

Economics 172
Issues in African Economic Development

Professor Ted Miguel
Department of Economics
University of California, Berkeley

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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 .

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

- Step 2: Test if the relationship is different across countries for multiple measures

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“Treatment term”

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

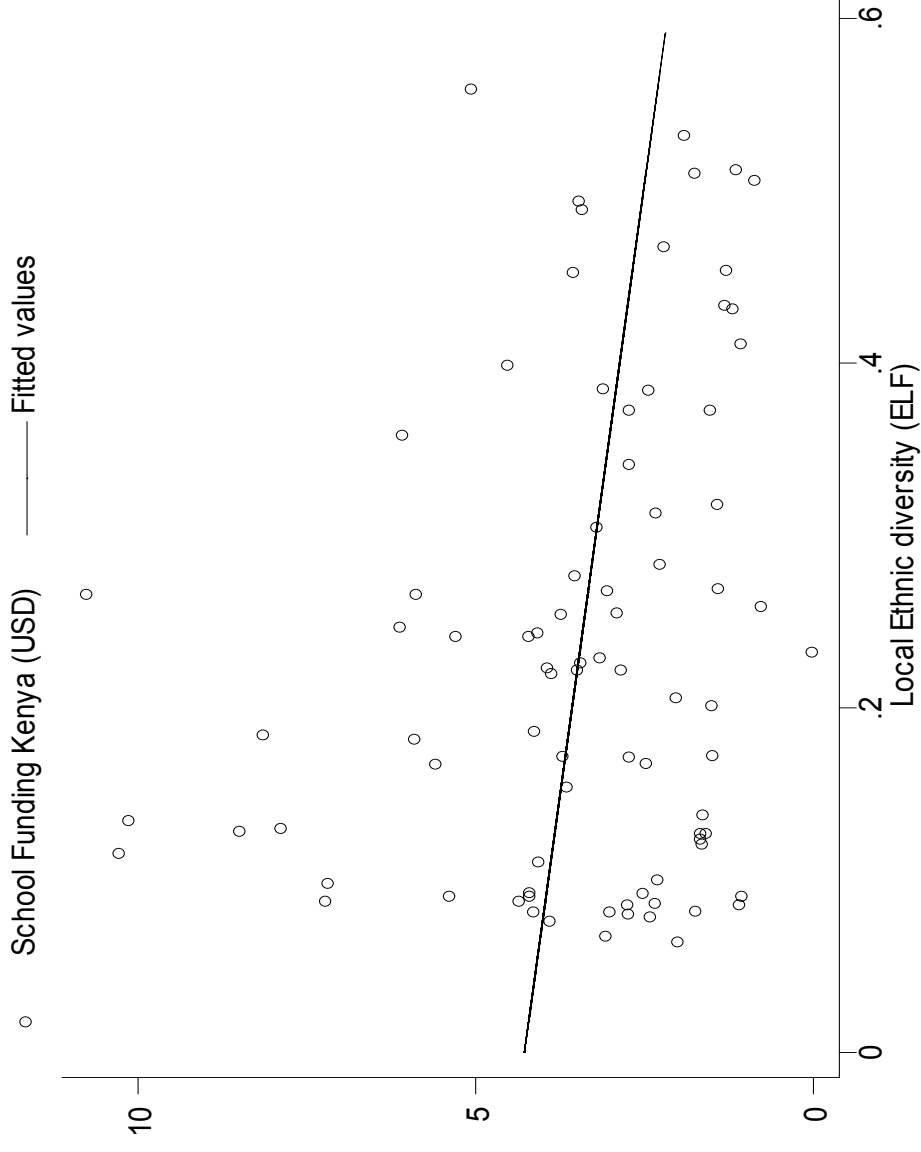
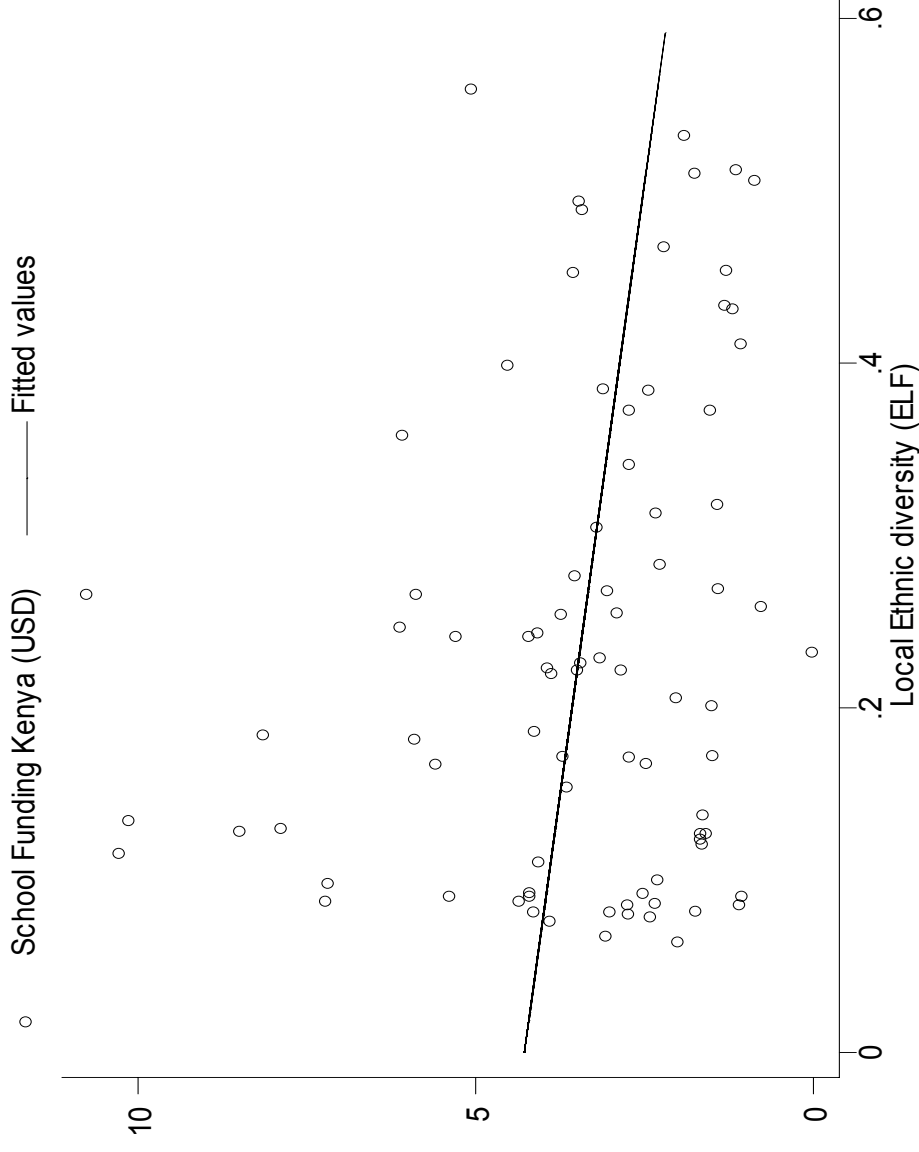


