

**Economics 172**  
**Issues in African Economic Development**

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**Issues in African Economic Development**

Lecture 24 – April 19, 2007



**Outline:**

- (1) Which way forward on foreign aid?**
- (2) New topic: ethnic diversity and economic development in Africa**

## Wrapping up: what should aid look like?

- What types of development projects are likely to be most successful?
- What role should donors like the World Bank and IMF play in foreign aid?
- Should foreign aid budgets be increased / decreased?
- Does foreign aid do more harm than good?

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- Does foreign aid do more harm than good?
- The most successful developing countries (e.g., China, India) have not received much foreign aid

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- Sub-Saharan Africa is the world's most ethnolinguistically diverse continent
- 14 of the world's 15 most diverse countries are in Africa (the one exception is India)



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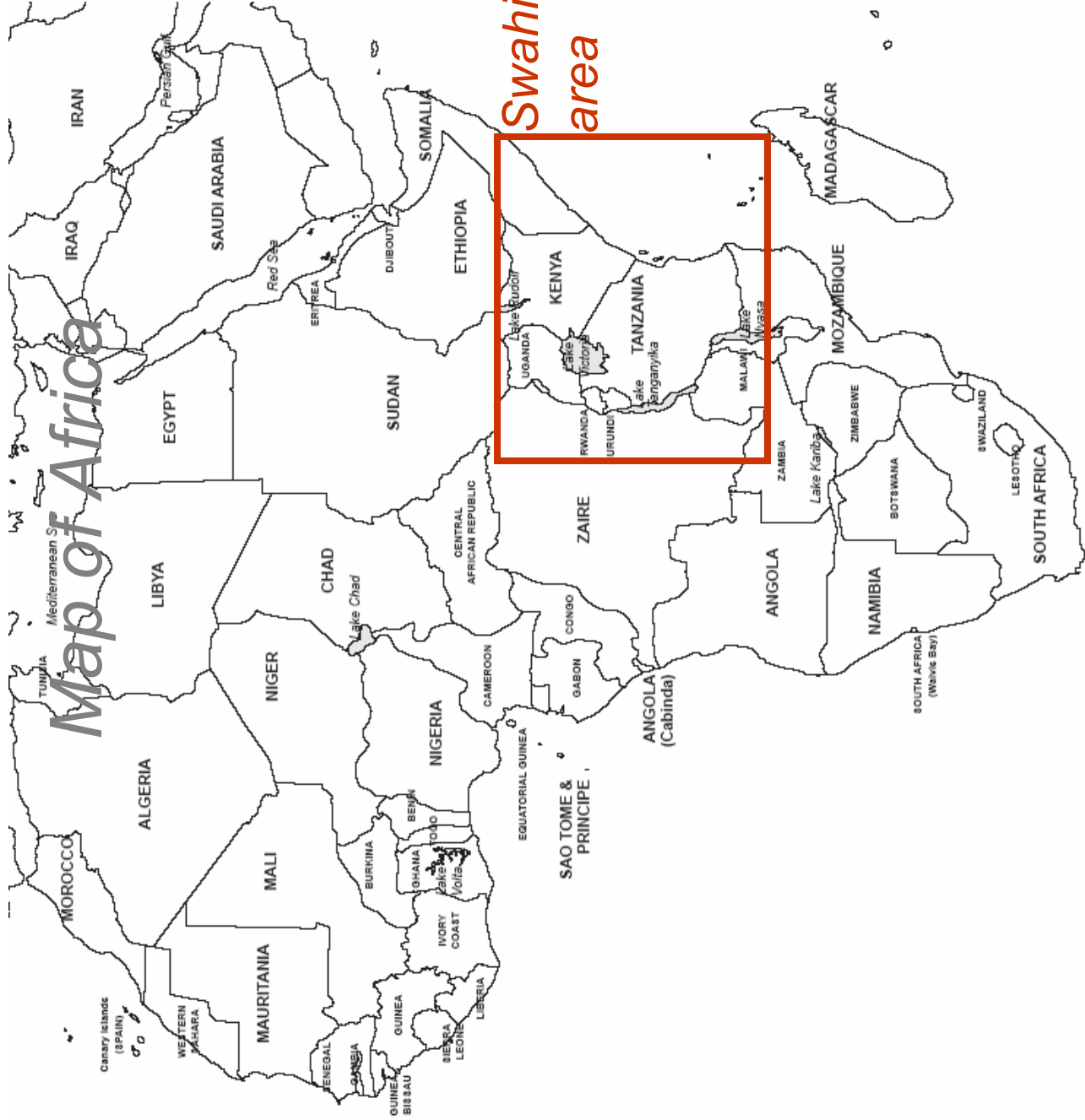
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- One practical policy question in such circumstances: Which language should be chosen as the national language of such diverse countries? (Laitin 1992)

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- One practical policy question in such circumstances: Which language should be chosen as the national language of such diverse countries? (Laitin 1992)
  - Local languages of particular groups (“vernaculars”)
  - Local lingua francas (e.g., Swahili in East Africa)
  - European colonial languages (e.g., English, French)

# Lingua francas in Africa

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<u>Language</u>	<u>Region (main countries)</u>
Swahili	East Africa (Tanzania, Kenya)
Chichewa	South-east Africa (Malawi)
Lingala	Central Africa (Congo)
Wolof	West Africa (Senegal)
Hausa	West Africa / Sahel (Nigeria, Niger)

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- Possible drawbacks to retaining the European colonial language as the official language:

(1) School learning may suffer when children are taught in a language that they do not know well

(2) Language is an important component of national identity. What does adopting a European language rather than an African language do to national pride?

(3) Others?



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  - (4) Others?

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Same issues in India (English vs. Hindi vs. others)

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- Why? (Laitin 1992)
  - (1) There was a dispute over the correct Somali script
  - (2) Elites have an incentive to restrict access to government jobs and power (“rents”) to those who speak the colonial language – people like themselves
  - (3) Others?



# Easterly and Levine (1997) on ethnic diversity

- Focus on ethno-linguistic fractionalization (ELF) as their measure of diversity. The data was compiled by Soviet anthropologists in the 1960s.  $P_i$  is population proportion of ethnic group  $i$  (e.g., Luhyas in Kenya):

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- Example:  
Three groups each with population share of  $1/3$ . Then  
 $ELF = 1 - (1/3)^2 - (1/3)^2 - (1/3)^2 = 2/3$

Two groups with population shares of  $1/3$  and  $2/3$ .  
Then  $ELF = 1 - (2/3)^2 - (1/3)^2 = 4/9$

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- Highest ELF Countries:  
Tanzania (0.93), Uganda (0.90), Democratic Republic of Congo (0.89), Cameroon (0.89), **India (0.89)**, South Africa (0.88), Nigeria (0.87), Ivory Coast (0.86), Central African Republic (0.83), Kenya (0.83), etc.

# Ethnic diversity and economic growth

- Easterly and Levine's main finding is that economic growth is negatively related to ethnic diversity across all countries in the world. Regression equation:

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<u>Outcomes/channels</u>	<u>b (t-statistic)</u>
Schooling	-0.991 (-6.2)
Financial depth	-0.266 (-3.7)
Exchange rate distortion	0.252 (3.4)
Budget surplus	-0.013 (-1.4)
Telephone lines/person	-3.07 (-7.2)

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- Due in part to inflation, by 1983 Ghana paid only 6% (!) of the world price to cocoa farmers, and ethnic divisions may be part of the explanation why if economic power leads to political influence

- For next time: continue readings from week 14

# Whiteboard #1

# Whiteboard #2

# Whiteboard #3

# Whiteboard #4

# Whiteboard #5



