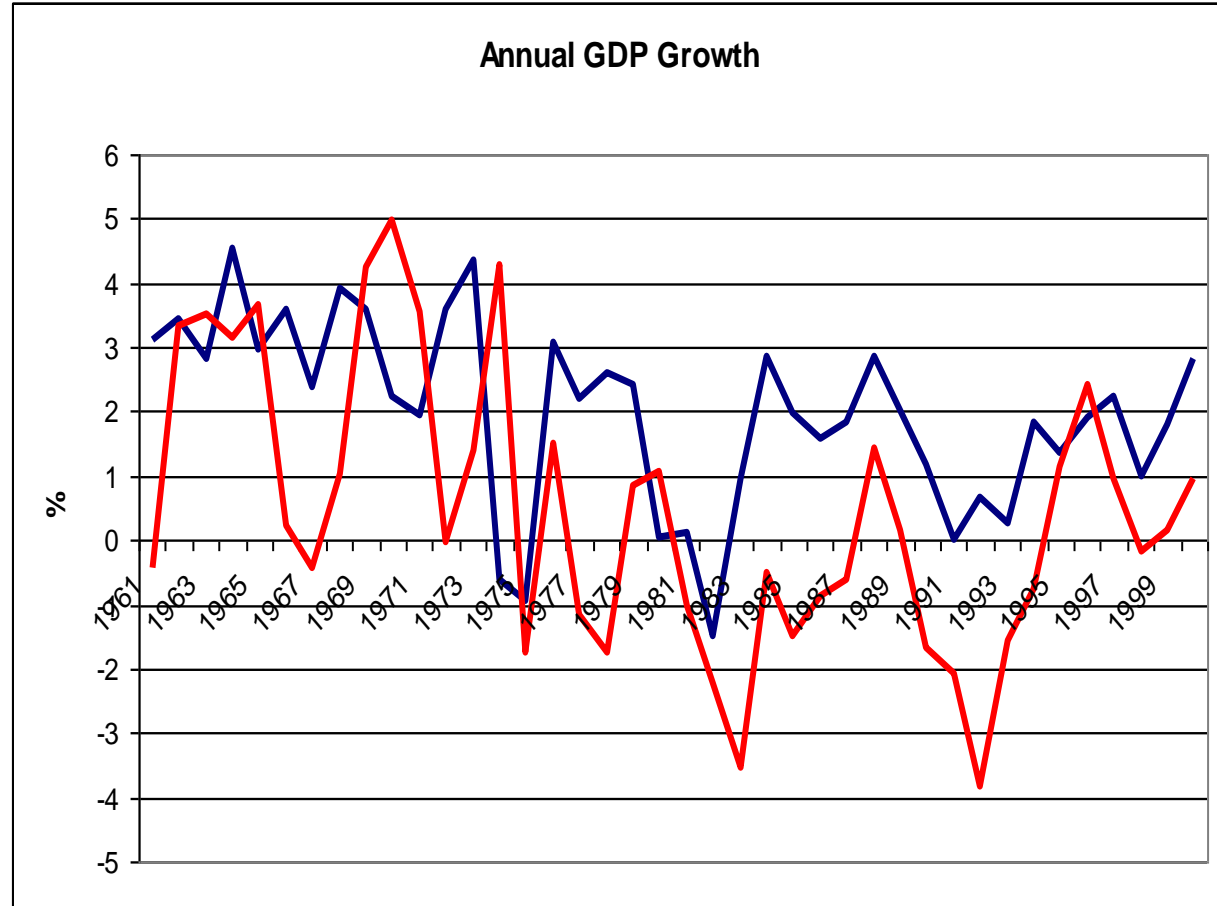
1. Annual World Per Capita GDP Growth Rate



Source: WDI 2003

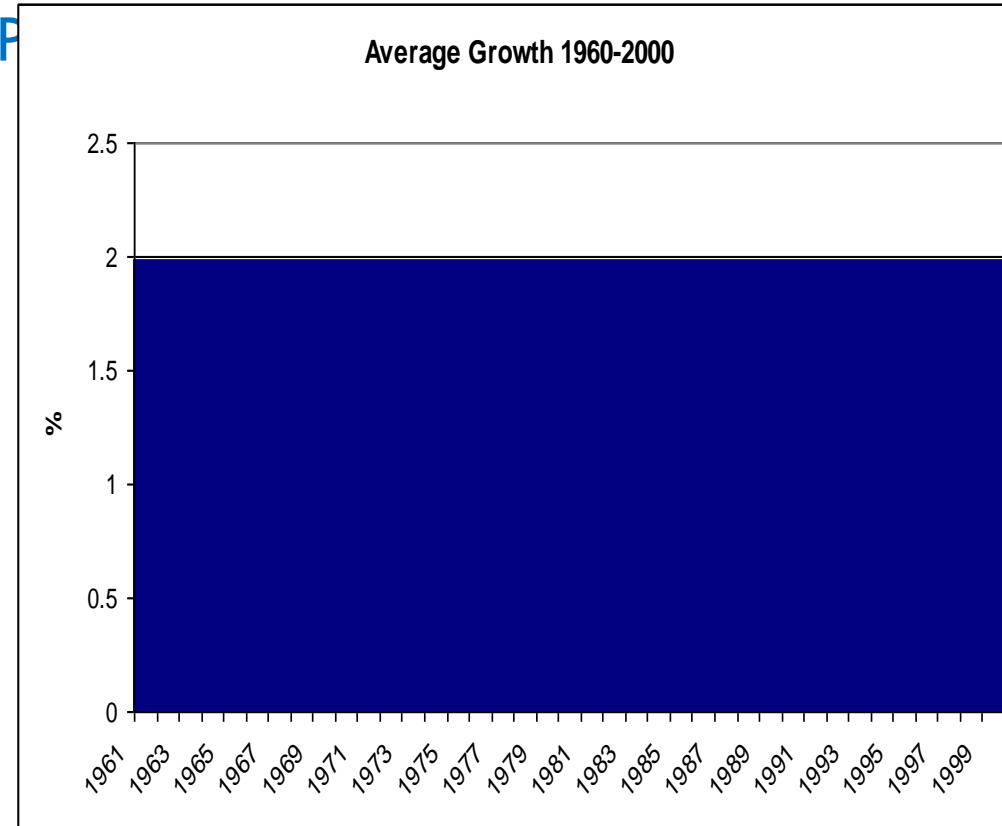
WHERE IS THE AFRICAN DUMMY?