Figure 2(a): Busia, Kenya – Total local primary school funds per pupil in 1995 versus local ethno-linguistic fractionalization



Low ethnic diversity

High ethnic diversity

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

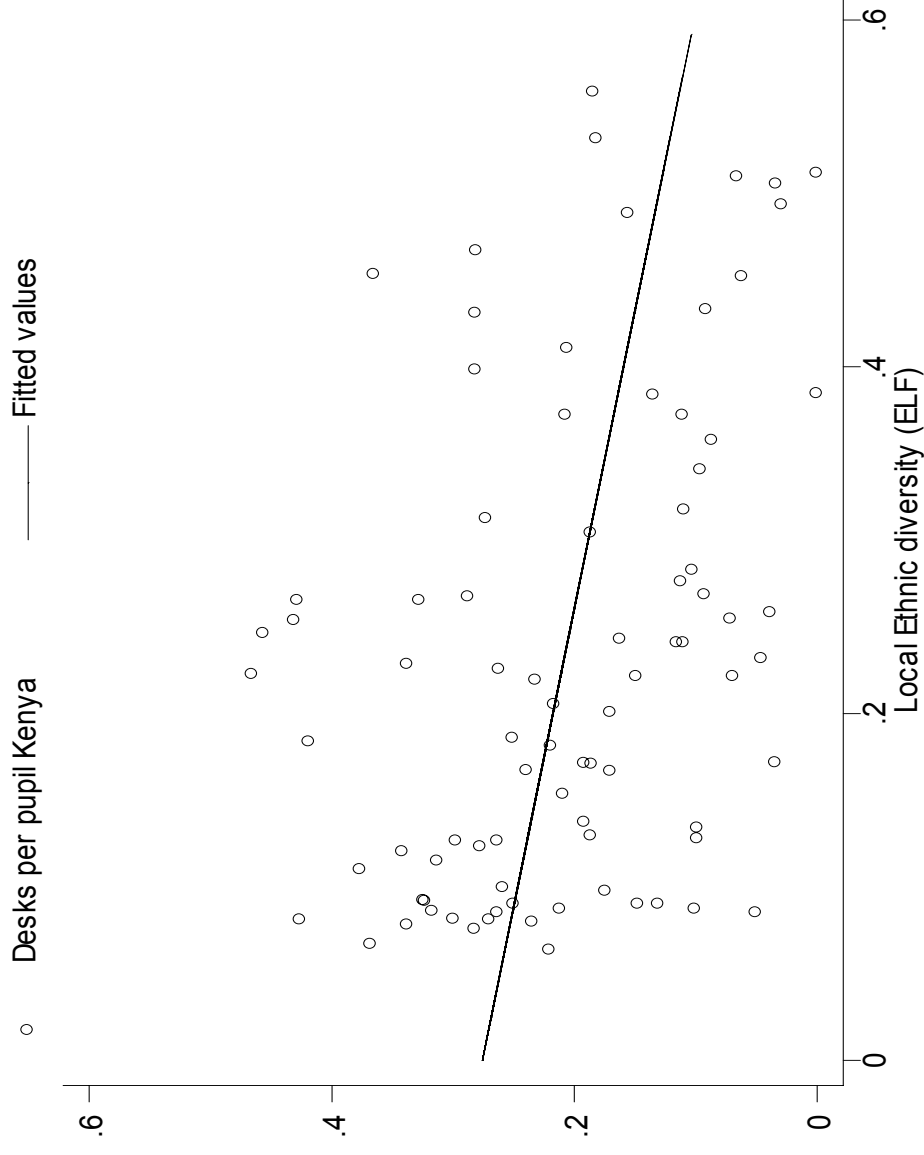


Figure 2(c): Meatu, Tanzania – Total local school funds per pupil per year in 1997-2002 versus village ethno-linguistic fractionalization

