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Discuss why sub-Saharan countries grew more slowly than developing countries elsewhere in the world in the second half of the twentieth century?

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Abstract

In this paper we argue that once we control for exogenous instruments, the main determinant for Sub-Sahara Africa's slow economic development in comparison to other developing regions is due to weak institutions. Solving this problem involves reforming economic institutions which we find is difficult as it relies on the distribution of political power in society. Unfortunately, many of Africa's political regimes suffered from instability and moving from one bad leader to another. As a result, we argue that the nature of political institutions needs to change to bring about a political equilibrium that will support good economic institutions. We then look at two contrasting case studies of economic performance in Sub-Sahara Africa. Ethiopia, a classic example of Sub-Saharan Africa's weak institutions and a successful example of institutional reform, Botswana who we argue a lot of countries within this region could learn from.

Introduction

The second half of the 20th century was a time that saw many developing regions experience great strides in economic growth and development. The same was expected of Sub-Sahara Africa. For example, in Maddison's (1995) report he found that the per capita GDP of Africa during the first half of the 20th century had grown at a faster rate than Asia. By 1960, many nations in Sub-Sahara Africa were free of colonialism and the expectations of the general public were that their new governments would be more receptive to their domestic wants and needs.

Comparative Development – Some Facts

	GDP per-capita 1998 US $	GDP per-capita 1998 PPP $	Average Growth Rate GDP per-capita 1965–98	Labour Force in Agri. 1990 (%)	Total Pop. Urban 1998 (%)	Primary Enrolment Rate 1997	Secondary Enrolment Rate 1997	Life Expectancy at Birth 1997
World	4,890	6,300	1.4	49	46	87.6	65.4	66.7
Sub-Saharan Africa	510	1,440	−0.3	68	33	56.2	41.4	48.9
Low Income Countries	520	2,170	3.7	68	30	60.4	31.2	51.7
East Asia and Pacific	990	3,280	5.7	68	34	97.8	58.3	70.0
Latin America and Caribbean	3,860	6,340	1.3	25	75	93.3	65.3	69.5

Source: Columns 1–5 World Development Indicators 2000, Columns 6–8 Human Development Report 1999, in this case Low Income is the LDCs, East Asia and Pacific is South-East Asia and Pacific.

Table 1 source from Parsons and Robinson (2006)

However, this was not the case as we can see in table 1. Column 3 shows the average growth rate in GDP per capita from the years 1965-98. When we compare Sub-Sahara Africa's growth rate to other developing regions, the difference is quite substantial. For example, Sub-Saharan Africa's average GDP growth rate was 6 percentage points lower than East Asia and Pacific which is a stark contrast to what Madison found in the first half of the 20th century when comparing the growth rates of Sub-Sahara Africa to Asia. There is also a difference in growth rates with another developing region such as Latin America, though the gap is not as big. In addition to this, the Sub-Saharan region was the only developing region with a negative growth rate in GDP during that time period. But why was this case?

In this paper we will look to identify the cause in the overall decline in economic growth in Sub-Sahara Africa. We will investigate the reasons why the political and economic institutions in the nations of this region played a major role in the stagnation of Sub-Saharan economic progress. To further strengthen our point, we will include two case studies,

evaluating each country's economic and political institutions looking at what harmed their economic progression and what benefited it, with hopes other countries in this region can adopt any reforms that may be beneficial to another struggling Sub-Saharan nation.

The rest of the paper is organised as follows. Section 2 is the extended literature review which will give a brief review of the poor policies that were in place in the sub-Saharan region, followed by the need for economic and political institutional reform. Section 3 and 4 will cover two case studies with contrasting economic growth and development performances. Finally, section 5 will be the conclusion that will be based on our review of the existing literature.

2. Extended Literature Review

2.1 Role of policies on sub-Saharan countries economic development

Collier & Gunning (1999) examined and identified sub-Sahara Africa's policies as a reason for its disappointing development and growth. They highlight domestic policies or lack of, for having prevented African nations from reaching growth rates comparable to other developing regions. This was supported by Easterly & Levine (1997) who found several examples of sub-Saharan governments reluctance to invest in infrastructure. For example, Africa's under-developed telecommunication services they found contributed to reduced economic growth rates. More findings reveal that many sub-Saharan governments primarily focused on expanding the less efficient public sector as a source of growth. Ghana's public

sector for example accounted for 75 percent of formal wage employment during the late twentieth century (Ghana Central Bureau of Statistics 1988). Whilst employment had expanded within the public sector, investment in the public sector was often found to be unproductive and inefficent. For example, Artadi and Martin (2003) find examples where investment often seemed to be driven by non-economic preferences such as investment into the steel plant in Ajakouta (Nigeria). The neglect of the private sector was evident in the sub-Saharan region as they also found the private-to-public investment ratio was at a low ratio of 1.3 in the 1980s which was significantly lower in comparison to other developing regions at the time such as East Asia, which in that same time period had a ratio of 4.8. The lack of private sector spending may have reduced competition in the economy which would have helped in stimulating economic growth e.g., through ways that would contribute by increasing job creation as well as the productive output of the economy which in turn can boost the productive capacity of the economy.

