

-Domestic Interests and Control Regimes

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The Political Economy of Economic Growth in Africa, 1960-2000

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Abstract

The paper explores the origins of the choice of interventionist policies by governments in Africa and addresses the question: In the face of the evidence of their economic costs, why did they persist? It also explores the politics of their abandonment, documenting the close ties between policy reform and political reform in Africa.

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1. Introduction

When imposing a control regime, a government seeks to displace the market as the primary agency for governing the economy. Either by manipulating the structure or operation of markets, or by replacing private markets with public bureaucracies, it seeks to shape the way in which land, labor and capital are allocated; commodities produced and distributed; services furnished; and incomes determined.

This chapter details the policies that characterize regulatory regimes and documents their economic impact. Documenting the economic costs inflicted by the imposition of control regimes, the paper asks: Given their magnitude, why did governments pursue such policies? And having chosen to regulate their economies, why did governments persist in this decision? The answers it offers not only shed light on why governments may impose control regimes, then, but also on the politics of policy reform.

In analyzing the content of control regimes, this paper draws on two sets of data. One is the classification of policy syndromes developed by the research teams; the other is an account of the policy choices of 28 African governments published by the World Bank (1994).² In its 1994 report, the Bank audits the measures taken by its sample set of governments to regulate financial markets, industries, trade, and services. To illustrate the content of control regimes, the paper compares the measures taken by governments

² World Bank, World 1994. Adjustment in Africa: Reform, results, and the road ahead. Washington DC: The World Bank.

judged to have implemented control regimes with those judged not to have done so, as documents in the World Bank's report (1994).

2. Prices in the macro-economy

As shown in the World Bank's report (1994), almost all African governments created banks to promote investment in commerce, industry, and agriculture. Governments that imposed control regimes went further, however: targeting privileged sectors, they actively subsidized the costs of capital for those who invested in them. To encourage investment, they imposed low interest rates, either by constraining the lending practices of private banks or by creating state banks to offer low cost loans. The result was financial repression. As shown in Table 1, under governments judged to have imposed control regimes, the mean ex-ante real deposit interest rate was lower than under governments whose policies were judged to have remained "syndrome free."

*** Table 1 About Here***

Governments that operate outside the CFA zone (or Rand Monetary Area) control the means of payment. By setting the price at which local currency exchanges for foreign, and then controlling transactions at this official exchange rate – e.g., via remittance requirements for exporters and foreign exchange rationing for importers – they can separate local parallel-market prices for traded goods from international prices. One measure of the magnitude of this intervention is the level of the black market

premium that then prevails in the market for foreign exchange. As shown in Table 2, when governments imposed control regimes, the mean level of that premium was more than twice the level in that in economies free of controls.³

*** Table 2 About Here***

3. Interventions by sector

Governments that adopted regulatory regimes were not only more likely to distort prices fundamental to the macro-economy; they were also more likely to champion sectoral policies.

3.1 The industrial sector

Those that adopted control regimes intervened heavily in the industrial sector. Data from the World Bank study (1994, p. 234) suggest that over one third secured monopoly rights over mineral production, compared with but one-quarter of those judged “syndrome free.” Similarly, the World Bank’s data (1984, p. 234) indicates that governments that adopted control regimes were half-again more likely to form state monopolies in the cement and textile industries.

³ Given the magnitude of the within-group variance, the difference in means implies an F-statistic of 5.44, significant at the .02 level.

3.2 The agricultural sector

As seen in Table 3, in its review of 28 African cases, the World Bank noted that one-half of the governments judged to have imposed control regimes, placed “major” – as opposed to “limited” or “no” -- restrictions on the purchase and sale of staple food crops.

Table 3 About Here

All 28 of the governments studied by the World Bank maintained a monopoly over the purchase and export of their country’s major cash crops. But by artificially appreciating the value of the domestic currency, governments that adopted control regimes. imposed an additional level of taxation. As noted in a variety of studies (most notably, perhaps, in Krueger et al. 1992), the manipulation of the exchange rate powerfully and adversely impacted upon the earnings of those producing cash crops for export.

African governments also intervened in the market for food crops: the World Bank (1994) reports that virtually of the 28 governments in its sample imposed “extensive” price controls (p. 91). The better to provision consumers with low priced products, some governments secured monopoly standing in agricultural markets, thus gaining the power to alter prices. Examples would include the creation of the National Milling Corporation by the government in Tanzania, which purchased and processed wheat and maize; the Sugar Board in Kenya, which produced and processed sugar and regulated its distribution; or the National Agricultural Marketing Board in Zambia. Table 4 reveals that governments adopted control regimes more frequently created such

marketing agencies than did others. As noted in studies by Killick (1978), Bates and Collier (1991), and others⁴, when governments created agricultural marketing boards, they employed their market power to provision urban consumers with low priced food.

Table 4 About Here

In efforts to control domestic markets, governments also created public agencies that purchased food abroad and marketed it domestically. Acquiring foreign exchange at the official rate, the agencies purchased rice, wheat, and other products abroad, which they placed in the domestic market at prices lower than those that would have prevailed had the imports been made by private traders. As seen in Table 5, the data suggest that such measures were more likely to have been taken by governments that adopted regulatory regimes.

Table 5 About Here

To be noted and stressed is that the financial burden of such interventions were born by exporters, a portion of whose earnings were appropriated at the official rate. In

⁴ See, for example, Dodge, Doris Jansen 1977. Agricultural policy and performance in Zambia. Berkeley: Institute of International Studies, University of California and the classic reports of William Jones: World Bank, World 1975. "Republic of Zambia: Agricultural and rural sector survey" The World Bank, Washington D.C. and World Bank, 1982. "Tanzania: Agricultural sector report." The World Bank, Washington D.C..

many African countries, agricultural products – coffee, cocoa, cotton, or other cash crops – numbered among the exports that financed these measures.

4. The economic impact

To address the impact of control regimes, we begin by mapping the incidence of these policies onto the opportunity structure of Africa's economies. As seen in Table 6, the governments in landlocked and coastal countries more frequently adopted regulatory policies than did those that were resource rich.