1. Annual World Per Capita GDP Growth Rate
2. Annual Africa Per Capita GDP Growth Rate



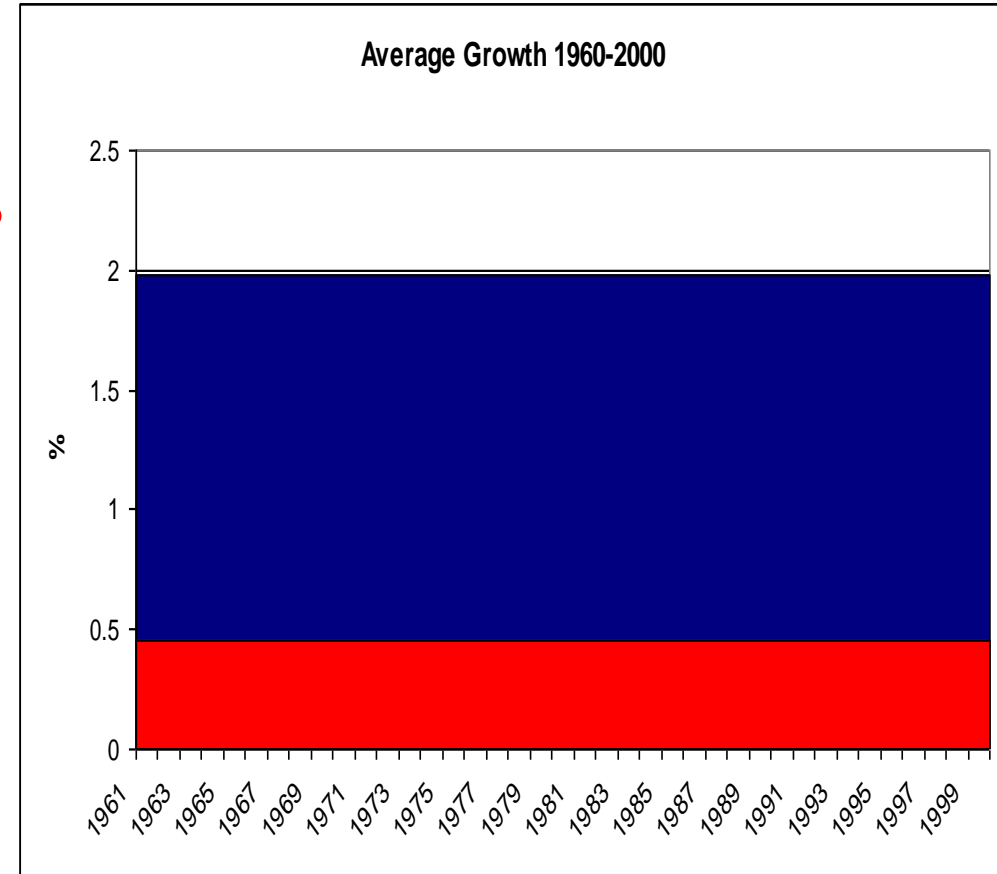
WHERE IS THE AFRICAN DUMMY?

1. Averaged World Per Capita GDP Growth Rate



WHERE IS THE AFRICAN DUMMY?

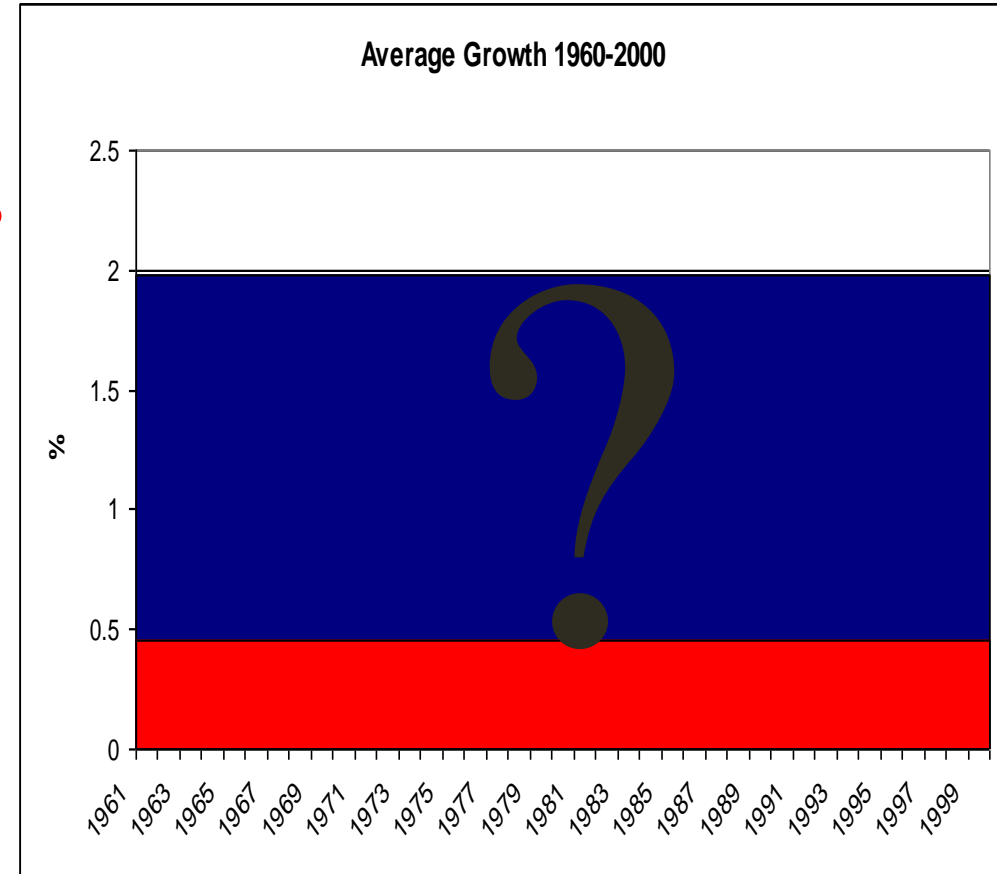
1. Averaged World Per Capita GDP Growth Rate
2. Averaged African Per Capita GDP Growth Rate



WHERE IS THE AFRICAN DUMMY?

1. Averaged World Per Capita GDP Growth Rate
2. Averaged African Per Capita GDP Growth Rate

→ Why has Africa Grown Slowly?



“EXPLAINING AFRICAN ECONOMIC PERFORMANCE”

(COLLIER AND GUNNING 1999)