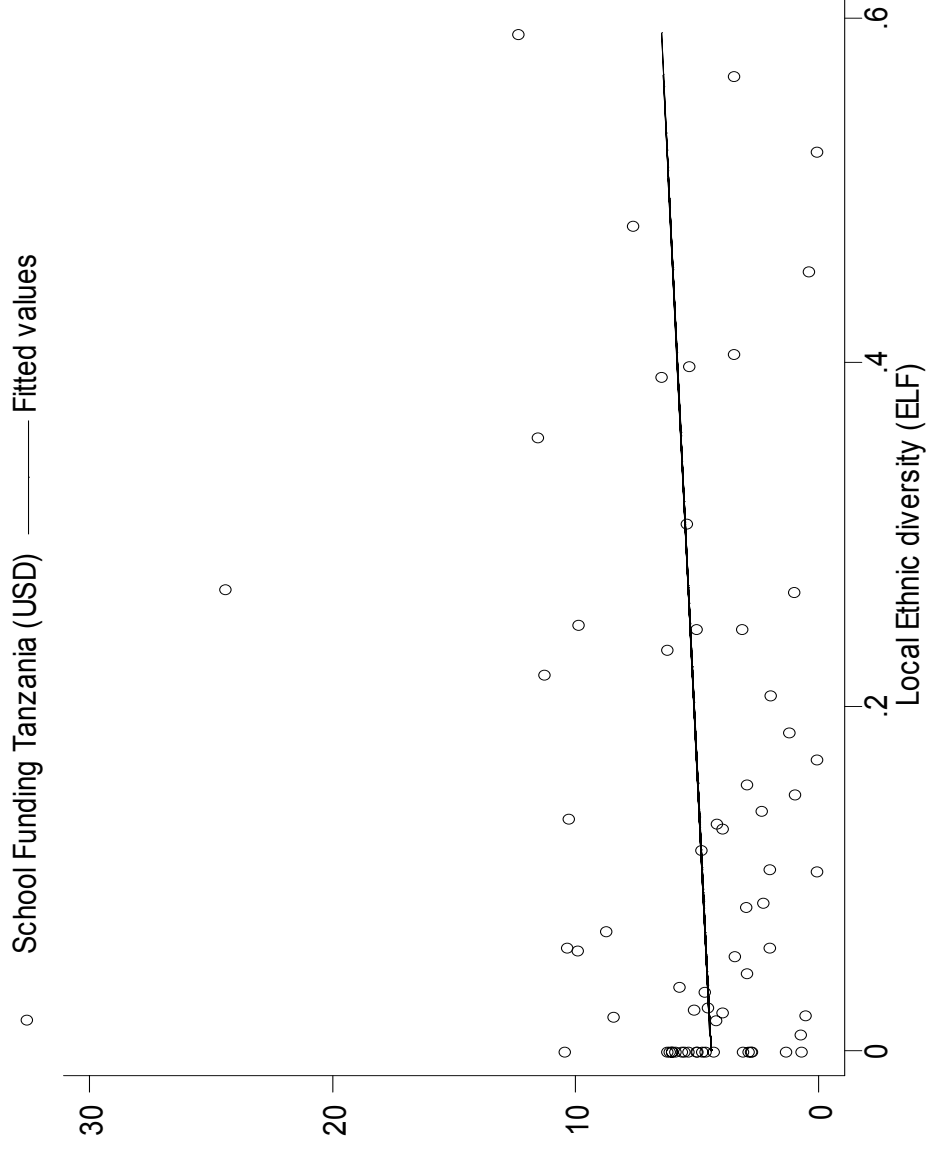