Table 6 About Here

In Chapter 2, Collier and O'Connell (2005) measure the impact of control regimes on growth rates in Africa. Controlling for the impact of rainfall and fluctuations in the growth rate of major trading partners; and introducing country specific effects – to control for such factors such as coastal location or resource endowment – and period effects – to control for the effects of changes in the global economy, such as resulted from the oil price shocks of the 1970s and 1980s -- Collier and O'Connell find that economies subject to control regimes achieved a median⁵ growth rate that lay nearly two percentage points below that achieved by economies governed by policies that were judged "syndrome free".

⁵ Given the dispersion in the data, they employed a least absolute rather than a least squares deviation criterion, thus dampening the impact of outliers.

As reported in Chapter 3, Fosu and O'Connell (2006) disaggregate the average performance of Africa's economies into "growth spells," which they then relate to the policy choices of their governments. Defining a growth collapse as a fall in the 3-year centered moving average of growth below the no-growth (0.0%) level, they find the frequency of growth collapses under control regimes to be more than twice that under policy regimes that remained syndrome free. Defining "medium" growth as the achievement of a five-year moving average growth rate of 2.5%, Fosu and O'Connell find that in less than one quarter of the cases where governments adopted control regimes did economies attain medium rates of growth; by contrast, where policies were syndrome free, more than half attained such a growth rate. They further find that economies ruled by governments whose policies remained syndrome free were more than twice as likely to attain high growth rates -- a five year moving average of 3.5% or more -- than were those ruled by governments that imposed control regimes.

5. A closer look

To illuminate the processes that account for the impact of control regimes, it is useful to move from aggregate, cross-national data to materials gleaned from country studies. In this section we make use of materials gathered at the micro-level, drawing heavily on the work of the country teams.

5.1 Manufacturing

Seeking to promote industrial development in Tanzania, the government placed a high priority on securing the local production of consumer products, such as clothing and footwear. The government therefore created the National Textile Corporation (TEXCO), which invested in a series of mills that produced cloth, blankets, and packaging, and the Tanzanian Leather Associated Industries (TLAIA), which invested in the production of shoes. None of the firms created by the two agencies operated at a profit. For want of revenues, their managers skimmed on maintenance; they lacked access to the foreign exchange with which to import spare parts. The managers frequently failed to pay suppliers of raw materials, of services, or of the water and electricity necessary to drive looms and lathes. The firms survived by securing loans from the government: funneling money into the shoe plants, one minister declared, “was like pouring water down in a leaking tin” (McHenry 1994). Despite the poor performance of these firms, the government continued to make good their losses. From 1967, the date of Tanzania’s official commitment to socialism, to 1982, when that commitment began to erode, public sector firms in Tanzania increased their share of total manufacturing employment from 15.5% to 52.7%. Fearing to lay off the thousands of workers that these firms employed (McHenry 1994), the government continued to use public revenues to cover their deficits.

As noted in the country studies, Tanzania’s experience was replicated by that in other nations. Addressing the case of Zambia, for example, Mwanawina and Mulungushi (2005) trace the government’s investments in factories for the making of glass, the fabrication of building materials, the extrusion of plastics, and the assembly of automobiles. Quoting Turok (1979), they note that “the parastatal sector, the main arm of

government economic mussel, were grossly undercapitalized, over staffed, and faced shortages of raw materials and spare parts due to lack of foreign exchange” (p. 24).

Gogue and Evlo (2005) recount the efforts of the government of Togo: “Public investment represented nearly half of GDP by the end of the 1970s,” they note (p. 16).

The government of Togo, Gogue and Evlo (2005) record, launched its program of industrialization following the influx of foreign revenues inspired by a boom in the price of phosphates. Similar stories are told for Cameroon and Congo (Kobou et al. 2005 and Tsassa and Yamb 2005); Burundi (Nkurunziza and Ngaruko 2005); Zambia (Mwanawina and Mulungushi 2005), and Sierra Leone (Davies 2005). As in the case of Tanzania, these investments often consumed more resources than they generated. Writing of the industries created by the government of Burundi, for example, Nkurunziza and Ngaruko (2005) note:

By 1995, equity capital of thirty-six such firms with majority state participation represented 20 percent of the country’s GDP, but overall, these corporations posted a net loss equivalent to 6 percent of GDP...
(Nkurunziza and Ngaruko 2005, p. 37)

5.2 Public Services

Governments that imposed control regimes recruited large numbers of workers. Tsassa and Yamb (2005) report, for example, that the government of the Republic of the Congo increased the size of the public work force by an average of 9 percent per year from 1960 to 1993. Mamadou and Yakoubou (2005) report a 4 percent annual increase in the

government work force in Niger 1980-1992 while Gogue and Evlo (2005) note a three fold increase in public sector employment in Togo over the period 1965-1979. In Niger, Cameroon, Congo, Guinea, and Benin, the country studies inform us, in the 1960's and 1970s that all who secured their diplomas were guaranteed employment by the state.⁶

Tsassa and Yamb (2005) report that by the early 1990s, 97 percent of the receipts of the government of the Congo were targeted for civil servant salaries. One way of relieving the burden was simply to accumulate arrears; the country studies suggest that this tactic was adopted by many of the governments in the Franc zone. Where governments could exercise greater discretion, they often reduced the burden by inflating the currency. According to the International Labor Organization, in Tanzania, the real salaries of public employees fell by nearly one half between 1969 and 1980 (cited in McHenry 1994, Table 1). In her study of workers in Kinshasa, MacGaffrey (1991) reports that mid 1980s salaries constituted less than one-half of the incomes of those who worked in the public sector.

One of the major effects of the reduction of salaries was the growth of corruption. Charged with preventing the importation of products that were manufactured locally, a custom's official could instead wave such goods through, pocketing a fee for his "service." Or charged with overseeing the pricing of products produced at home, an inspector could share with the managers of firms the profits to be made from selling those products in the black market. The result was the erosion of the quality of public services and the rise of corruption.

⁶ Note the relevant country case studies. They are posted at <http://www.aercAfrica.org>.