Lack of social capital

Lack of openness to trade

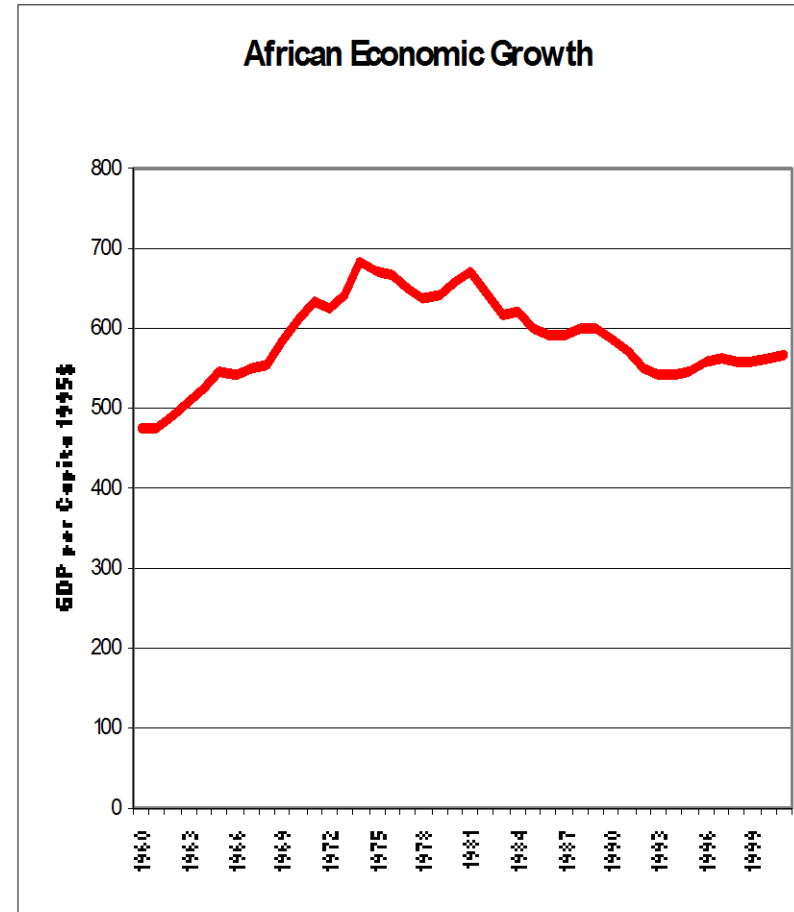
Deficient public services

Geography and risk

Lack of financial depth

High aid dependence

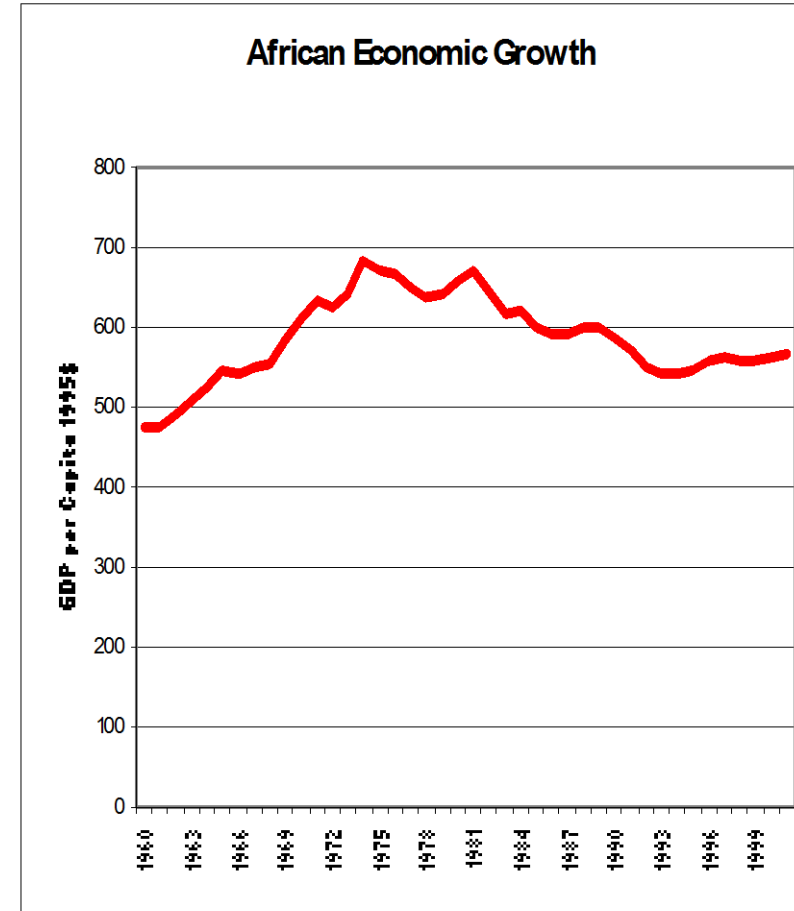
COHERENCE WITH GROWTH PATTERN



Source: WDI 2003

COHERENCE WITH GROWTH PATTERN

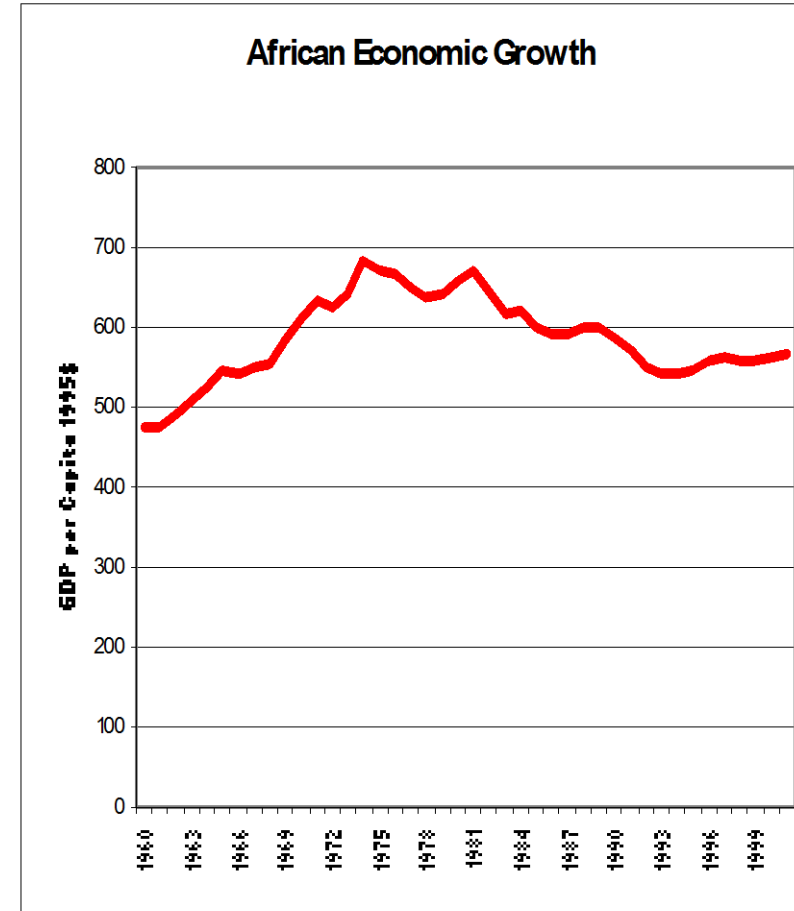
Rapid Growth 1960-1974