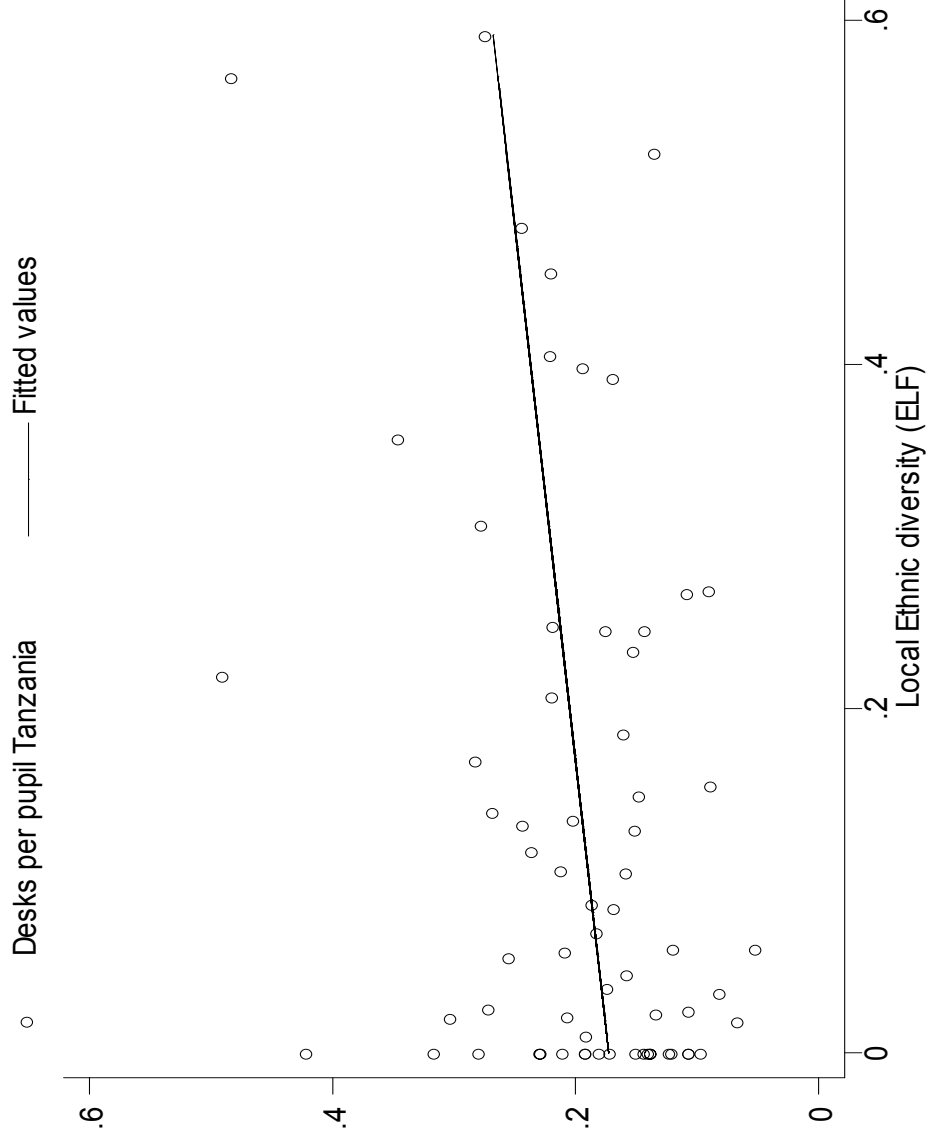