5.3 Farming

Governments that imposed control regimes formed monopsonies with which to purchase export crops; offering farmers a low domestic price, they resold cash crops at prices prevailing in global markets. Dossou and Sinzogan (2005) document the cartelization of the cotton industry in Benin and its subsequent take over by the government. They also document the government's use of its market power to separate the domestic from the international price of cotton and to appropriate a major portion of the differential. Azam and Djimtoingar (2005) note a similar pattern in Chad, where the government not only imposed a direct tax on farmers but also a profit tax on the reserves of the cotton agency. By dint of the government's ownership of 75 percent of the shares of the parastatal, the majority of the profits also accrued to the government. Nkurunziza and Ngaruko (2005) provide a similar narrative for the coffee industry in Burundi; Mamadou and Yakoubou (2005) for the groundnut industry in Niger; and Davies (2005) for coffee and cocoa in Sierra Leone. As stated by Gogue and Evlo (2005):

The producer price of key export crops fell considerably (40% in the case of cocoa and 20% in the case of coffee) despite the increase in the international prices of these commodities. The power of the agencies created to implement the price control policies (OPAT, Togograin, Togofruit, etc.) grew bigger, as did the anti-rural bias of the government's income distribution policy. At the same time, flattering and deceiving slogans that boasted the merits of the Green Revolution and through which the government conveniently conveyed its demagogical rhetoric lulled

farmers. Indeed, Togolese heard so much about something called "the Green Revolution" but they never experienced actually. The beautiful words and great promises of the government were not followed by concrete actions.

Similar patterns arose in markets for food crops. In Tanzania (Ndulu 2005), Mozambique (Sousa and Sulemnae 2005), and Ethiopia (Geda 2005), governments gathered farmers into villages, where they provided land, tools, and credit. With farm production now concentrated in circumscribed locations, the governments sought to control the purchase and distribution of farm products, funneling them through "single channel" marketing structures, such as marketing boards or cooperative societies. They thereby sought to procure for urban consumers ample supplies of food at affordable prices. The result of this policy was, however, the opposite. As documented for Guinea by Doumbouya and Camara (2005) and for Tanzania by Lofchie (1989), as the bureaucracy charged with procuring grain increased in scope and size, the amount of grain that it marketed declined. One interpretation is that production itself declined; given the forceful relocation of peasant families from private farms to collective villages, this interpretation may be correct. Another is that when confronted with an official market offering low prices for farm products, the producers simply sold their products in unofficial markets, thereby eluding those who monitored the quantities and regulated the prices of agricultural products. The latter possibility is confirmed by Doumbouya and Camara (2005), who report the growth of black-markets in Guinea and the movement of producers to regions by the border, where they could sell food crops in private markets

and at unofficial rates of exchange. Indeed, in their study of Benin, Dossou and Sinzogan (2005) stress the size of the illicit trade in food products with Nigeria, where “Dutch disease” had led to high food prices.

Writing about Mozambique, Pitcher (2002) notes similar patterns. In the southern portion of Mozambique, the formation of communal villages so disrupted production that shortages of food and high prices for farm products became painfully common in the port cities and national capital, even while the welfare of the peasantry declined (see also Bowen 2000). Indeed, it declined to the point, Pitcher notes, where significant portions of the peasantry shifted their support from FRELIMO, the governing party, to RENAMO, an armed movement sworn to its forceful overthrow (see also Hall and Young 1997, Schutz 1995).

6. Temporal and political correlates

This section depicts the incidence of control regimes, comparing the frequency with which they were adopted by time period and by type of political system. The pattern of variation points to forces that may account for the selection of such policies – and thus too for their subsequent abandonment.

As seen in Chart 1, governments in the mid-1970s through to the mid-1980s were more likely to adopt control regimes than were governments in the 1960s or 1990s.

Chart 1 About Here

As seen in Charts 6.2 and 6.3, control regimes were more likely to be adopted by authoritarian governments: those based on no-party governments or single-party systems (Chart 2) or military regimes (Chart 3). Governments in countries with competitive political systems (Chart 2) and civilian regimes (Chart 3) were more likely to adopt policies judged “syndrome free.”⁷

Chart 2 and 6.3 About Here

Not only has the choice of policy syndromes varied over the post-independence period; so too has the structure of political institutions (Charts 6.4 and 6.5). In particular, single party systems became increasingly scarce and competitive systems more common toward the end of the 20th century.

Charts 6.4 and 6.5 About Here

Because both policy choices and institutions have co-varied with time, the relationship between them may be of course be spurious. To address this concern, we therefore turn to multivariate analysis. Table 8 describes the variables employed in subsequent models.

As demonstrated in Table 9, when period dummies are entered into the equation, the relationship between type of political system and the choice of policy regime remains significant. The coefficients of these dummies capture the temporal pattern of policy

⁷ The relationship between policy choice and political institutions is statistically significant in all cases.

choice, with the period before 1975 forming the reference category. The estimates in equations 1 and 3 confirm that governments were more likely to adopt control regimes in during the 1970s and 1980s and that they became significantly less likely to adopt such policies in the 1990s. The coefficients in equations 2 and 4 suggest that the trajectory marking the adoption of syndrome-free policy making traced a mirror image of that traced by the adoption of control regimes.

Table 8 and 9 About Here

Of particular interest, however, are the coefficients on the institutional measures. In equations 1 and 2, the dummy variable indicating the presence of a competitive political system is subsumed by the constant term. The coefficients on the “no-party” and “single party” variables indicate that the adoption of control regimes is significantly associated with the structure of political competition and that non-competitive systems were far less likely to adopt policies judged to be “syndrome free.” In equations 3 and 4, the coefficient on the variable indicating a military head of state suggests that military governments were significantly more likely to impose control regimes than were civilian. Taken together, the estimates in Table 9 thus suggest a relationship between authoritarian forms of government and a preference for regulatory regimes.

6.1 A closer look

Early adopters: The first countries to adopt control regimes included the West African states of Ghana, Guinea, and Mali and such East African nations as Tanzania and

Uganda. They also included Congo (Braazaville). The leaders of these governments viewed themselves as socialist and adopted much of the language and some of the institutions of command and control economies.