In addition to this, Collier & Gunning also highlights poor external policies by many Sub-Saharan nations primarily towards barriers of trade. Countries within this region had higher trade barriers than other developing regions which had a detrimental impact on export performance. Barriers to trade such as tariffs on exports were higher in comparison to other regions around the world which Collier & Gunning put down to economies in this region being small thus, they lacked other sources of tax revenue in order to stimulate investment into the public sector. This was a critical error with regards to sub-Sahara Africa's economic development as found by Sachs and Warner (1997) who find Africas economic openness index was 0.10 in comparison to East Asia which had a value of 0.83 according to Artadi & Martin (2003). Their findings go one step further by estimating that had Africa reduced their

barriers to trade, the annual growth rate would have been 0.67 percentage points greater thus demonstrating the importance of reducing trade barriers.

Though the role of poor policy choices from Sub-Saharan nations in the second half of the 20th century have evidently hindered Sub-Sahara Africa's economic development when compared to other developing regions at that time, this paper will argue more for why such poor policies are merely a consequence of the economic and political institutions that were in place in many of the nations in the Sub-Saharan region.

2.2 Economic institutions

As briefly mentioned above, this paper will argue that institutional quality is the prime reason for Sub-Sahara Africa's slow development in comparison to the rest of the world. Acemoglu & Robinson (2008) supports the notion that the main reason for differences in the rate of development lies in the differences in the quality of economic institutions. They claim that economic institutions are an important aspect of economic growth as it influences the incentives of the key economic actors in society for instance, they can influence investments in technology as well as physical and human capital. One such example of economic institution is the way in which property rights are enforced. Property right enforcement must be strong in order provide individuals with the incentive to invest and partake in economic activity in a particular region. Below in figure 1 we can see how well-protected property rights were in the late 20th century for countries all over the world.

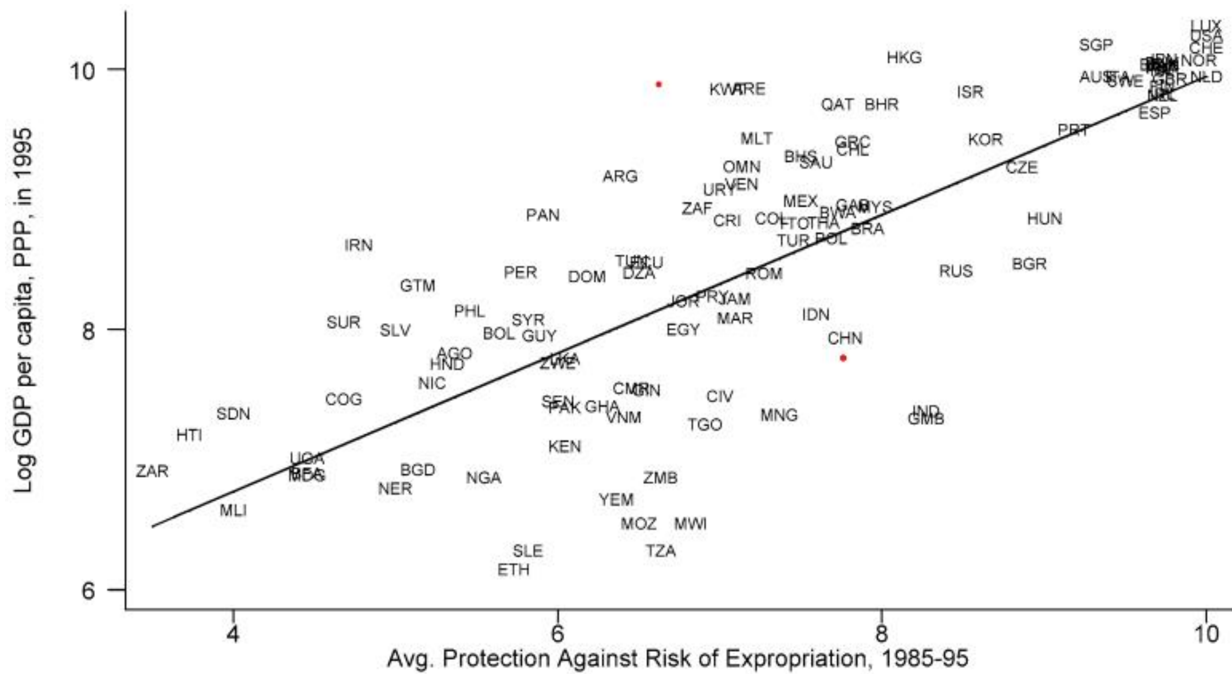

Figure 1: Source from Acemoglu, et al (2005)

As we can see, figure 1 suggests a positive correlation between the average income per capita of a nation and the strength of their property rights protection. The figure also non-surprisingly shows many Sub-Saharan nations with lower protection against risk of expropriation, for example, we see the likes of Ethiopia (ETH), Nigeria (NGA), Mozambique (MOZ) and more indicating a lack of secure property right protection, a sign of weak economic institutions. Examples of some property rights include land tenure, inheritance law, intellectual property rights such as patents and copyrights. It would make sense why countries who have a higher GDP per capita are also likely to have secure property rights as it would incentivise investment which acts as a stimulant for economic growth. This is also supported by Wiggins and Davies (2006) who argue that if nations make it easier to trade, obtain credit and keep a reasonable share of the profits, this is likely to stimulate investment from both outside investors and owners of capital within the country. In

addition to this, stronger intellectual property rights protection is likely to promote greater private investment in research thus potentially stimulating technological innovation. The lack of private investment within Sub-Sahara Africa was highlighted previously by Collier and Gunning as one of the key reasons for sub-Sahara Africa's lack of development and so perhaps this is a key area in order to stimulate greater economic development.