COHERENCE WITH GROWTH PATTERN

Rapid Growth 1960-1974

Shock 1974-1981

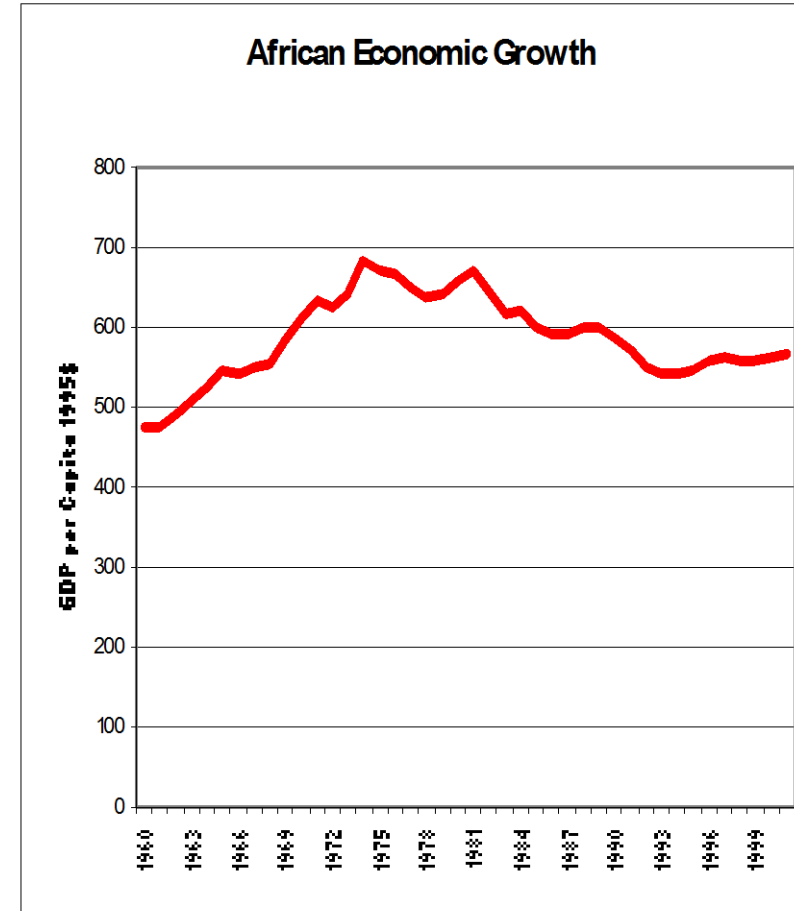


COHERENCE WITH GROWTH PATTERN

Rapid Growth 1960-1974

Shock 1974-1981

Decline 1981-1994



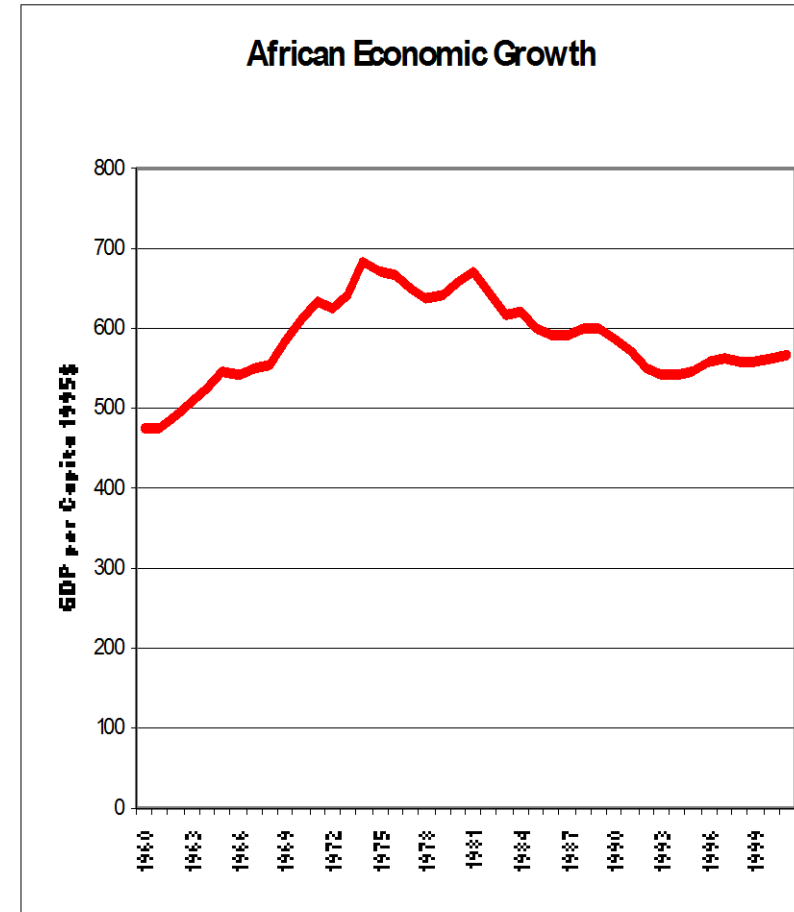
COHERENCE WITH GROWTH PATTERN

Rapid Growth 1960-1974

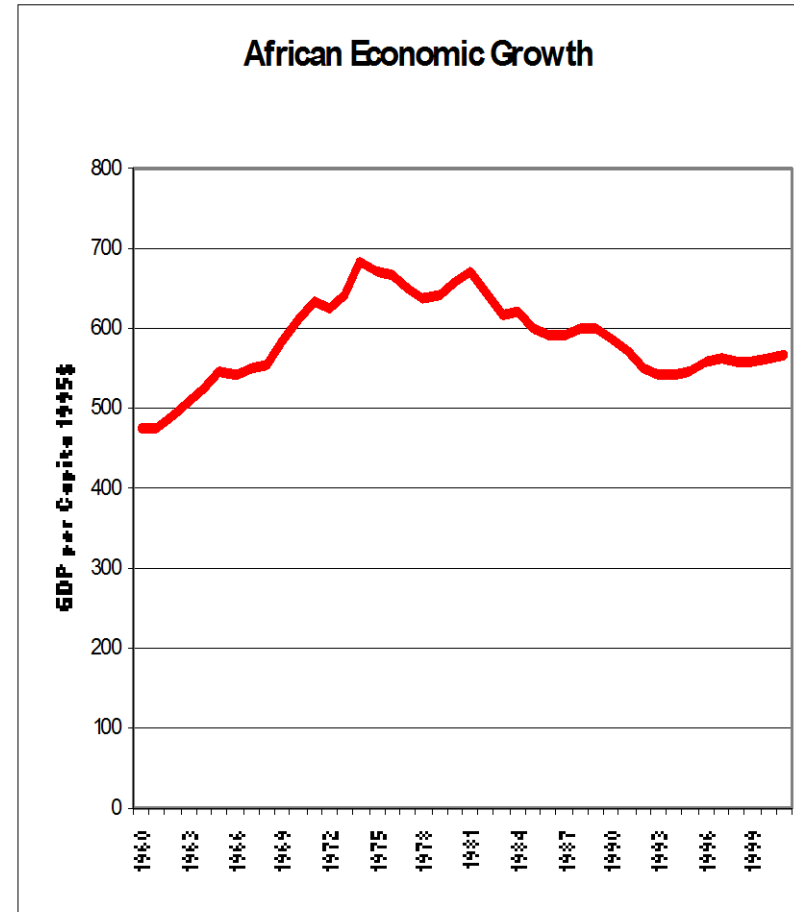
Shock 1974-1981