As noted in the country studies, socialist governments imposed control regimes. The Convention People's Party that ruled Ghana under Kwame Nkrumah listed among its objectives the creation of "a Socialist State (sic) in which all men and women shall have equal opportunity and where there will be no capitalist exploitation" (Aryeetey and Fosu 2005). The ruling parties of Tanzania, Zambia and Uganda adopted "African socialist" manifestos in the mid-1960s; while the Movement National de la Revolution, the governing party in the Republic of Congo, formerly endorsed Marxism-Leninism in 1968 (Tsassa and Yamb 2005), as did the Parti de la Revolution Populaire in Benin and FRELIMO in Mozambique in the mid-1970s. In each case, the result was the imposition of control regimes. As noted by Dossou and Sinzogan (2005) in their study of Benin, when "socialism was proclaimed as the 'route to development' and Marxism-Leninism the 'philosophical guide,' then there began a policy of 'planification' with ambitious objectives." And the state then became "omnipotent... with little regard for the interests of the private sector."

The commitment of governments to socialist policies at home was matched by a commitment to non-alignment abroad. As evidence most vividly, perhaps, by the Congo (Kinshasa) crisis, almost immediately after independence in the early 1960s, the global conflict between capitalism and socialism intruded into the politics of Africa. The independence that its nations had just won now appeared threatened. The states that

adopted control regimes numbered among those who most vigorously protested the intrusion of the great powers and advocated a policy of non-alignment in global affairs.

These governments also numbered among the most active opponents of the minority regimes that clung to power in Southern Africa. They channeled funds to liberation movements; maintained schools in which political activists could learn from the histories of the liberation struggles in China, Algeria, and Vietnam; and gave asylum to leaders who faced jail – or worse – at home. Several provided bases where military units could train in preparation for re-deployment to their homelands.

The choice of economic policies by these “early adopters” of control regimes thus fits into a broader profile. The governments that adopted control regimes stood among the charter members of the so-called Casablanca group. They sought Africa’s liberation and championed the cause of African unity. Their adoption of interventionist economic policies appears to reflect their determination to transform the continent.

Embattled Reformers: As noted in Chart 1, the frequency with which governments adopted regulatory regimes increased from roughly 30% at the end of the 1960s to over 60% by the end of the 1970s. One reason for this increase was the tendency of regimes that were, quite literally, embattled to regulate their economies. Both Ethiopia and Somalia – two nations fighting each other – adopted socialist ideologies and imposed control regimes in order to mobilize for war. To these nations could be added Angola, Mozambique, and Guinea Bissau, whose military forces in the mid-1970s defeated those of Portugal. The governments of these nations sought to override market forces in order to mobilize for war. Adding further impetus to their decision was the desire of some to

signal their good faith to socialist countries abroad and thereby attract military and financial backing.⁸

Table 10 captures the relationship between the ideological commitment of the government in power and the pattern of policy making.

Table 10 About Here

7. The politics of economics

This section comes in two parts. The first addresses a paradox that has lurked just beneath the surface of the discussion thus far: the seeming willingness of Socialist governments, with their commitment to economic equality, to undermine the wellbeing of peasants, the poorest of the poor in Africa. Untangling this paradox clarifies the role of political interests in the selection of government policies. The second addresses the importance of pressures for redistribution, which also appear to promote the adoption of control regimes.

⁸ In other instances, it is difficult to detect systematic reasons for the adoption of control regimes. In the case of Kenya, the reasons appear to derive from anxiety concerning food supplies; in that of the Ivory Coast, they appear to be associated with the launching of agricultural projects and industrial schemes following the coffee boom of the mid-1970s. Rwanda, Chad, and Burundi may belong to the class of “embattled” regimes; Senegal, Madagascar, and Mauritius (1960-1970) do not. In such instances, the reasons remain as idiosyncratic and therefore difficult to explain.

7.1 A fruitful paradox

As seen in Table 10, socialist governments in Africa tend to impose control regimes. They therefore tend to adopt policies that lower the economic wellbeing of the peasantry, the poorest of their citizens, and those therefore with the most compelling claim for public assistance.⁹ Addressing the disjuncture between the values and the choices of socialist governments brings into sharp focus the political forces that drive policy choices.

The discussion can proceed in several quick steps.

In general: The core of Africa's political regimes were composed by the *government*, *industry* and organized *labor*. While accounting for less than 40% of the gross domestic product of a typical African state and less than 20% of the population, these urban-based interests nonetheless dominated policy making in the post-independence period.

Governments provide services and, for the most part, public services remain un-priced. Their biggest cost is labor. To defend their budgets, governments therefore adopt policies that lowered the cost of labor.

Industries employ capital and labor to produce commodities. All else being equal, a decrease in the costs

⁹ This tendency has been noted by others. See, for example, Mitrany, David 1961. Marx against the peasant. New York: Collier.

of labor results in an increase in profits. Industry therefore joins government in favoring policies that lower the costs of labor.

Labor favors policies that defend the real value of workers' incomes. Given the income of most wage earners in Africa, workers devote a large portion of their expenditures to food.

In seeking to reward the core coalition, governments therefore championed policies that secured low priced food.

In particular: Socialist governments were tightly integrated with the other portions of the core coalition.

Socialist governments were more likely to nationalize existing firms and to invest in new industries than were others. To a greater degree than other governments, their interests therefore aligned with those of industrial firms.

Socialist governments aspired to the provision of higher levels of health care, education, and other services than did most other governments. As a result, they hired more workers.

As a matter of principle, socialist governments endorsed the interests of workers. And as a matter of practice, socialist parties maintained close ties with organized labor and trade unions based in both private industry and the public services.

Socialist governments therefore possessed a strong interest in adopting policies that lowered the costs of food, even though lowering the incomes of farmers.

The policies that enabled socialist regimes to consolidate their core constituency violated their ideological commitments. That they did so testifies to the power of the political interests that dominated policy making in the post-independence period. These industries were urban based, industry based, and located in the towns, and they possessed close ties to regimes in power.