Other measures of economic institutions we can look at is the measure of entry barriers we initially highlighted in the last section. Djankov et al (2002) studied the regulation of entry of start-up countries across different regions including Sub-Saharan Africa where they found that in order to set up and operate a business in Mozambique, an entrepreneur would have needed to complete 19 procedures taking a minimum of at least 149 business days with fees costing around US$256. In contrast, they found other richer nations such as Italy much simpler to start up a business, taking much lesser days and procedures, though the fees were significantly more. We know already from Collier & Gunning that Sub-Saharan nations typically had higher entry barriers, but Djankov et al offer a more extensive explanation. For example, based on their findings, richer countries tend to regulate entry generally far less than poorer countries however they put this down to the fact that market failures were likely more prevalent in poorer countries thus causing greater demand for tighter regulatory restrictions in these countries. However, we also know that this acts as a deterrence for entrepreneurs to invest and start-up operations in poorer regions such as sub-Sahara Africa. For instance, they also found that the cost of starting a medium-size business in Nigeria and Kenya in 1999 costed 2.7 percent and 1.16 percent in GDP per capita which is considerably more when compared to the United States which would have costed lower than 0.02 percent in GDP per capita in that same year.

Another way we can measure the performance of economic institutions is through the level of corruption. Though this formally comes from the effect of political institutions, its effect on the quality and efficiency of economic institutions can provide us with a greater understanding as to why Sub-Sahara Africa experienced slower economic growth and development. One piece of literature that focuses on corruption comes from Mauro (1995). In their paper, they use 9 indicators in order to determine institutional efficiency though the ones we will focus on for now are the judiciary system, red tape and corruption indices which were found to be closely related variables that Mauro labels as bureaucratic efficiency. He argues that bureaucratic efficiency is a much better index of corruption than the indices of corruption alone which leads us to this table below.

Bureaucratic efficiency index from 1980-83.

1.5–4.5	4.5–5.5	5.5–6.5	6.5–7.5	7.5–9	9–10
Egypt	Algeria	Angola	Argentina	Austria	Australia
Ghana	Bangladesh	Dominican Rep.	Ivory Coast	Chile	Belgium
Haiti	Brazil	Ecuador	Kuwait	France	Canada
Indonesia	Colombia	Greece	Malaysia	Germany	Denmark
Iran	India	Iraq	Peru	Ireland	Finland
Liberia	Jamaica	Italy	South Africa	Israel	Japan
Nigeria	Kenya	Korea	Sri Lanka	Jordan	Hong Kong
Pakistan	Mexico	Morocco	Taiwan	Zimbabwe	Netherlands
Thailand	Philippines	Nicaragua	Uruguay		New Zealand
Zaire	Saudi Arabia	Panama			Norway
	Turkey	Portugal			Singapore
	Venezuela	Spain			Sweden
		Trinidad/Tobago			Switzerland
					United Kingdom
					United States

BE is the bureaucratic efficiency index, which I compute as the simple 1980–1983 average of three Business International indices: judiciary system, red tape, and corruption. A *high* value of the BE index means that the country's institutions are good.

Table 2 source from Mauro (1995)

As we can see from table 2, their appears to be no Sub-Saharan African country in the group with the highest bureaucratic efficiency score, and most tend to score in the ranges of 6.5-7.5 and lower which indicates that the corruption level in this region was much higher in comparison to other regions. However, in order to truly determine the impact of corruption on investment and growth, Mauro (1995) ran a regression analysis to determine the relationship between corruption and investment. He finds that between 1960-1985, a one standard deviation improvement in the bureaucratic efficiency (corruption) index is associated with an increase in the average investment rate by 4.1 percent of GDP. In finding a negative relationship between corruption and investment, we can come to the assumption that a higher bureaucratic inefficiency (corruption) will lower the investment rate in a nation thus hindering growth and development.

Having identified Sub-Sahara Africa as generally having weaker economic institutions in comparison to other regions, most of our evidence is based on correlation which is not enough to say that these institutions are the most important contributing factor of economic performance. In order to establish institutions as an important factor for economic development, we need to look at the sources of exogenous differences in institutions which will allow us to make a comparison between similar societies with different kinds of institutions. Acemoglu et al (2001) provided evidence that when focusing on exogenous sources of variation, the data indicates a significant effect of institutional differences on economic growth and development. The example they used was European settler mortality where Europeans would set up colonies in the likes of the US and Australia, where they would decide to settle, setting up institutions that had a strong set of laws and incentivised investment e.g., through reduced risk of expropriation. In contrast, in other areas where they would not settle such as Congo and other countries in the sub-Saharan

region, they would create extractive states with the sole aim of extracting resources, failing to introduce the likes of protection against expropriation for the general population. Their study linked where colonisers would settle, to the mortality rate of Europeans in these colonies and through regression analysis, they found that the mortality rates that European settlers faced over 100 years ago explains more than 25 percent of the variation in institutions across different regions at the time of the study. Many European settlers were more prone to diseases such as yellow fever and malaria and the fatality rate from such diseases was quite high. The tropical climate of this region meant these diseases were more likely to be contracted in the sub-Saharan region thus negatively impacting their desire to settle. Meanwhile, the natives would have developed some level of immunity to such diseases thus it is unlikely that diseases could have been the reason why Africa remained poor post colonialism. We can see the effect of using settler mortality as an exogenous instrument in table 3 which will allow us to determine whether institutional differences have a significant effect on the economy.

