Economics 172
Issues in African Economic Development

Lecture 26 – April 26, 2007
Outline:
(1) Tribe or nation in East Africa (Miguel 2004)
(2) Next topic: violence and economic development
(3) World Bank (2003) on war and development
(4) Keen (2005) on Sierra Leone
A tale of two districts: Busia and Meatu

• Busia, Kenya:
  – Luhyas 70 percent (Tesos, Luos, Sabot), Table 1
  – Average community diversity measure (ELF) = 0.23

• Meatu, Tanzania:
  – Sukuma 85-90 percent (Nyiramba, Taturu, Hadzabe)
  – Average village diversity (ELF) = 0.13

• Similar livestock, cash crops, well maintenance in both
  – Busia, Kenya has better school infrastructure
Estimating Effects Across Countries

• Step 1: Estimate impact of diversity (ETHNIC) on local collection action outcome ($Y$), in community $i$, country $c$.

$$Y_{ic} = a + \tau \cdot ETHNIC_{ic} + X_{ic} \cdot b + \mu_{ic}$$

• Step 2: Test if the relationship is different across countries for multiple measures
Estimating Effects Across Countries

• Step 1: Estimate impact of diversity (ETHNIC) on local collection action outcome (Y), in community i, country c.

\[ Y_{ic} = a + \tau \cdot ETHNIC_{ic} + X_{ic} \cdot b + \mu_{ic} \]

“Treatment term”

• Step 2: Test if the relationship is different across countries for multiple measures
Figure 2(a): Busia, Kenya –
Total local primary school funds per pupil in 1995 versus local ethno-linguistic fractionalization

School Funding Kenya (USD)  Fitted values
Figure 2(a): Busia, Kenya – Total local primary school funds per pupil in 1995 versus local ethno-linguistic fractionalization

Low ethnic diversity  High ethnic diversity
**Figure 2(b):** Busia, Kenya – Desks per primary school pupil in 1996 versus local ethno-linguistic fractionalization

![Graph showing the relationship between local ethnic diversity (ELF) and desks per pupil in Kenya.](image-url)
Figure 2(c): Meatu, Tanzania – Total local school funds per pupil per year in 1997-2002 versus village ethno-linguistic fractionalization

School Funding Tanzania (USD) —— Fitted values
Figure 2(d): Meatu, Tanzania – Desks per primary school pupil in 2001 versus village ethno-linguistic fractionalization

![Graph showing the relationship between local ethnic diversity (ELF) and desks per pupil in Tanzania. The graph includes plotted data points and a fitted line.](image)
Qualitative evidence from structured interviews

• In Busia, Kenya (2000):
  - Rivalry between groups over control of school committee (e.g., Matumbai School, 1/3 Luhya 1/3 Teso 1/3 Sabot)
  - Social pressure is rarely applied on “free-riders” in ethnically diverse communities (Miguel and Gugerty 2005)

• In Meatu, Tanzania (2000-2002):
  - “This is Tanzania – we do not have that sort of problem”
  - “We are all Tanzanians”
  - “They [village residents] simply live as Tanzanians”
Further Estimation Issues and Concerns

- The small sample size of two countries
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• No longitudinal (panel) data on ethnic cooperation (so difference in differences approaches not possible)

• Are central government policies the result of underlying differences, rather than causing them?
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- Inability to estimate the impact of distinct Tanzanian policies (e.g., language vs. abolition of tribal chiefs)

- Radical socialist reforms in Tanzania
Implications and Discussion

• Democratization episodes may be windows of opportunity to adopt elements of the Tanzanian model in other countries. Post-conflict periods, too?
  – Investments in long-run stability, economic growth

• The Tanzanian case sheds light on the origins of institutions, social capital (and peace?)
War and economic performance in Africa
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• Do wars generate a poverty trap for African countries?
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<table>
<thead>
<tr>
<th>Countries with negative growth 1990-94</th>
<th>%</th>
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<tbody>
<tr>
<td>Congo*</td>
<td>-6.0</td>
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<tr>
<td>Rwanda*</td>
<td>-5.7</td>
</tr>
<tr>
<td>Sierra Leone*</td>
<td>-4.4</td>
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<tr>
<td>Burundi*</td>
<td>-3.6</td>
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<tr>
<td>Haiti*</td>
<td>-2.5</td>
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<td>Angola*</td>
<td>-1.2</td>
</tr>
<tr>
<td>Cameroon</td>
<td>-0.1</td>
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</tbody>
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Channels through which war affects growth

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(3) Loss of household assets

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(5) War shortens life expectancy and time horizons

(6) Severs family/community ties, weakens social capital
Channels through which war affects growth

(7) Emigration and brain drain

(8) Corruption may increase
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(9) Mortality rates, including among infants, increases during war, and often remain high afterwards

(10) Psychological trauma (from witnessing or experiencing violence, including sexual violence)
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(11) Landmines

(12) Impacts on institutions*
Channels through which war affects growth

• Any positive impacts of war on economic growth?
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(1) Technological progress

(2) Institutional, social, and organizational changes – could be positive or negative

(3) Others?
Politics and Violence in Sierra Leone

• Basic historical timeline:
  – 1787: Freetown established by the U.K. as a settlement for freed slaves, and a U.K. protectorate
  – 1896: all of Sierra Leone becomes a protectorate
Map of Africa
Map of Sierra (with 1985 Population density)

Freetown
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  – 1937: Native Administration established. This gave tremendous authority, high salaries to Chiefs
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  – 1961: Independence. First Prime Minister Milton Margai of the Sierra Leone People’s Party (SLPP)
Post-independence politics

• 1961-1964: Milton Margai is considered a reasonably balanced ruler, did not promote ethnic politics
• 1964-1967: Albert Margai (his brother) increased Mende officers in the army from 26% to 52%, Mendes also dominated the cabinet
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• Stevens aggressively installed northerners (Temne, Limba) in power, crushed the SLPP, and made Sierra Leone into a one-party APC state. He shut down the country’s profitable railroad to the south-east, cutting off trade between Mende regions and Freetown
Post-independence politics and policy

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• Political intimidation through a “shadow” security service (“Special Security Division”): student protests brutally suppressed, labor unions outlawed, newspaper offices blown up

• Corruption and patronage politics was extreme: a political culture of greed became the norm from chiefs all the way up to ministers
Post-independence politics and policy

- Agricultural marketing boards (for coffee, cacao) offered very low prices in the 1970s-1980s, and this led to extensive smuggling.
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• As a result spending on services collapsed by the 1980s: Sierra Leone was nearly last in the world on most measures of health (infant mortality rate) and education (literacy, attainment). Spending on development only 3% of the overall budget in 1984.

• Sierra Leone was ripe for political unrest when Stevens was replaced by Joseph Momoh in 1985.
• For next time: continue the week 15 readings on violence and development in Sierra Leone
Whiteboard #5