Having limned the political foundations of control regimes, a second question arises: Given the economic costs of these policies, why did governments not abandon them? To comprehend this delay, one need only ask: would any member of the governing coalition have an incentive unilaterally to call upon the government to abandon them? More specifically: would any single player – industry, organized labor, or the government itself – benefit by calling for higher prices for farmers? The answer is of course: no. No politician would voluntarily defect from the ruling coalition, no firm unilaterally agree to higher costs, no trade unionist call for changes that would lower the incomes of labor. While socially costly, the choice of policies constituted an equilibrium.

7.2 Regional redistribution

Control regimes were employed for purposes for redistribution. Already noted is their use by governments to extract resources from rural dwellers and to transfer them to urban-based industries. Equally important, it would appear, is the use of these policies to transfer resources between regions.

As noted by Tsassa and Yamb (2005), politics in the Republic of the Congo is marked by rivalries between the poorly endowed North and the relatively prosperous South. Following the “Three Glorious Days” of August 1963, a “Conseil National de la Revolution” (CNR) took power and committed the government to building a socialist state. In pursuit of that objective, it created state monopolies to purchase crops at fixed prices; selling them at competitive prices, the center collected taxes from the South.

Tsassa and Yamb (2005) note that to defend its monopoly position from new entrants and competitors, the bureaucracies drew on the power of both the army and police. In 1968, the military forcefully seized power. Headed by Marien Ngouabi, a northerner, the ruling junta then began to install people from the north to key posts throughout the military, the government, and the parastatal sector. The CNR thus harnessed the state and rendered it a means of *regional* redistribution.

Togo provides another example (Gogue and Evlo 2005). Northern Togo is semi-arid, poor, and relatively unpopulated. The South produces the primary cash crops and contains the phosphate deposits that generate the majority of Togo’s foreign exchange. It also contains the majority of Togo’s population and, for historical reasons, a disproportion of its educated personnel. Most active portions of the independence movement had originated in the South, and it was a southerner, Sylvanus Olympio, who

became Togo's first president. In 1963, however, the military seized office. Gnassingbe Eyadema was Olympio's and after a four year interval he seized the presidency.

Gnassingbe came from Kara, a district in the North. Through a mixture of inducement and intimidation – heavily balanced toward the latter – he rendered the state a means of extracting resources to the benefit of himself and his Northern constituency.

Recalling the Kobou et al. (2005) analysis of Cameroon, the discussion of Malawi by Chipeta and Mkandawire (2005), and Mweha and Ndung'u's (2005) portrayal of Kenya, we gain a keen appreciation of the extent to which regional competition drives politics in Africa -- and the policy choices of its governments.

Table 11 illustrates the relationship between policy choice and regional inequality. The variable "Privileged Region" takes the value 1 when a nation exhibits a high level of regional inequality and 0 when it does not. The coefficient suggests that when there is a privileged region, governments are more likely to impose control regimes and less likely to adopt policies that are "syndrome free." Note too the coefficient on the variable "Polarized Region." A privileged region is coded as polarized when it is ethnically and religiously homogeneous and distinctive. The coefficient suggests that cultural uniformity and distinctiveness add to the impact of regional inequality, producing a stronger tendency to introduce control regimes.

Table 12 suggests that in countries where the chief executive is from a region that is relatively poor, governments are again more likely to adopt control regimes (equation 1) and less likely to adopt policies that remain syndrome free (equation 2). The coefficient in equation 1 is statistically significant. The coefficient in equation 3,

moreover, suggests that when the presidency shifts from a privileged to a non-privileged region, then the government is significantly more likely to impose regulatory controls.

Tables 11 and 12 Near Here

Table 13 reports marginal effects, thus enabling us to gain a sense of the magnitude of the coefficients contained in Table 12. The coefficients confirm the importance of party competition; in its absence, the likelihood of adopting a control regime or of abandoning syndrome free patterns of policy making rise by about 20 percentage points. Regional inequality increases the likelihood of control regimes by about 15 percentage points; cultural polarization adds an additional 20 percentage points. The impact of these variables is both less and less precisely estimated under military governments than when there are civilian regimes. The results also confirm the arguments of Ndulu (above): both ideology and “the times” appear to have a significant impact upon patterns of policy making.

7.3 Discussion

The political forces that underpin the choice of control regimes thus appear to arise from three sources. One is ideology. High levels of government intervention occur when governments find principled reasons for overriding the allocations generated by markets. A second is the power of organized interests. In a political world in which governments need not compete for the support of a broad electorate, interest groups constitute the primary means by which political preferences shape policy choices. And in a game best

characterized as the interplay of political interests, it is those that are organized that prevail. Regional inequality constitutes the third. It generates incentives to adopt policies designed to overcome the economic impact of disparate endowments and to create political institutions with the power to elicit the transfer of resources.

Authoritarianism; demands for redistribution between town and country, rich region and poor; and governmental intervention in markets— these tendencies co-vary. They have shaped the political conduct and economic performance of governments in post-independence Africa.

8. Conclusion

The analysis not only furnishes insight into the political logic underlying control regimes but also into the politics of late century reform. As noted in the chapter by Ndulu, with the end of the Cold War global opinion swung in favor of free market policies and competitive political systems. An implication of the arguments in this chapter is that these economic and political reforms of necessity took place together.

When contemplating this proposition, it is useful to cite three cases. The first is policy change in Mozambique; the second, policy reform in Ghana; and the third, policy making in Botswana.

Mozambique's peasantry faced costs of organizing as high as those faced by the peasantry in other countries. But RENAMO based itself in the rural areas when mounting its armed opposition to the government. RENAMO could successfully operate in the rural areas because it drew logistical support from abroad. What support many

peasants could give, however, they did give, and FRELIMO, the governing party, faced the prospect of losing their political allegiance, given its insistence on measures that the peasants opposed (Pitcher 2002, Hall and Young 1997, Schultz 1976). One reason that FRELIMO relaxed and then abandoned its commitment to villagization was that the policies fueled support for RENAMO, its political rival. Elsewhere peasants lacked such an advocate – organized, armed, and able to resist the governing party – and governments had less reason to alter their policies.