Regression of Log GDP per capita

	Base sample (1)	Base sample (2)	Base sample without Neo-Europes (3)	Base sample without Neo-Europes (4)	Base sample without Africa (5)	Base sample without Africa (6)	Base sample with continent dummies (7)	Base sample with continent dummies (8)	Base sample, dependent variable is log output per worker (9)
Panel A: Two-Stage Least Squares									
Average protection against expropriation risk 1985–1995	0.94	1.00	1.28	1.21	0.58	0.58	0.98	1.10	0.98
	(0.16)	(0.22)	(0.36)	(0.35)	(0.10)	(0.12)	(0.30)	(0.46)	(0.17)
Latitude		−0.65		0.94		0.04		−1.20	
		(1.34)		(1.46)		(0.84)		(1.8)	
Asia dummy							−0.92	−1.10	
							(0.40)	(0.52)	
Africa dummy							−0.46	−0.44	
							(0.36)	(0.42)	
"Other" continent dummy							−0.94	−0.99	
							(0.85)	(1.0)	
Panel B: First Stage for Average Protection Against Expropriation Risk in 1985–1995									
Log European settler mortality	−0.61	−0.51	−0.39	−0.39	−1.20	−1.10	−0.43	−0.34	−0.63
	(0.13)	(0.14)	(0.13)	(0.14)	(0.22)	(0.24)	(0.17)	(0.18)	(0.13)
Latitude		2.00		−0.11		0.99		2.00	
		(1.34)		(1.50)		(1.43)		(1.40)	
Asia dummy							0.33	0.47	
							(0.49)	(0.50)	
Africa dummy							−0.27	−0.26	
							(0.41)	(0.41)	
"Other" continent dummy							1.24	1.1	
							(0.84)	(0.84)	
R^2	0.27	0.30	0.13	0.13	0.47	0.47	0.30	0.33	0.28
Panel C: Ordinary Least Squares									
Average protection against expropriation risk 1985–1995	0.52	0.47	0.49	0.47	0.48	0.47	0.42	0.40	0.46
	(0.06)	(0.06)	(0.08)	(0.07)	(0.07)	(0.07)	(0.06)	(0.06)	(0.06)
Number of observations	64	64	60	60	37	37	64	64	61

Notes: The dependent variable in columns (1)–(8) is log GDP per capita in 1995, PPP basis. The dependent variable in column (9) is log output per worker, from Hall and Jones (1999). "Average protection against expropriation risk 1985–1995" is measured on a scale from 0 to 10, where a higher score means more protection against risk of expropriation of investment by the government, from Political Risk Services. Panel A reports the two-stage least-squares estimates, instrumenting for protection against expropriation risk using log settler mortality; Panel B reports the corresponding first stage. Panel C reports the coefficient from an OLS regression of the dependent variable against average protection against expropriation risk. Standard errors are in parentheses. In regressions with continent dummies, the dummy for America is omitted. See Appendix Table A1 for more detailed variable descriptions and sources.

Table 3 source from Acemoglu et al (2001)

From table 3, their findings reveal that the relationship between log European settler mortality and institutions between 1985-1995 was strong and find that effect of institutions such as protection against expropriation risk on income per capita was a coefficient of 0.94. In addition to this, the figure highlights how including latitude in their study did not change the relationship as the institution coefficient was 1.00. Acemoglu et al (2001) also looked at

the effects of excluding the European colonisation of the non-extractive states such as the US, Australia and New Zealand from their sample and find that the effect of institutions on income per capita grew to a coefficient of 1.28, whilst when excluding African countries from their sample, although the relationship between institutions and income per capita remained the same, the effects were smaller at a coefficient of 0.58. Finally, regarding the continental dummies (including Asia, Africa and others excluding North America) in columns 7 and 8, they found that the inclusion of these dummies did not change the effect of institutions on income per capita. In particular, the African dummy was found to be insignificant following the regression thus this would imply that African countries are poorer and have slower economic progress as a result of the worse institutions in this region and not because of other possible exogenous instruments such as geographical factors mentioned by researchers such as Sachs and Werner (1997) who found that landlocked country's economic growth in the sub-Saharan region was typically lower than a country with access to the sea. Sachs and Werner found that countries with a tropical climate on average had a lower economic growth rate than other countries who do not experience a tropical climate. However, they later find that basic economic policies relating to the likes of openness to trade produced a much greater quantitative impact on economic progress which we argue stems from having weak economic institutions. Overall, the findings by Acemoglu et al (2001) do show that there is a large effect of institutions regarding economic progress when isolating the instrument in this study, settler mortality rates. This would suggest that regions such as sub-Sahara Africa could see greater economic gains from improving institutions.

Having identified institutions as being the major determinant for economic progress, and identifying the necessity for many sub-Saharan Africa nations to reform their economic

institutions, the question we need to find an answer to is why is it these institutions persisted post-colonial times when reformation could have led to a complete overturn to the region's economic potential? To answer this, in the next section we will focus on why the reformation of economic institutions alone is not enough to see sustainable economic development and why we also need to look at reforming the political institutions that have existed and continue to exist in many nations under this region.