Figure 2(d): Meatu, Tanzania –
Desks per primary school pupil in 2001
versus village ethno-linguistic fractionalization



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

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- Are central government policies the result of underlying differences, rather than causing them?
- 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?)

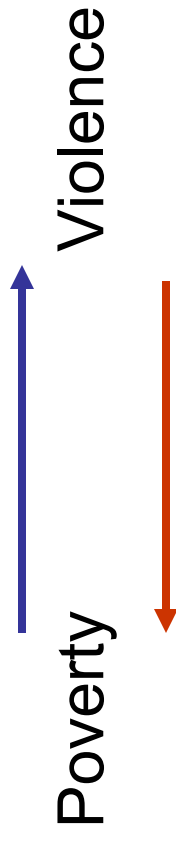
War and economic performance in Africa

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<u>Countries with negative growth 1990-94</u>	<u>%</u>
Congo*	-6.0
Rwanda*	-5.7
Sierra Leone*	-4.4
Burundi*	-3.6
Haiti*	-2.5
Angola*	-1.2
Cameroon	-0.1

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- (5) War shortens life expectancy and time horizons
- (6) Severs family/community ties, weakens social capital

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- (11) Landmines
- (12) Impacts on institutions*

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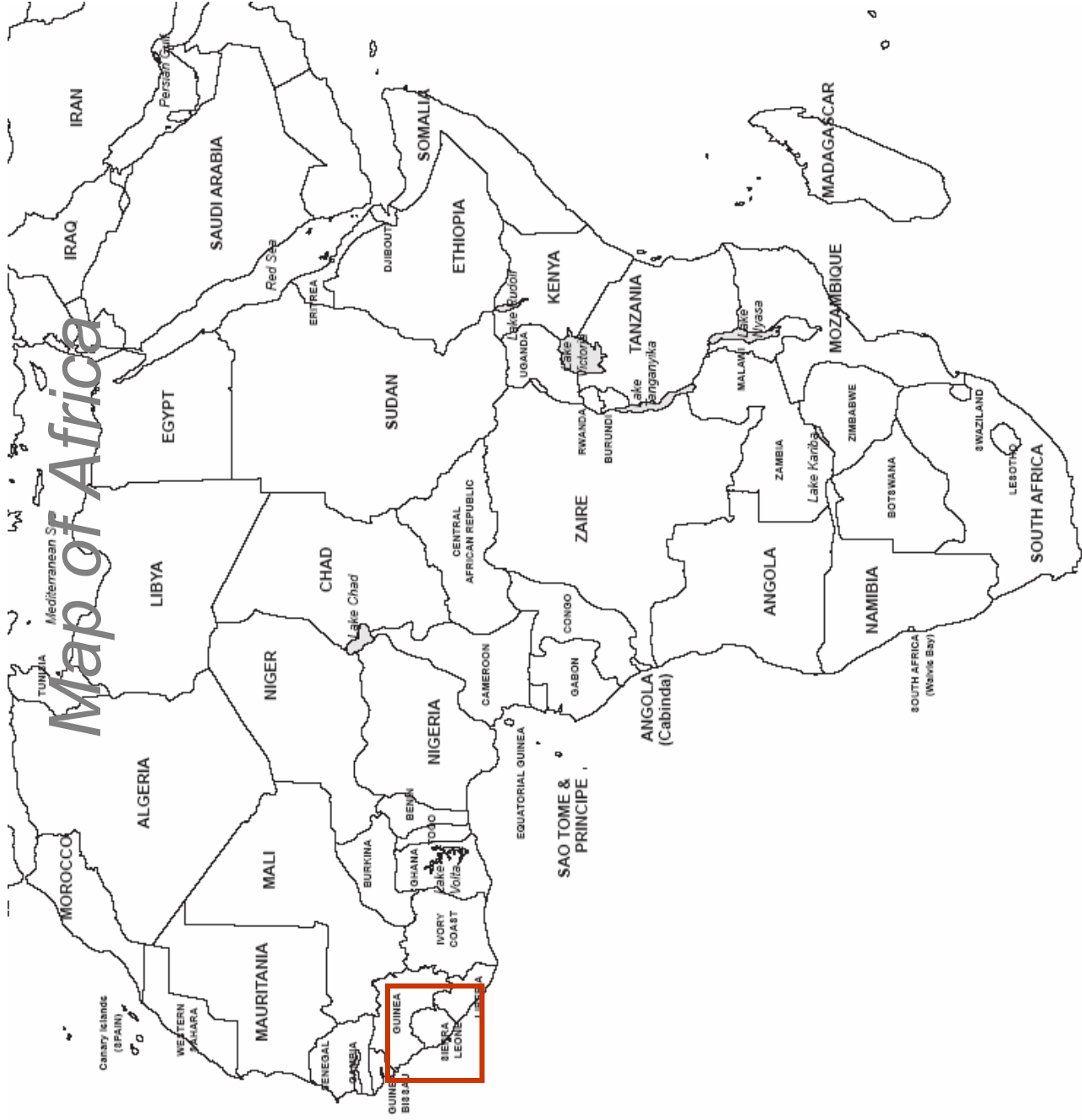