The second comes from Ghana. First as a military ruler and then as a head of a single party regime, Rawlings deployed his security services to impose price controls, shut down black markets, and evacuate crops from the country side for sale in urban markets. In face of these policies, the economy still failed to grow and the government began to contemplate abandoning its *dirigiste* policies. For Rawlings, abandoning a control regime was tantamount to abandoning his urban-based, industry-based, class-based constituency and the socialist ideologues that legitimated his policy commitments.

Notable is the solution that Rawlings devised. To defend his political future while altering his public policies, Rawlings had to build a rural base for his governing party. Beginning by organizing village political committees manned by political militants, he then introduced elected local councils. When he later introduced elections for the Parliament and Presidency, Rawlings had therefore already put in place political organizations throughout the townships and villages of Ghana. Given the structure of Ghana's economy and the composition of its population, rural voters outnumbered urban. For Rawlings, democratization therefore provided a means of shifting from an urban based constituency, which was hurt by economic reform, to a rural political base, which

benefited from them. It provided a means of surviving politically while abandoning a control regime (Oquaye 1995, Shillington 1992, Rothchild 1995, Gyimah-Boadi 1998, Herbst 1993, Rothchild 1991, Leith and Lofchie 1991, Oquaye 1995b, Aryeetey and Fosu 2005).

If Ghana provides evidence that the abandonment of control regimes creates incentives for political reform, then Botswana provides evidence of how open political competition creates incentives to avoid the extractive policies in the first place. As stated by Maipose and Matsheka (2005),

The leadership in the ruling party had considerable interest in promoting their own version of good government. Knowing that it must stand for election every five years - seeking “profit” in the form of “political income” - the ruling party pursued policies it believed will gain it the political support necessary to defeat its opponents. Priorities of the key rural development programmes, such as Arable Land Development Programme and Accelerated Rural Development Programme) initiated during this period, and attention given to the cattle industry have not been biased against rural areas as elaborated upon subsequently. p. 16

Control regimes can not be sustained when policy results from competition between politicians who had every reason to bid for political majorities. For in Africa, farmers constitute that majority, and their interests are violated by these policies.

The introduction of political competition and the abandonment of control regimes thus went together in late century Africa.

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Tables

Table 1: Ex-Ante Real Deposit Rate

	Table 1: Ex-Ante Real Deposit Rate		
	Control	Other	Syndrome
	Regimes	Syndromes	Free
Mean	-66.1	-309.6	-3.9
Median	-6.1	-4.1	-0.3
Count	162	90	165

Table 2 Black Market Premium

	Control	Other	Syndrome
	Regimes	Syndromes	Free
Mean	175.4	133.6	7.4
Median	53.0	27.0	6.3
Count	317	211	314

Table 3: Intervention in Food Markets

Table 3: Intervention in Food Markets.
(Number of Countries)

Level of Restrictions:	Countries that Adopt	
	Control Regimes	Other
Major	12	2
Limited	5	0
None	4	5
Total	21	7

Source: Data from: World Bank (1994), p. 85.

Table 4: Government Monopolies

Table 4: Government Monopolies in the Processing of:
(Number of Countries)

Countries that adopt	Wheat	Maize	Sugar	Vegetable Oil	Total
Control Regimes:	11	6	12	8	21
Other Policies:	2	2	4	2	7

Source: Data from: World Bank (1994), p. 234.

Table 5: Government Monopoly

Table 5: Government Monopoly Over the Importation of:
(Number of Countries)

Countries that adopt	Wheat	Rice	Sugar	Other Staple Food Crops	Vegetable Oils	Total
Control Regimes:	10	13	13	8	8	21
Other Policies:	4	4	3	2	2	7

Source: Data from: World Bank (1994), p. 235.

Table 6: Control Regimes and Geographic Location

Table 6: Control Regimes and Geographic Location
(1970-1995)

	Percent		Number
Landlocked		52.3	193
Coastal		49.6	183
Resource Rich		38.8	143

Source: Collier and O'Connell (2005).

Because resource rich can be either coastal or landlocked, the total is omitted

Table 7: Distribution of Growth Performance

Table 7: Distribution of Growth Performance
by Syndrome
(Percent of Row)

Panel A:
Syndrome
Status

3 year Moving Average

	< 0	>=0	Total
Not Free Syndrome	49.3	50.7	100
Free	19.1	80.9	100
Total	39.5	60.5	100

Panel B:
Syndrome
Status

5-Year Moving Average

	<2.5	>=2.5	Total
Not Free Syndrome	75.9	24.1	100
Free	47.5	52.6	100
Total	66.7	33.3	100

Panel C:
Syndrome
Status

5-Year Moving Average

	<3.5	>=3.5	Total
Not Free Syndrome	80.7	19.3	100
Free	55.8	44.2	100
Total	72.6	27.4	100

Table 8: The Variables

	Number of Observations	Mean	Std. Dev.	Min	Max
Control Regime	1196	.510	.501	0	1
Syndromic	1163	.251	.434	0	1
Free					
No-Party	1196	.510	.501	0	1
System					
Single Party	1196	.251	.434	0	1
System					
Regional	1118	.372	.483	0	1
Polarization					
Privileged	1195	.891	.311	0	1
Region					
President From	977	.570	.495	0	1
the Non-					
Privileged					
Region					
Socialism	1115	.441	.497	0	1
Military Head	1103	.441	.496	0	1
of State					
Cold War	1196	.692	.462	0	1

Table 9: Patterns of Policy Making

Table 9: Patterns of Policy Making (Conditional Logistic Estimation)				
	(1)	(2)	(3)	(4)
Dependent Variable	Control Regime	Syndrome Free Regime	Control Regime	Syndrome Free Regime
No-Party System	0.628 (3.56)**	-1.208 (6.62)**		
Single Party System	0.688 (4.05)**	-2.021 (10.16)**		
Cold War	0.902 (6.41)**	-0.480 (2.98)**	1.096 (7.76)**	-0.983 (6.19)**
Military Head of State			0.488 (3.80)**	-1.676 (9.61)**
Constant	-1.046 (6.82)**	0.365 (2.49)*	-0.920 (6.88)**	0.189 (1.38)
Observations	1092	1071	1059	1038

Absolute value of z statistics in parentheses

* significant at 5%; ** significant at 1%

Table 10: Ideology and Patterns of Policy Making

Table 10: Ideology and Patterns of Policy Making
(Conditional Logistic Estimation)