2.3 Political Institutions

We have already highlighted the importance of reforming economic institutions, especially for many of the nations in the Sub-Saharan Africa region which experienced slow economic development in the second half of the 20th century. However, for necessary reformation, it is important that we understand just how such institutions are determined. Economic institutions are the choices made by a society and play a crucial role in the allocation of resources with some benefiting more from others. As a result, a conflict of interest generally arises leading to the formation of many different groups such as political parties who have their own vision of how economic institutions should be set up creating a tug of war between various political powers with the one with the most political power leading the country.

Research has been done investigating the important role political institutions have played regarding the slow economic development that had occurred in sub-Sahara Africa in the second half of the 20th century. One such example comes from Fosu (1992) who investigated its effect on Sub-Saharan African countries, several of which had historically experienced a lot of political instability. There are many theoretical explanations for the

potential effect political instability is likely to have had on economic development in the Sub-Saharan region. For example, private investment is likely to have been deterred away due to the risk of losing capital that may arise due to changes in the political regime. This could lead to changes in the political and economic rules further increasing the uncertainty in investor future returns regarding investment projects. Other examples may include a brain drain where individual workers with the most skill in that country emigrate for more favourable opportunities elsewhere which will reduce the quality of the workforce, leading to a reduction in the productive output which can also adversely affect a nation's economic progress. Fosu ran a regression measuring the political instability in sub-Sahara Africa alongside capital, labour and exports showing that the political instability in many of the countries in this region had led to a detrimental effect on economic growth. For example, when controlling for labour, capital and exports, he finds that the direct effect of sub-Sahara African countries with high political instability resulted in a 1.1 percentage point decline in the yearly growth rate of GDP between 1960-86, further observing that this effect stems from the reduction in the marginal productivity of both exports and capital.

Having identified the importance of political institutions as being a cause for the stagnation of sub-Sahara African economies, we will next explore the importance of reforming political institutions, how they may go about it and a few of the difficulties that may come with potential political institutional reformation.

Acemoglu and Robinson (2006) importantly highlight two elements of political power which will be an important concept regarding sub-Sahara Africa's slow economic development – de jure and de facto political power. De jure political power represents the control that derives from political institutions whose decisions determine the incentives and the

constraints of the key economic players. Examples include a legitimate government of a state, for instance dictatorship vs democracy. On the other hand, de facto political power refers to power that is not allocated by de jure (legal) means. Though those with de facto power may not have been allocated power by the political institutions, they may still possess political power through means of wealth or violence for instance, that may generate revolt or protests allowing them to enforce their desires on society. Acemoglu & Robinson (2008) argued that reforming economic institutions alone will not work without changing this political equilibrium. The reason why reforming economic institutions alone may not work is due to a phenomenon called the see-saw effect as highlighted by Acemoglu et al (2003). The see-saw effect shows why reforming economic institutions alone is futile as it would be like removing one instrument without altering the existing political equilibrium and this would inevitably result in the replacement of one inefficient instrument to another. In other words, it would be like dealing with the symptoms and not the cause thus economic institutional problems are likely to persist. We can see it in the context of the region we are looking at using the example from Herbst (1990) who highlights how international financial institutions such as the IMF and World Bank attempted to encourage many African countries to implement institutional economic reforms through structural adjustment programs that would have had long term consequences for African political party leaders for example through the ways in which sub-Saharan African leaders relate to their supporters. This is supported by Reno (1998) who used structural adjustment programs such as the downsizing of the already inefficient public sector prevalent in many sub-Saharan nations as an example. Reno highlights the downsizing of the public sector in Sierra Leone and how this led to a civil war against the leader of the regime at the time. This occurred because Sub-Saharan nations such as Sierra Leone would use public sector employment as a method of

redistributing payments to opponents of the current ruling party or regime at the time, essentially purchasing greater political support, thus reinforcing confidence in the establishment at the time. By method of structural adjustment programs, these tactical payments were taken away thus leading to greater opposition against the ruling party and creating a civil war. As we can see from this example, the see saw effect took place here since in attempting to reform economic institutions by trying to downsize the public sector (one inefficient instrument) without considering the political consequences, this simply led to repression (the new inefficient instrument).

As a result, we therefore agree with the view of Acemoglu and Robinson (2008) that simply reforming economic institutions alone is not enough and countries in the sub-Saharan region need to also disrupt the political equilibrium. However, in order to change the political equilibrium, it is important that sub-Sahara African countries do not simply change de jure power alone without also changing those with the de facto political power.

Acemoglu & Robinson (2008) provide the example of Cambodia and the reinvention of Cambodia's people party (CPP) which in 1978 saw senior members of the Khmer Rouge Cadres party such as Hun Sen flee to Vietnam after disputes with Pol Pot. Hun Sen, together along with the other senior Khmer Rouge cadres, and with the backing of the Vietnamese army, formed the Peoples Republic of Kampuchea (PRK) with aims of implementing socialism. However, years later they renamed their party the CPP, becoming democrats and opening a political system that has continued to dominate elections as a result of the party's control of bureaucracy and the military. This example here shows that although changes occurred in de jure power with the move to democracy, the fact that their de facto power remained, meant that they have continued to remain in power and have been able to make

decisions that benefit the elite minority e.g., through corruption, at the cost of general society whilst not being held accountable. Therefore, in order to change the political equilibrium both de jure and de facto political power needs to change amongst Sub-Saharan countries with weak economic and political institutions in order to make greater economic progress.