Decline 1981-1994

Stagnation 1994-2001



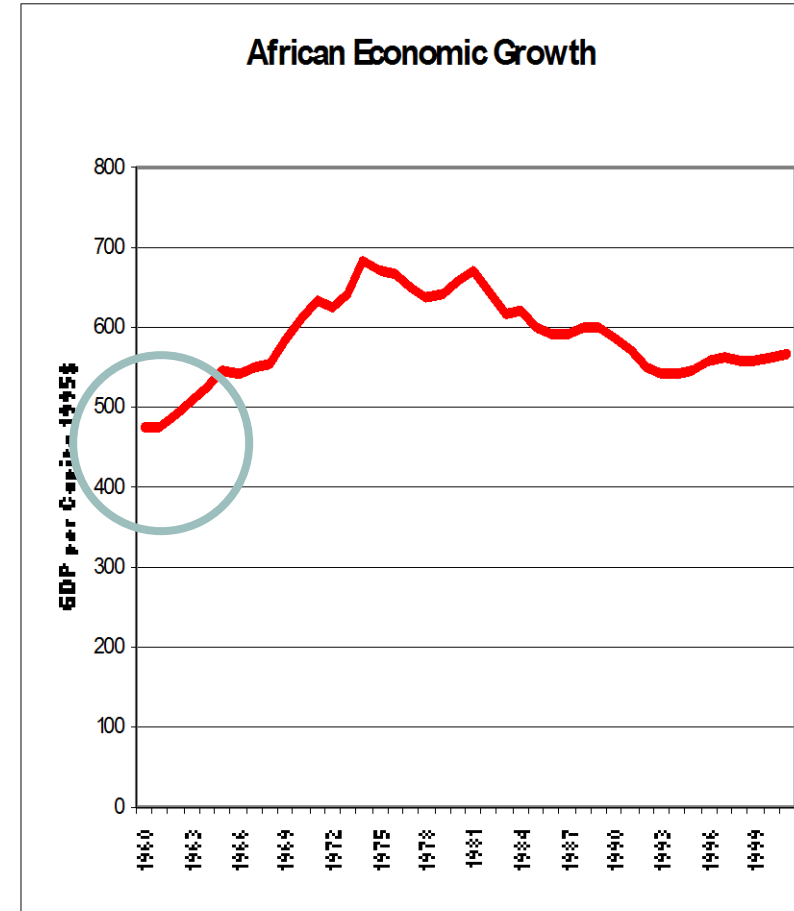
COHERENCE WITH GROWTH PATTERN



Source: WDI 2003

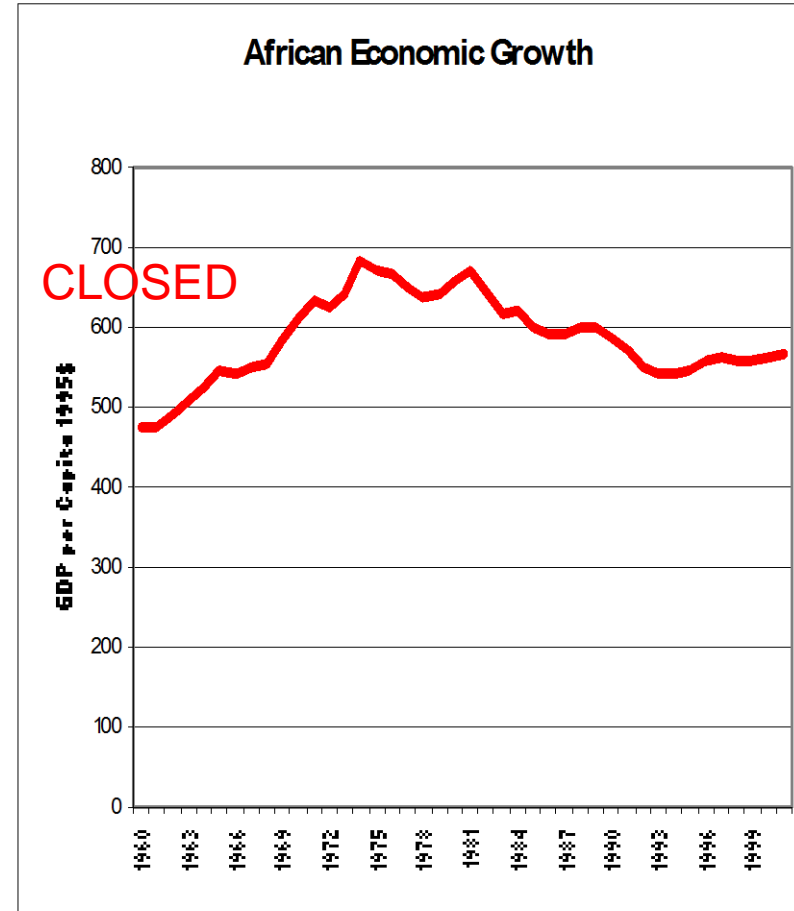
COHERENCE WITH GROWTH PATTERN

Initial Conditions?



COHERENCE WITH GROWTH PATTERN

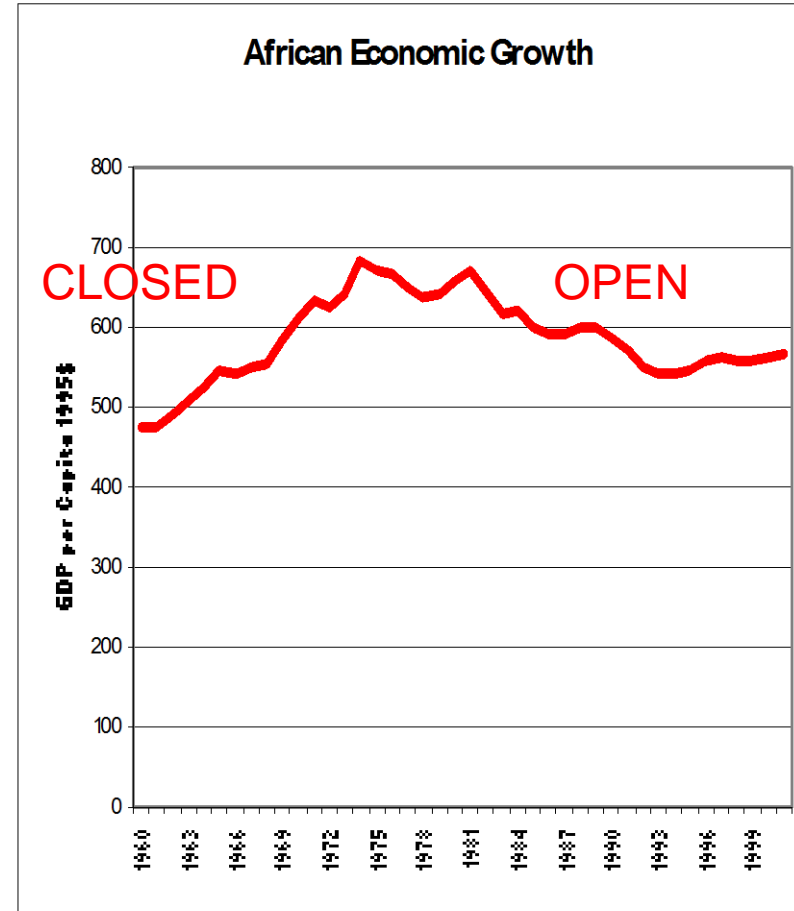
Openness?



COHERENCE WITH GROWTH PATTERN

Openness?