	(1)	(2)	(3)	(4)
Dependent Variable	Control Regime	Syndrome Free	Control Regime	Syndrome Free
No-Party System	0.751 (1.78)	-1.186 (2.67)**		
Single Party System	1.105 (2.48)*	-0.885 (2.14)*		
Socialist	2.484 (4.70)**	-2.455 (4.84)**	2.731 (5.24)**	-2.533 (4.79)**
Cold War	2.753 (8.48)**	-1.791 (5.38)**	3.007 (9.06)**	-2.429 (6.92)**
Military Head of State			0.736 (1.84)	-2.414 (5.23)**
Observations	641	562	631	555
Number of countries	26	23	26	23

Absolute value of z statistics in parentheses

* significant at 5%; ** significant at 1%

Table 11: Regional Differentiation and Patterns of Policy Making

Table 11: Regional Differentiation and Patterns of Policy Making				
(Logistic Estimation, Pooled Sample)				
	(1)	(2)	(3)	(4)
Dependent Variable	Control Regime	Syndrome Free	Control Regime	Syndrome Free
No-Party System	0.566 (2.97)**	-1.339 (5.79)**		
Single Party System	0.485 (2.50)*	-1.478 (6.36)**		
Privileged Region	1.505 (5.44)**	-2.410 (8.16)**	1.530 (5.78)**	-2.640 (9.02)**
Polarized Region	0.599 (3.81)**	-1.215 (5.65)**	0.573 (3.66)**	-0.814 (3.81)**
Socialist	1.524 (8.54)**	-1.779 (6.41)**	1.391 (7.75)**	-1.704 (6.09)**
Cold War	0.994 (6.28)**	-0.601 (3.16)**	1.118 (7.15)**	-1.051 (5.51)**
Military Head of State			0.277 (1.90)	-1.742 (8.47)**

Bates (controls)

Constant	-2.771	3.033	-2.592	3.086
	(9.54)**	(9.54)**	(9.36)**	(9.76)**
Observations	1041	1041	1003	1003

Absolute value of z statistics in parentheses

* significant at 5%; ** significant at 1%

Xtcontrol55 from xtcontrols3.do. My_documents/Belagio/controls

Table 12: Presidential Origin and Patterns of Policy Making

Table 12: Presidential Origin and Patterns of Policy Making
(Logistic Estimation, Pooled Sample)

	(1)	(2)	(3)	(4)
Dependent Variable	Control Regime	Syndrome Free Regime	Control Regime	Syndrome Free Regime
No-Party System	0.532 (2.29)*	-1.482 (5.76)**		
Single Party System	0.585 (2.55)*	-1.625 (6.40)**		
President From the Non-Privileged Region	0.743 (4.44)**	-0.214 (1.05)	0.806 (4.63)**	-0.123 (0.60)
Socialist	1.823 (8.85)**	-1.506 (5.41)**	1.697 (8.12)**	-1.558 (5.52)**
Polarized Region	1.001 (5.76)**	-1.069 (4.93)**	0.987 (5.65)**	-0.678 (3.19)**
Cold War	1.023 (5.76)**	-0.568 (2.74)**	1.189 (6.85)**	-1.026 (5.20)**
Military Head of State			-0.172	-1.374

Bates (controls)

			(1.01)	(6.22)**
Constant	-1.924	0.831	-1.519	0.376
	(7.98)**	(3.67)**	(7.41)**	(1.83)
Observations	853	853	820	820

Absolute value of z statistics in parentheses

* significant at 5%; ** significant at 1%

Control7 from xtcontrolse.do. My_documents\Belagio\Controls.

Table 13: Marginal Effects on Patterns of Policy Making

Table 13: Marginal Effects on Patterns of Policy Making				
(Logistic Estimation, Pooled Sample)				
	(1)	(2)	(3)	(4)
Dependent Variable	Control Regime	Syndrome Free	Control Regime	Syndrome Free
No-Party System	0.191 (4.22)*	-0.180 (7.29)**		
Single Party System	0.221 (4.76)*	-0.226 (7.62)**		
President From the Non-Privileged Region	0.151 (4.00)**	-0.021 (0.82)	0.176 (4.53)**	-0.012 (0.48)
Socialist	0.372 (12.33)**	-0.129 (5.48)**	0.363 (11.85)**	-0.177 (8.20)**
Polarized Region	0.224 (6.43)**	-0.163 (7.28)**	0.217 (6.20)**	-0.087 (3.64)**
Cold War	.221 (6.68)**	-0.19 (5.00)**	.196 (5.56)**	-0.186 (5.82)**
Military Head of State			-0.025	-0.178

Bates (controls)

			(0.64)	(6.58)**
Constant	-1.924	0.831	-1.519	0.376
	(7.98)**	(3.67)**	(7.41)**	(1.83)
Observations	853	853	820	820

