

**UCLA**

**Ufahamu: A Journal of African Studies**

**Title**

The Impact of State Ownership of Resources on Economic and Political Development in Sub-Saharan Africa

**Permalink**

<https://escholarship.org/uc/item/1d33q312>

**Journal**

Ufahamu: A Journal of African Studies, 21(1-2)

**ISSN**

0041-5715

**Author**

Quinn, John J.

**Publication Date**

1993

**DOI**

10.5070/F7211-2016744

**Copyright Information**

Copyright 1993 by the author(s). All rights reserved unless otherwise indicated. Contact the author(s) for any necessary permissions. Learn more at <https://escholarship.org/terms>

Peer reviewed

THE IMPACT OF STATE OWNERSHIP OF RESOURCES  
ON ECONOMIC AND POLITICAL DEVELOPMENT  
IN SUB-SAHARAN AFRICA

John J. Quinn

In the early 1960s, three tendencies dominated the political economies of Sub-Saharan Africa: one-party or no party states, state ownership of industries and resources, and inward oriented development policies.<sup>1</sup> These patterns emerged to varying degrees throughout the region. However, where the second of these variables was present in any particular country, so were the other two. More specifically, when a government within Sub-Saharan Africa was the owner of a significant<sup>2</sup> part of its economy, one-party or no-party regimes with inward oriented development strategies were the most likely political and economic outcomes.

In this paper, I shall attempt to explore the link between state ownership of productive property in Sub-Saharan Africa from the mid-1960s onwards and its effects on both economic and political institutions. I argue that when governments controlled the major sources of wealth and employment (e.g. patronage), *structural incentives* were set into place which undermined the foundations of multiparty regimes and which thus promoted the formation of one-party or no-party military regimes. Furthermore, I argue that political and economic incentives associated with state ownership of industries or resources increased the likelihood that these countries would pursue more inward oriented development policies. Thus, to reverse the argument, where state control of significant parts of the economy did not exist, the prospects that any country would have either outward oriented development policies or multiparty regimes were higher.

However, many countries without significant state control of industries also had one-party or no-party states or inward oriented development policies. Other variables appear to be necessary for multiparty systems or outward oriented strategies to emerge. Nonetheless, no country in this study with significant state ownership of the economy had a lasting multiparty regime or pursued an outward oriented development strategy.<sup>3</sup> Statistical data will be used to test whether or not the incidence of inward oriented policies and one-party or no-party states was higher with state ownership or control of the economy.

The structure of the analysis is as follows: first, the definitions of the various political and economic categories are explored; then, the historic conditions which led to the emergence of these three tendencies in Sub-Saharan Africa are reviewed; next, state ownership of significant sectors of the economy and its effects on multiparty democracy is

outlined; then, the nexus between state ownership and inward oriented policies is illustrated; and finally, a statistical analysis is used to support the claims that where significant state ownership of the economy was present, the tendencies towards one-party or no-party systems and inward oriented development policies were strongest.

For the purposes of this analysis, twenty-three countries for the time period of 1966 to 1986 are examined. This period was chosen because 1966 was far enough away from independence to see clear trends emerge out of the early years of instability. This period also represents a time of relative autonomy for African states vis-a-vis international donors. Although the IMF began policies attaching conditions of economic reforms to loan disbursements in the early eighties, the World Bank first began using economic conditionality in 1986.<sup>4</sup> Furthermore, this period marks a time when the requirements of Cold War thinking stressed non-interference in the domestic politics of allies and clients. The cross section of countries were selected according to their influence in the region, the availability of data and case studies, and the absence of a devastating war.<sup>5</sup> South Africa was not included since it is so different from the other countries, both politically and economically.