However, it is also important to note that while changing both de jure and de facto power can lead to necessary political reform, it does not necessarily guarantee it. This is because, it is possible that a country can replace one bad regime or party with another who also may not have the right incentives to lead the necessary institutional reform required to stimulate economic development. There is a plethora of examples in sub-Sahara Africa where countries replaced one bad leader with another. One such example is the overthrow of Haile Selassie that saw Mengistu Haile Mariam lead the country in the same way as his predecessor which we will discuss in the next section.

Based on our discoveries, we conclude that the explanation for Africa's slow development stems from its weak economic and political institutions. Having looked at possible ways in which struggling sub-Saharan nations could reform such institutions, our next section will look at two case studies in this region representing contrasting economic progress. We will look at why this was the case for both countries and whether the rest of the nations in this region could learn from either country.

3. Case Study 1: Ethiopia

Ethiopia is a classical example of a nation in the sub-Sahara Africa region which struggled to stimulate economic growth and development for a plethora of reasons. The choice to examine the economic development of Ethiopia is due to its non-existent colonial past thus we can look at the link between the development of its institutions in the second half of the twentieth century and economic development differently to how we viewed most of sub-Sahara Africa's economic institutional development which we linked to its colonial origins as Acemoglu et al (2001) explained.

3.1 Overview of Ethiopia's political institutions

From the years 1930-74 Ethiopia was ruled by a monarch headed by Haile Selassie. The regime had slowly attempted to implement a few more liberal economic and political institutions close to the end of its monarchic rule with the intention of modernising the economy. This effort by the imperial regime came about by adopting successive five-year plans that focused on developing its agricultural sector around industrial productivity. However, these plans failed in aiding the poor in rural areas and in bringing about greater economic growth and development. Rahmato (2009) puts this down to the imperial regimes intention in prioritising the moving away from smallholder agriculture to a more agro-industrial one modernising methods at the time. The plans were ineffective in meeting economic growth targets as well as bringing about positive change to the farming population and the country. As a result, this led to a revolution in 1974 that was headed by the military regime known as Derga who held socialist ideology which led to the nationalisation and restructuring of the Ethiopian economy.

The change in regimes caused a great deal of political instability as the military regime had difficulties reforming the imperial regime's political structure that was highly centralised. The military regime led by Mengistu Haile Mariam faced challenges against others intending to acquire the de jure political power over the country which led to having to gain the country under complete control by force. This is a classic example that shows how despite the change in de jure political power, there was no change in de facto power as Ethiopia went from an imperial regime that was based on hierarchy and that was not afraid of being held politically accountable to a military regime that ruled off fear and was even less politically accountable.

Source from Bedasso (2017)

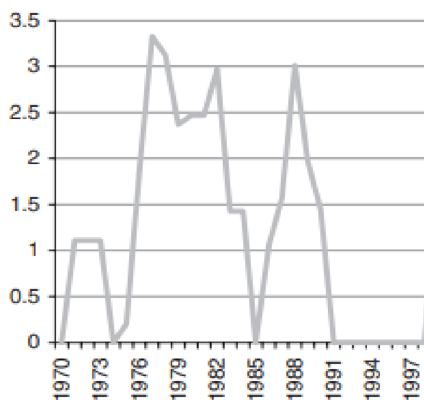

Figure 2 War related fatalities since 1970

Source from Bedasso (2017)

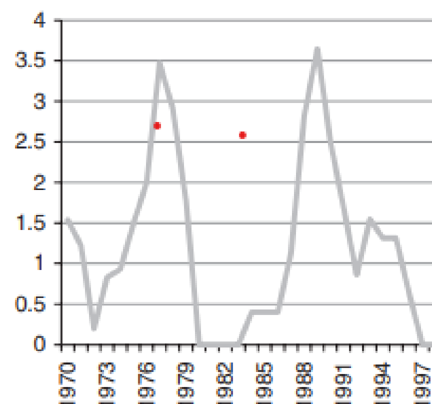

Figure 3 Politically motivated deaths since 1970

Figures 2 and 3 collected by Bedasso (2017) shows how politically unstable Ethiopia was throughout the second half of the 20th century. For example, in figure 2 we can see how the number of war fatalities spiked as a result of the 1974 revolution. This political event which led to civil war which as we see from the spikes occurred during the 1970s and 80s as the

military regime faced challengers. Figure 3 looks at the number of politically motivated deaths which unsurprisingly follows a similar trend to figure 2 with spikes in the number of deaths occurring during and some time after the 1974 revolution.

3.2 Economic institutions of Ethiopia

Based on the figures above, the political outlook of Ethiopia in the second half of the twentieth century was worsened following the revolution as we show the political instability of Ethiopia during that time period. However, we now want to look at the effect the change in de jure political and the political instability of Ethiopia had on its economic institutions.