Structural Adjustment Programmes from 1979



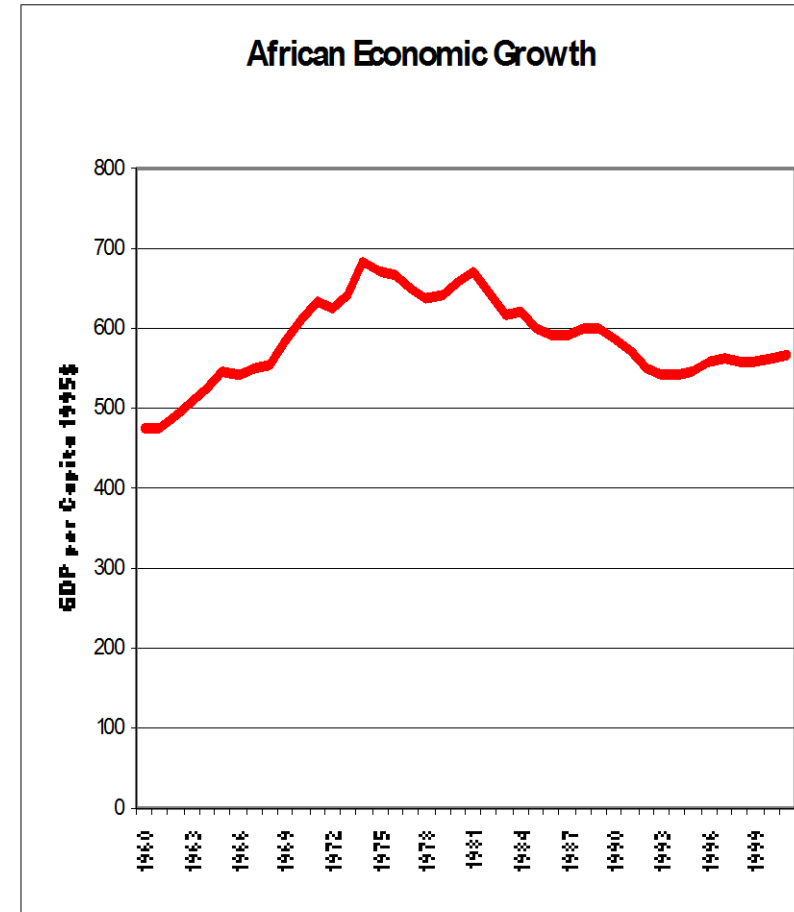
COHERENCE WITH GROWTH PATTERN

Institutional Quality

Black Market Premium

Public Services

High Aid Dependence (and indebtedness)



COHERENCE WITH GROWTH PATTERN

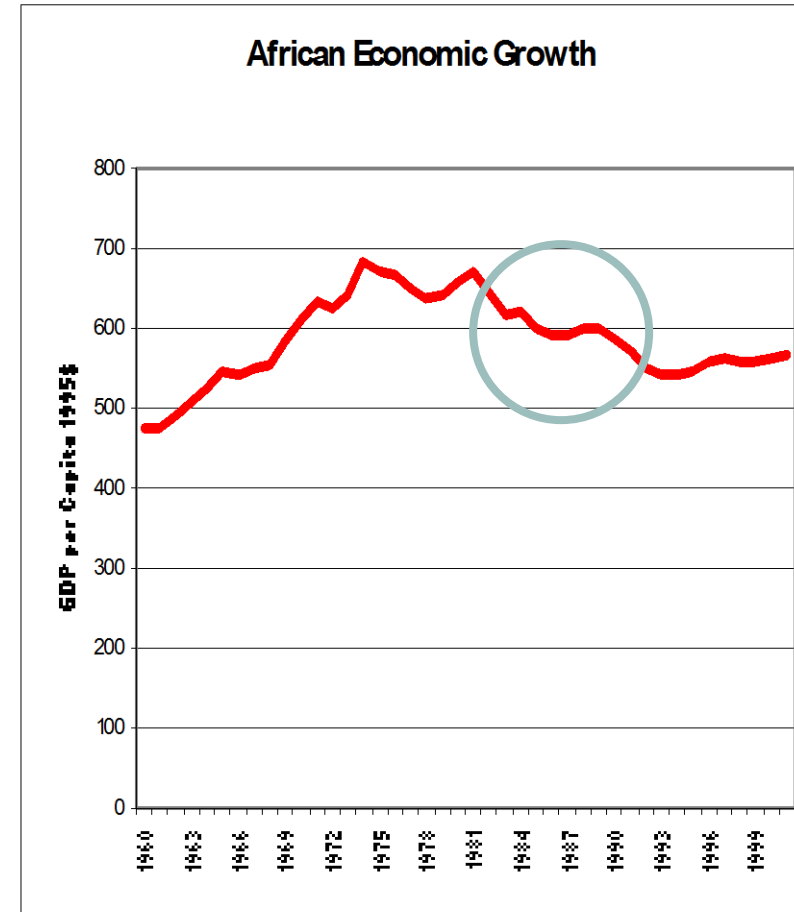
Low Institutional Quality

High Black Market Premium

Deficient Public Services

High Aid Dependence (and indebtedness)

All post shock phenomena



BUT WHAT DID ECONOMISTS LEARN?

Chronic failure of growth in Africa accepted as stylized fact.

Worries about endogeneity (e.g. High aid & Slow growth)

Technical solution: The instrumental variable — & history!

A search for root causes of underdevelopment: institutions matter, history matters..

FROM: WHY HAS AFRICA GROWN SLOWLY? TO: WHY AFRICA FAILED

1st Generation growth literature:

Q: Why has Africa grown slowly?

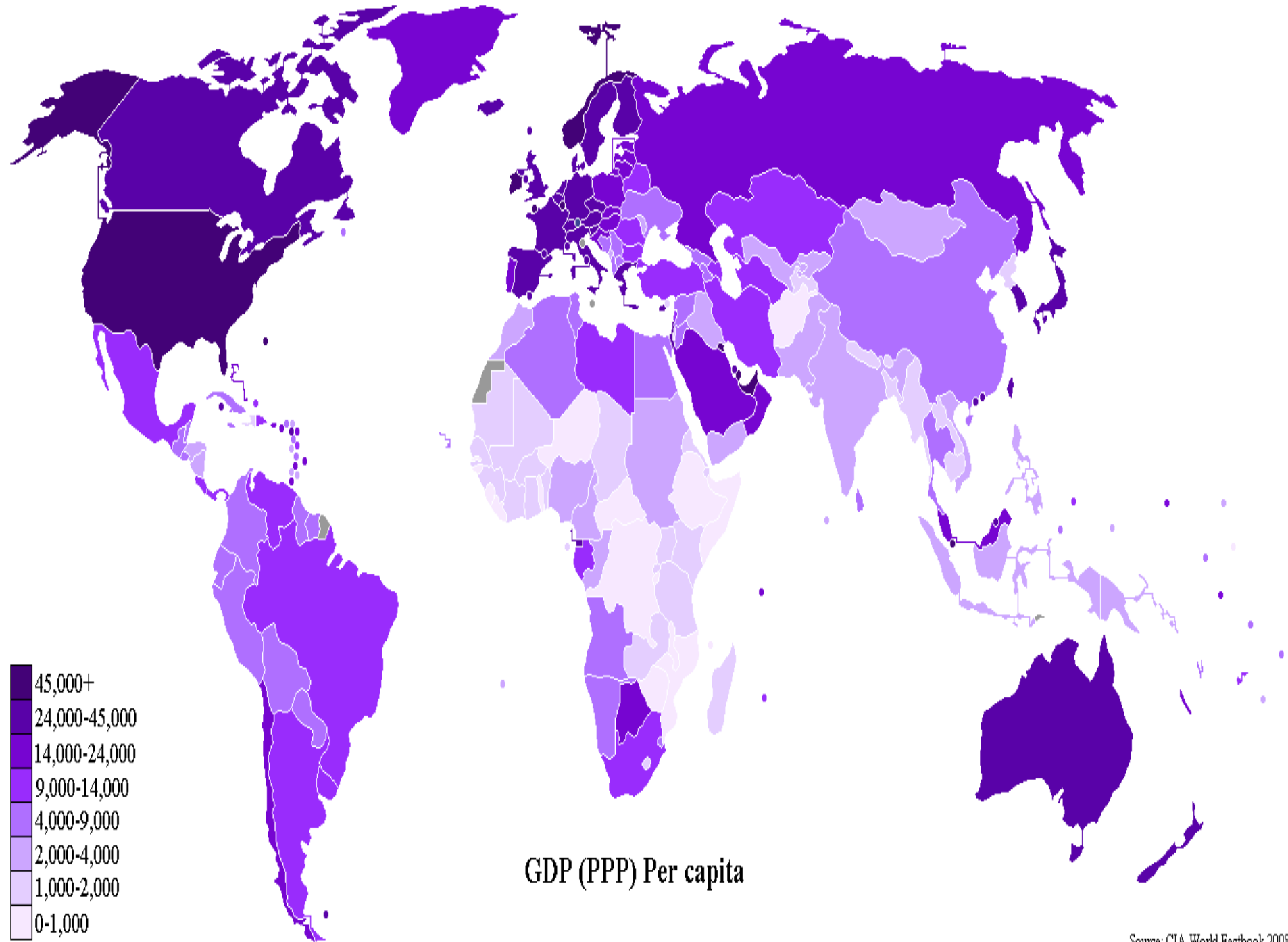
A: Growth inhibiting policies were adopted.