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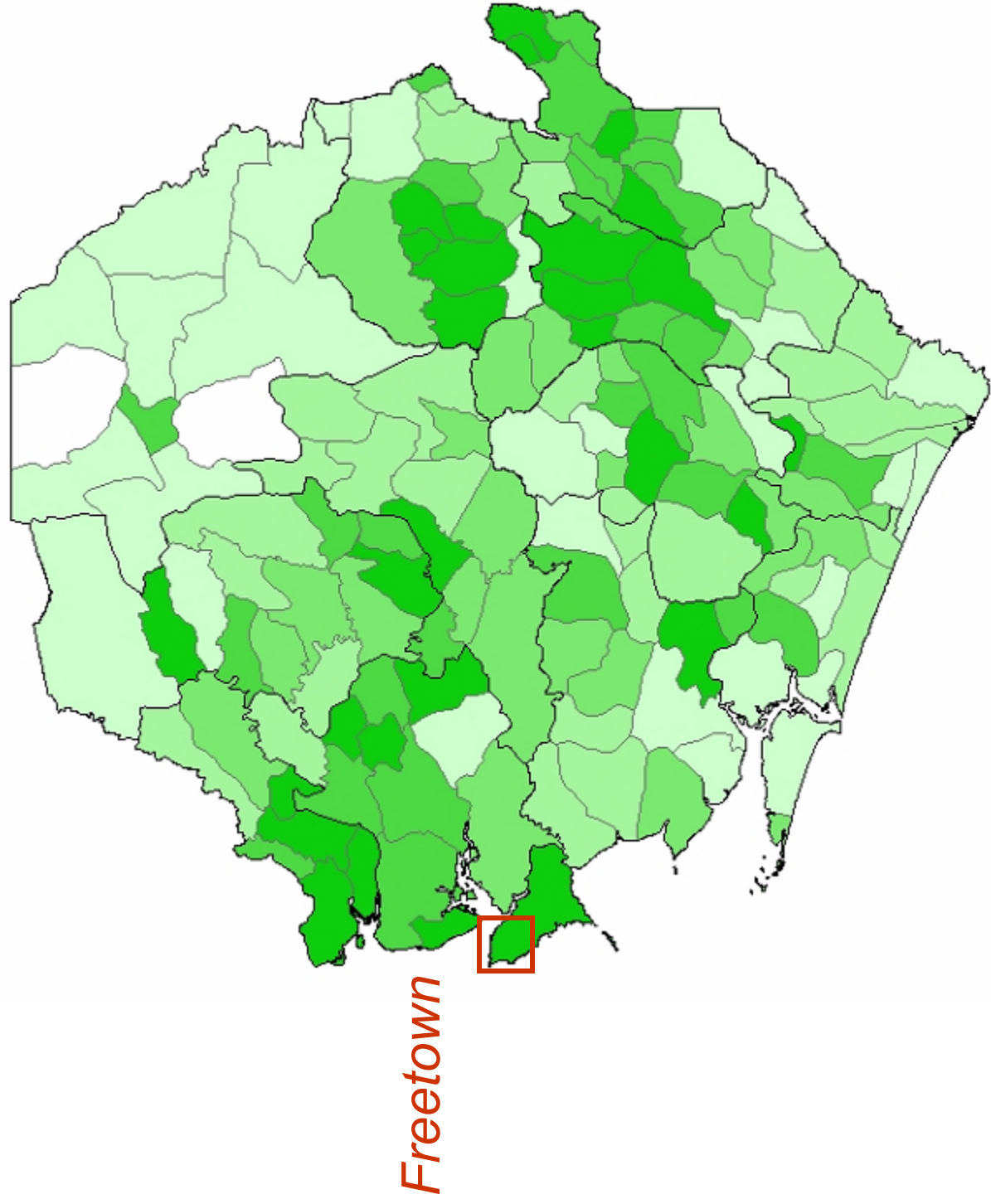
- Any positive impacts of war on economic growth?
- (1) Technological progress
 - (2) Institutional, social, and organizational changes – could be positive or negative
 - (3) Others?

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 Sierra (with 1985 Population density)



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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

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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

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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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- Increasing corruption in the mining sector and fishing sector, and agricultural pricing policies, led to dramatic decreases in revenue: by 1985-6 domestic revenue collection was just 18% of 1977-8 levels!
- 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 #1

Whiteboard #2

Whiteboard #3

Whiteboard #4

Whiteboard #5