### Political Structures

Three basic regime types were present in Sub-Saharan Africa during the time span of this analysis: one-party, no-party (or military), and multiparty.<sup>6</sup> Although many countries moved from one category to another, most of the political institutions of Sub-Saharan Africa were characterized by one-party rule. Of course variations were present in the degree of participation among and between these countries, but they were nonetheless one-party states.<sup>7</sup> Following Collier's definition, a one-party state is defined [viewed?] as one in which 100 percent of the seats in the legislature is controlled by one party.<sup>8</sup>

Another common regime type found in Sub-Saharan Africa during this time is best described as a military or no-party regime. This type of rule is often indistinguishable from one-party rule since they often have elections in order to gain legitimacy. Therefore, in order to differentiate it from one-party rule, military rule is defined as a regime where there are no political parties or an official legislative assembly. As Collier's work indicates, these countries usually have this political form for only brief periods of time.<sup>9</sup>

The remaining political category of interest is the multiparty regime. In this type of rule, regular minority party representation in the legislative branch is present. Also, at least two parties compete for

political offices. Four countries have been in this category since independence: Botswana, the Gambia, Mauritius, and Zimbabwe.<sup>10</sup> One country, Senegal, initiated competitive elections in 1974—transforming itself from a one-party to a multiparty system.

### Economic Structures

Perhaps the most influential work to outline the similarities of economic structures in Sub-Saharan Africa was the 1981 World Bank study, known as the "Berg Report".<sup>11</sup> In this work, the cornerstones of African development policies of large public institutions, heavy agricultural taxation, and government ownership of industries and productive resources came under attack. The inward oriented policies practiced by most African governments were assailed as inefficient, wasteful, and counterproductive to growth. The report also singled out another policy variable for particular criticism: the pervasive use of overvalued exchange rates for domestic currency.<sup>12</sup> Thus, these trends were considered to be common to the region.

While not emphasized in the Berg report, relatively high rates of protection for African industrial products appears to have been a trend throughout the continent as well.<sup>13</sup> Protection of industry is one of the hallmarks of import substitution industrialization (ISI). Most of the industrialization within Africa has been in this vein. This protection supposedly fosters local industry as well as attracts foreign direct investment (FDI). This supposedly allows industries to "learn by doing" during an infant industry stage. However, very few African industries compete either domestically or internationally.

Thus, from the Berg report as well as other studies, we learn that inward oriented development policies promote production for the domestic market at the expense of exports. Such policies include high levels of currency overvaluation, taxation on agricultural exports, large government bureaucracies, and high levels of protection for domestic industry. Policies which promote exports, however, are outward oriented in nature. Such policies can include: **market-driven** [hyphen is mine, y.a. correct?] exchange rates; lower rates of protection so industries become more competitive; and lower levels of export taxation.

### The Emergence of the Three General Patterns

Much of the literature explaining post-colonial Africa's economic and political development tends to emphasize such things as a shared colonial past, the anti-colonial struggle, the scarcity of formally educated citizens, the nature of Africa's involvement in the global economic

order, and various ideologies.<sup>14</sup> Although these are important points and merit consideration, more attention needs to be paid to the timing of these events. The combination of these variables in conjunction with the collapse of the old institutions of power *within a relatively short period of time* has been underemphasized.

Unique to the history of the recent political and economic institutions in Sub-Saharan Africa is the circumstance that the vast majority of these nations came into political existence within a short time span. A great many states achieved independence in a single year: 1960. As such, these countries in Sub-Saharan Africa had their political birth within a common general intellectual climate. Ideas such as the developmental state, state ownership of resources, and the waning legitimacy of capitalism due to the moral superiority of socialism held wide sway at this time. Not only were these ideas held and propagated by liberation leaders and political elites, but they were also given particular credence by development economists.<sup>15</sup> Many scholars believed that state control and planning were required to create industries with forward and backward linkages, which in turn were to fuel future progress.<sup>16</sup> The gains to state planned development were seen as "dynamic", whereas the gains from free trade were seen as "static." As such, the clarion call for state control of the region's economies was sounded from several quarters. The similarities of political and economic regimes in Sub-Saharan Africa may thus be partially due to widely held and regarded *beliefs* at the time of decolonization.