2nd Generation Growth literature

Q: Why were growth inhibiting policies adopted?

A: Special 'African characteristics' in the initial conditions

TRAPPED IN HISTORY?



CORRELATES BETWEEN LOW GDP PER CAPITA TODAY AND SOME QUANTIFIABLE 'EXOGENOUS' EVENT IN THE PAST

Geography → Underdevelopment

Slavery → Underdevelopment

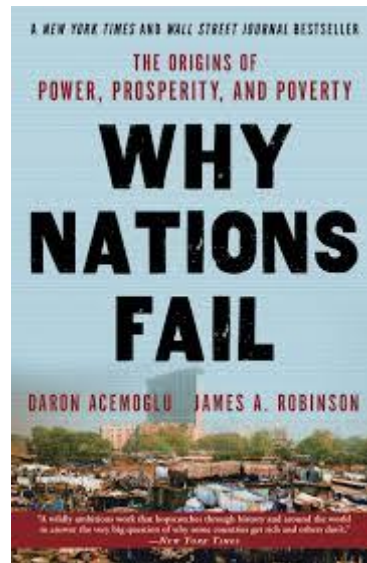
Colonization → Underdevelopment

Geography → Institutions → Underdevelopment

Colonization → Institutions → Underdevelopment

Slavery → Institutions → Underdevelopment

INSTITUTIONS?



Acemoglu and Johnson says that in Congo (or Kongo, DRC, Zaire, Angola...) farmers did not adopt the plough in agriculture because private property rights were not secure... and therefore they are poor today.

Ignoring that a) it is an area with sleeping sickness b) that soil fertility is shallow in the area and c) that land was abundant during that time

PROBLEMS

Missing history: what about the time between the event and today?

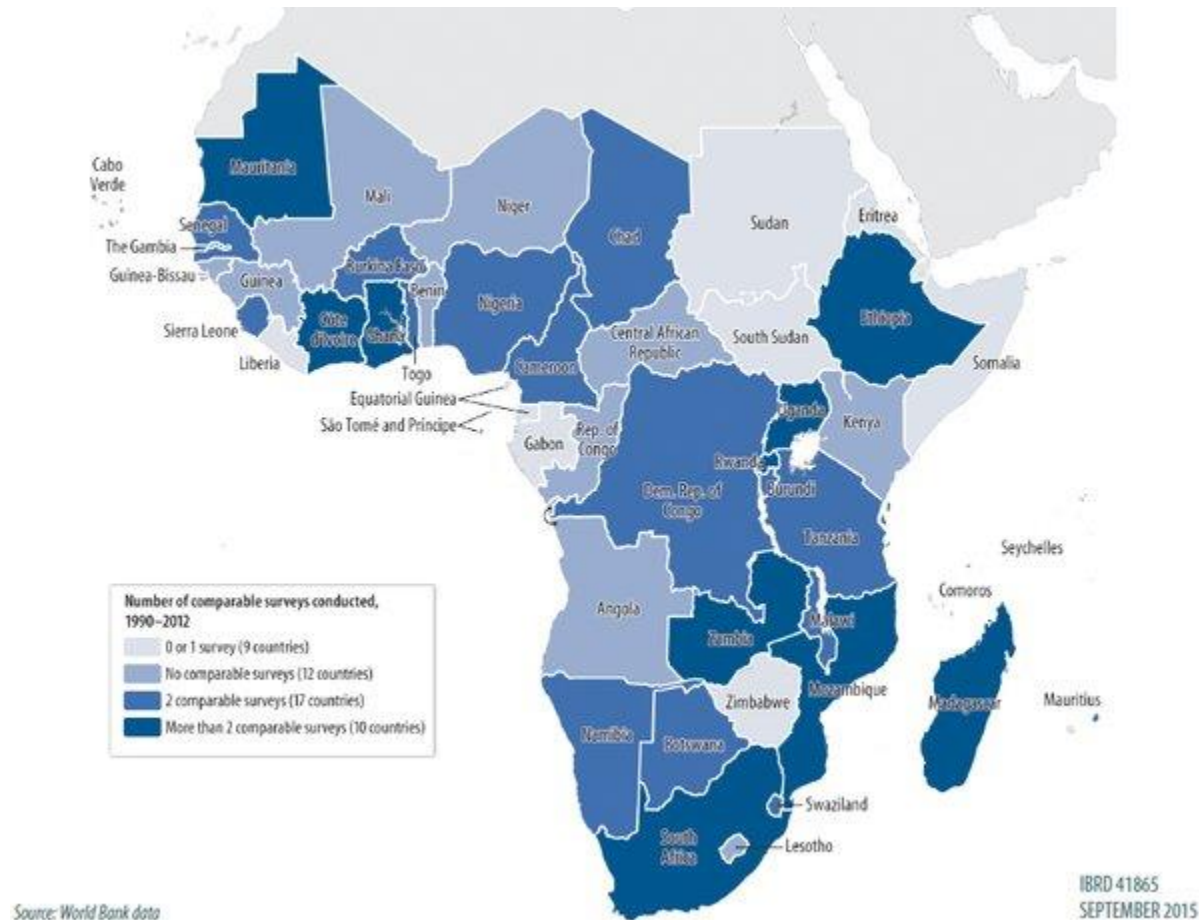
Missing policy implications: «get a new history» OR “why aren't you Denmark” policy implication.

Massive reversal causality if ‘good institutions’ are the result of development, rather than the cause of development.