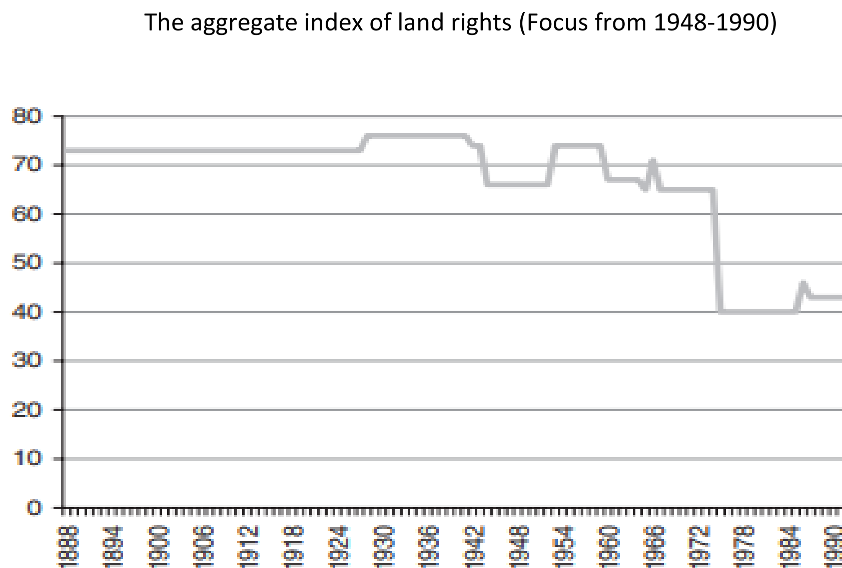

Figure 4 source from Bedasso (2017)

Regarding economic institutions, the example we are going to look at is the development of property rights with focus on land rights in Ethiopia as highlighted by Bedasso (2017) shown in figure 4. From this figure we can see that land rights were greater during the imperial

regime, however Bedasso (2017) still points out that these rights were privileges of the elite. He highlights how there was still a lack of formal legislation on the private property rights of land that was not extended to the general population which we already know discourages private investment and can limit the economic progression of a nation. Yet still, figure 6 shows land rights worsened following the victory of the Derga. This comes as no surprise as the military regime held socialist views and were dead intent on the nationalisation of land.

Movements of political and land rights (focus from 1942-1999)

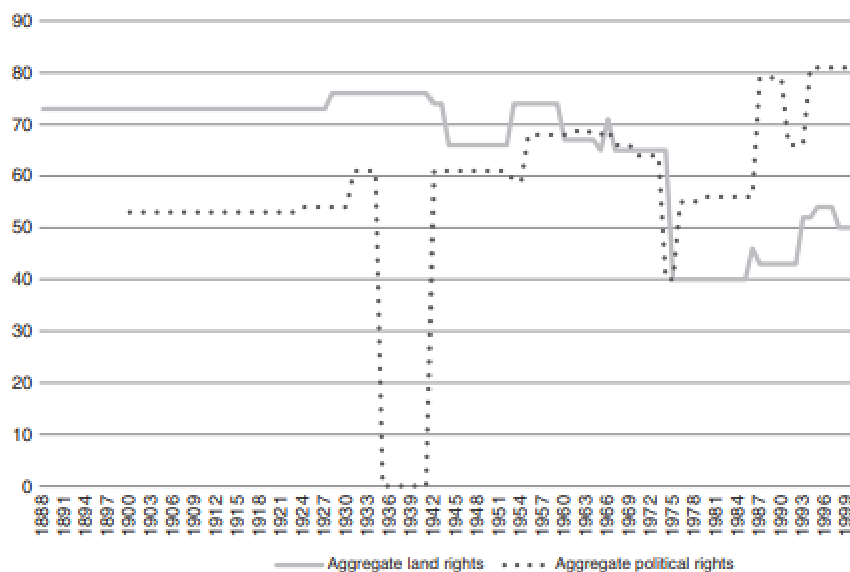

Figure 5 source from Bedasso (2017)

Overall, during Haile Selassie's reign as king, both political and economic spaces were open to a small number of elites. As a result of this, we can see in figure 5 there is a strong correlation between political rights and land rights during the monarch's rule from around 1942-1974. Following the 1974 revolution by the Derga, political and land rights deteriorated likely due to the struggle for power. Despite this, we can see that de jure

political rights managed to recover after an initial decline unlike land rights indicating failure to successfully reform an important economic institutional reform. Bedasso (2017) highlights how during the time of military regime, they had promised to turn the ownership of land to the people thus increasing private property. However, the land continued to remain under the state's control even past the military regime. Bedasso explains that the state decided to keep the land property as a means of control. This action by the leading regime agrees with the theoretical explanation we go back to by Acemoglu and Robinson (2008) who argued that reformation is not possible without changing the political equilibrium and this involves not only changing those in de jure power but also the de facto power which Ethiopia failed to do. Consequently, Ethiopia was unable to reform its economic institutions effectively and thus failed to make great economic progression during this time period.

4. Case Study 2: Botswana

The first case study is a classic example of why many sub-Saharan African countries failed to reform its institutions and as a result, suffered from a stagnation in economic growth and development. However, in this section we show how little Botswana, a landlocked and tropical country in the sub-Saharan region managed to successfully reform its institutions following its independence and how this success led to Botswana having the fastest average GDP growth worldwide for a lot of the late 20th century.

4.1 Political Overview of Botswana's institutions

Unlike elsewhere in most of the other sub-Saharan African countries, Botswana is known to have had relatively good governance which has been used to explain why Botswana became such a successful story in this region. In order to understand this, we must first look at how it developed its political institutions. Parsons and Robinson (2006) looked into the progression of the political institutions in Botswana. They found that during the pre-colonial period, Tswana had developed a state with very few chiefs and had a political structure that managed to peacefully incorporate other minority ethnic groups such as the Kalanga into its state. The country had faced an attack against its independence from the likes of the British South Africa company which had driven the political elites of Tswana to defend their independence by modernising its institutions. What separated Botswana from the other sub-Saharan countries who were colonised was the way in which they managed to unify a group to lead the entire nation and resist the effects of colonialism e.g., the setting up of an extractive state with weak economic institutions that was being exploited as highlighted in section 2 by Acemoglu et al (2001). Furthermore, Parsons & Robinsons (2006) mention how those who were head of the state, before and during independence were unified in their goal to invest in one the nation's most important economic activity, ranching. As a result, this provided them with the incentive to introduce stronger private property rights as well as a more rational state institution.