Absolute value of z statistics in parentheses

* significant at 5%; ** significant at 1%

Charts

Chart 1: Policy Regimes Over Time

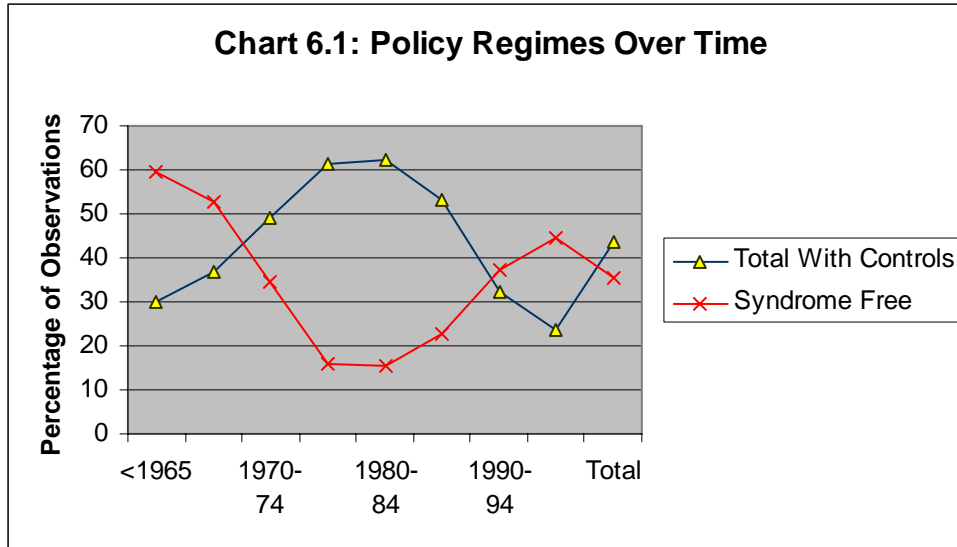


Chart 2: Policy Choice and Political System

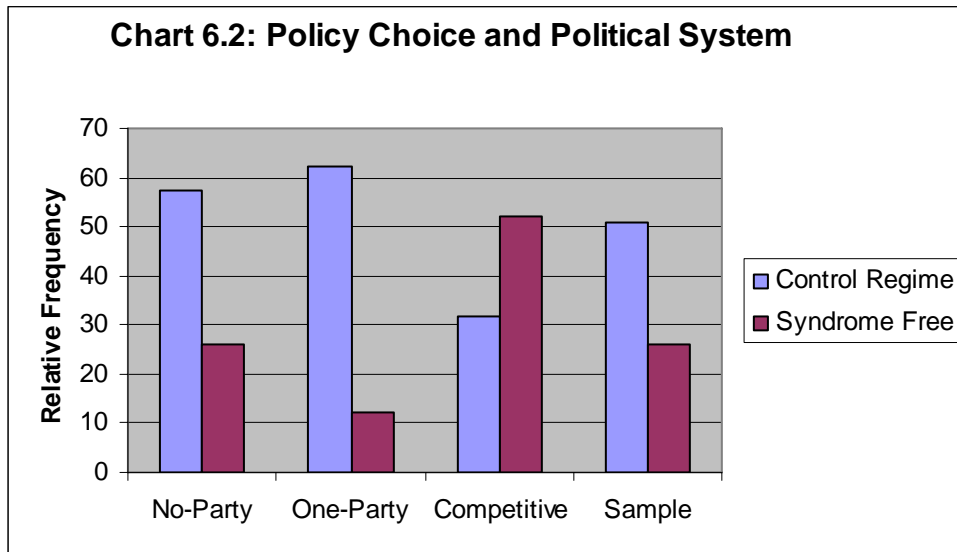


Chart 3: Military Governments and Policy Regimes

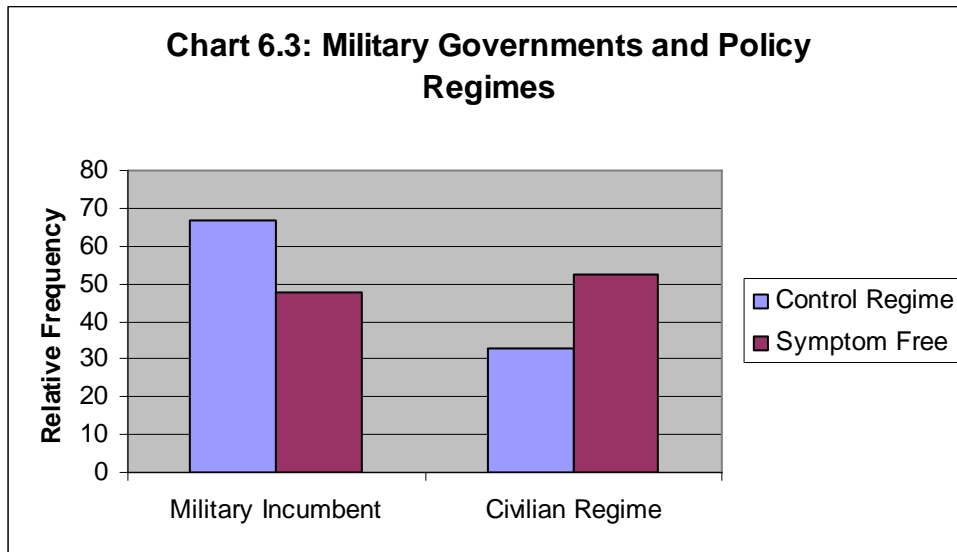


Chart 4: Political Systems Over Time

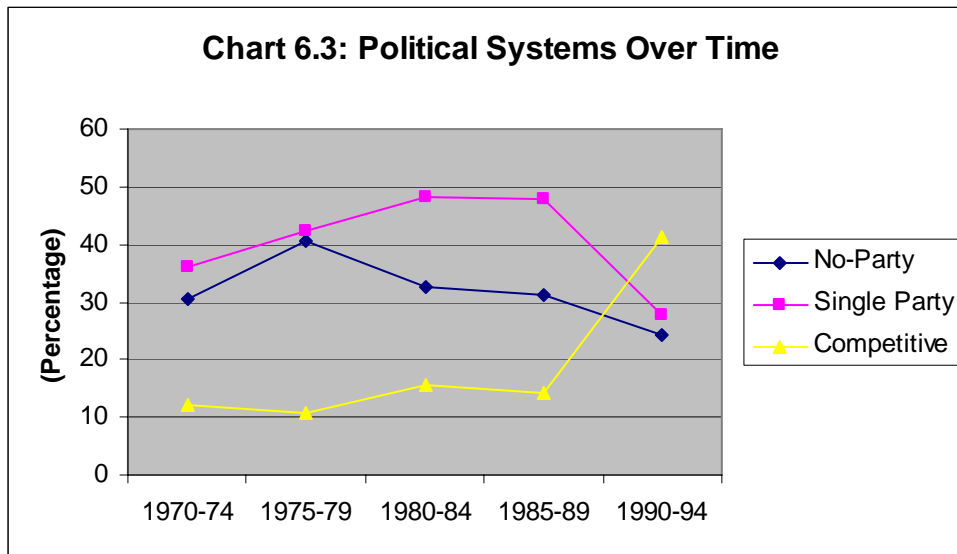


Chart 5: Prevalence of Military Governments Over Time