Paradox: to be told that ‘history and institutions matter’ and then subsequently to be presented with what one commentator called ‘wikipedia with regressions’

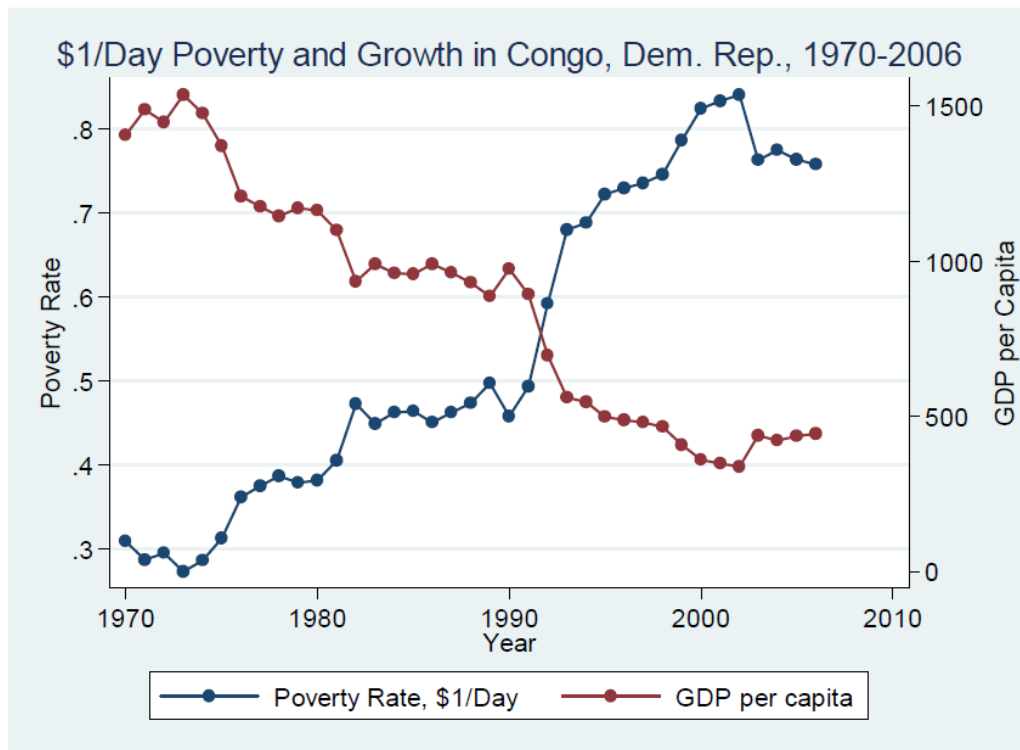
AFRICA'S STATISTICAL TRAGEDY?

SURVEYS OF POVERTY IN AFRICA SINCE 1990



'27 of 48 countries had at least two surveys from 1990 to 2012 with which to track poverty'

AFRICAN POVERTY IS FALLING MUCH FASTER THAN YOU THINK?



Pinkovskiy and Sala-i-Martin (2010).

No poverty line data points.

GDP: VERY SOFT LEVEL ESTIMATES

On the 5th of November, 2010, Ghana Statistical Services announced that its GDP for the year 2010 was revised to 44.8 billion cedi, as compared to the previously estimated 25.6 billion cedi.

This meant an increase in the income level of Ghana by about 60 percent and, in dollar values, the increase implied that the country moved from being a low income country to a middle income country overnight.

GDP: VERY SOFT LEVEL ESTIMATES

On 7 April 2014 Nigeria just announced the GDP figures. New estimates increased total GDP with 89 percent.

In 2012 I guesstimated (in African Affairs) that GDP in Nigeria was underestimated that were about 40 'Malawis' unaccounted for inside Nigeria...

GDP: VERY SOFT LEVEL ESTIMATES

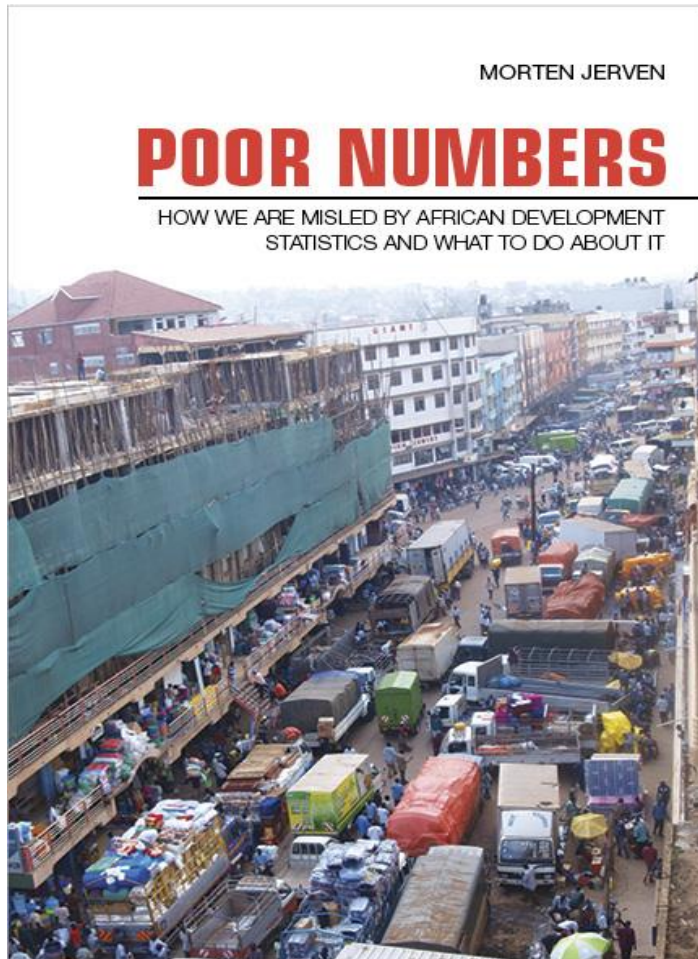
On 7 April 2014 Nigeria just announced the GDP figures. New estimates increased total GDP with 89 percent.

In 2012 I guesstimated (in African Affairs) that GDP in Nigeria was underestimated that were about 40 'Malawis' unaccounted for inside Nigeria...

Turns out there were 58...

In Ghana they revised GDP benchmark from 1993 to 2006, in Nigeria they revised GDP benchmark from 1990 to 2010.

KNOWLEDGE PROBLEM: POOR NUMBERS



Our knowledge problem by numbers is doubly biased. We know less about poor economies & we know less about poor people living in poor economies.

CHALLENGES

Since the 1990s, with the onslaught of international datasets the distance between the observer and the observed has increased.

Compression of history: Long term explanations of economic development in Africa has tended to use evidence from a very recent past.

African growth recurring: 'Africa rising' in historical perspective

TOWARDS A NEW ECONOMIC HISTORY FOR AFRICA

Economic Growth, Poverty and
State Capacity in the 20th
Century

‘NEW ECONOMIC HISTORY OF AFRICA’

Hopkins: New African Economic History

Austin: Compression of History

Fenske: Causal History

Jerven: Clash of Disciplines

Special issue: Renaissance of African Economic History

African Economic History Network: bridging the gap in approaches to the African past.

NEW AVENUES OF RESEARCH

1. Growth
2. Population
3. Taxation
4. Poverty and Inequality

Sometimes exploiting relatively underutilized and relatively rich colonial sources (taxes, prices, wages) other times working with fragmented and sparse sources (population and poverty).

Challenge: connecting connecting pre-colonial, colonial and post-colonial sources and correctly assessing missing data bias.

A NEW ECONOMIC HISTORY FOR AFRICA?

Beyond the divide of 'causal history' and 'compression of history'

Expanding the quantitative boundary of investigation....

...while not only amassing more numbers, but interrogating the numbers using multiple sources of data.

Recognizing and substantiating historical economic and institutional change is important in its own right. To dismiss growth and states as failed risks not learning from history – the key is to understand under what circumstance states developed, and under what circumstance they did not.

CHANGE IN RESEARCH PARADIGM

Let us study economies not economics.

Change from 'subtraction approach' to 'reciprocal comparison'.

Let us study how African economies work, rather than explaining why they don't.