Estimates of Governance – Sub-Saharan Africa

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Mauritius	1.27	1.12	0.76	0.41	1.00	0.49
South Africa	1.17	0.07	0.25	0.07	−0.05	0.35
Botswana	0.8	0.71	0.83	1.02	0.68	0.89
Senegal	0.12	−0.68	0.16	−0.38	−0.13	−0.39
Ghana	0.02	−0.11	−0.06	0.24	−0.08	−0.28
Tanzania	−0.07	−0.34	−0.43	−0.02	0.16	−0.92
Malawi	−0.14	0.03	−0.77	0.28	−0.36	0.10
Zambia	−0.17	−0.42	−0.75	0.49	−0.39	−0.87
Nigeria	−0.44	−1.36	−1.0	−0.39	−1.13	−1.05
Kenya	−0.68	−0.83	−0.76	−0.26	−1.21	−1.11
Uganda	−0.79	−1.31	−0.32	−0.2	−0.65	−0.92
Cameroon	−0.82	−0.13	−0.40	0.05	−1.02	−1.11
Ethiopia	−0.85	−0.55	−1.01	−0.71	−0.24	−0.40
Zimbabwe	−0.9	−1.25	−1.03	−1.66	−0.94	−1.08
Côte d'Ivoire	−1.19	−0.95	−0.81	−0.30	−0.54	−0.71
Angola	−1.26	−1.98	−1.31	−1.39	−1.49	−1.14
Burundi	−1.35	−1.54	−1.14	−0.59	−1.07	−1.40

Table 4 source from Parsons & Robinsons (2006)

We can see from the time of independence in 1960 how impressive the political outlook of Botswana was during this time period in comparison to other Sub-Saharan African countries in table 4. The table shows Botswana ranking in the top 3 for voice and its political institutions being held accountable. In addition to this, for the column's government effectiveness, regulatory quality and control of corruption, Botswana ranks first in the sample for this region. Having such reliable political institutions that were held accountable and a good political equilibrium we will see in the next section had helped Botswana to develop economic institutions that were successful in generating great economic growth and development for the nation.

4.2 Economic institutions of Botswana

Regarding the economic institutions of Botswana, the modernisation of its political institutions meant that checks and balances were placed on political leaders. Acemoglu and Robinson (2008) argued that this facilitated good economic institutions as it meant that there was a much lower risk of the expropriation of property rights for instance, which can make private investment into the region attractive. As mentioned above, the fact that property rights were in the interests of the political elites (Botswana Democratic Party) incentivised them to create good economic institutions that would allow them to generate greater economic gains in the nation's largest export sector and its most important activity, ranching.

Overall, its evidently clear that the reason for Botswana's growth correlate to our findings and theoretical explanations in section 2 that its good economic institutions was facilitated by its political equilibrium, something that was lacking amongst other Sub-Saharan nations.

5. Conclusion

The purpose of this study was to find out what determined Sub-Saharan Africa's slow economic development. Initially we briefly highlighted the role of poor policies and provided examples, however, we argue that merely introducing better policies is unlikely to create long-term change in the economic progress of Sub-Sahara Africa's economic development. Our conclusive argument is that Sub-Sahara's Africa institutions was the primary cause for its poor economic progress and that institutional reform is necessary in order to see effective changes to Sun-Sahara Africa's economic progress. Reforming economic

institutions was deemed to be a necessary requirement by Acemoglu and Robinson (2008), for instance by introducing a formal legislation of property rights for the general population which would have helped to stimulate the economy through increased investment. However, reforming economic institutions must come with changing the political equilibrium that help to keep the bad economic institutions prevalent in this region in place. This means reforming political institutions through de jure and de facto political power. However, this still does not guarantee economic growth and development as it requires the new leader to have different ideologies and incentives to the previous bad leaders. There are many examples within the Sub-Saharan region where countries have gone from one bad leader to another. We saw from the first case study with Ethiopia going from Haile Selassie to Mengistu Haile Mariam who eventually behaved similarly to his predecessor.

We purposely included two case studies both of which had contrasting economic progress. Our findings from Ethiopia were a classic representation of many struggling Sub-Saharan African nations during that time period who had suffered from political instability and as a result, a political equilibrium that in fact worsened the already poor economic institutions that were initially in place e.g., through the nationalisation of land. In contrast, the case study of Botswana offers hope to many Sub-Saharan nations who are also looking to make great strides in economic progress. In keeping the interests of the political elite in line with the economic wants and needs of the country, this had helped incentivise them to develop stronger economic institutions and thus Botswana made great strides in economic development in contrast to many other Sub-Saharan nations. As a result, we argue that the problems associated with Sub-Sahara Africa's economic stagnation revolves around the poor political equilibrium that we argue needs to be disrupted for effective economic progress to be realised.

The next step in this research, we argue is attempting to find out what are the instruments nations can use in order to move from a bad political equilibrium to a good one. Once this is figured out, perhaps Africa's future economic potential can be realised.

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