These intellectual stances had an unusually strong impact at this time, since many of the forces that would normally have opposed such views had been weakened in much of Sub-Saharan Africa. The ideological foundations for private property had been greatly undermined: Capitalism was widely regarded as being part of colonialism and was widely discredited. Furthermore, expropriating foreign owned enterprises in order to bring important sectors under state control was a politically sound move for several reasons. First, it was commonly held that the resources of the country were being drained away to Europe through foreign ownership. These funds, many believed, could be redirected to domestic purposes and greater development for Africans would result. Second, pleasing foreign owners was rarely a necessity for one's political survival. In fact, the anti-foreign rhetoric of populist campaigns helped propel many of the early elites into power. Third, the nationalization of foreign industries provided immense sources of patronage for domestic elites. Thus, it was not morally or politically difficult for political elites to expropriate foreign property—prevailing ideology gave cover to politicians for these actions.

In addition to the ideological attack against the existing institutions of power, other considerations undermined their strength. The top leaders and administrators of these countries, the armies, and businesses during the colonial period were by and large expatriates. Since the personnel who ran the large institutions abandoned their positions in a relatively short period of time, a tremendous vacuum of proven leaders was created. The lack of educational opportunities for most Africans and the suppression of indigenous leaders exacerbated the difficulty in filling these positions. No ready cadre of administrators, politicians and army leaders existed to oppose the new ideologies—if, in fact, they would have so chosen.

The relatively rapid withdrawal of European interests and personnel combined with the lack of an existing indigenous elite with interests separate from the newly emerging state gave disproportionate advantage to the newly emerging independence movements and their ideas. Nationalist leaders needed only to argue for independence in order to gain instant legitimacy in the eyes of the indigenous population. Other considerations which would ordinarily create lines of political cleavage were muffled by the rallying cry of political independence. Parties focused on the common goal of dislodging colonial powers, while centrifugal tendencies destined to fragment them went unnoticed until after independence. Once in power, parties were reluctant to face new elections since their chances of electoral victory were no longer assured. Other issues became paramount and caused new divisions in the political landscape. There was, thus, a strong incentive for political elites to embrace and propagate the ideas which consolidated their hold on power and which would stave off new competitors for political office. Zolberg says that the emergence of mass one-party dominance

tell[s] us more about the weakness of other groups than about the strength of the mass movements, and they demonstrate that during the initial political phase even a slight structural increment could bring very great marginal returns.<sup>17</sup>

In sum, many forces helped to create the general tendencies of one-party or no-party states, state control of resources, and inward oriented development policies. In fact, they sprang from similar sources. The cumulative effect of the independence movements, the delegitimation of capitalism within the colonial context, the idea of socialist development, the intellectual stamp of approval given statist development projects, the weakness of status-quo forces or opposition parties, and political opportunism all combined to help tip the balance in favor of these three outcomes in many parts of Sub-Saharan Africa.

### Government Control of Resources and One-Party States

Government ownership of resources and control over salaried employment impact the political process in three important ways. First, when the government holds power over employment in both the state bureaucracy and most industries, the stakes in any election are greatly increased. Since the government would then have greater control over a vast number of jobs and appointments than would otherwise be the case, the apportionment of these jobs becomes very politicized. Hodder-Williams has argued that multiparty democracy can only survive "where two conditions are met: opposition to the national government must be accepted as legitimate and there must be channels for acquiring wealth and status outside the patronage of government."<sup>18</sup> The nationalization or government ownership of major industries greatly undermines the second condition. Extending the government's patronage through state ownership of industry denies opponents access to several categories of jobs for themselves or for their followers, should they lose an election. Since "government patronage was too important to be forgone and the knowledge that governments rewarded their friends and punished their enemies," strong incentives were created to defect from a losing party.<sup>19</sup> In fact, the steady attrition of politicians from losing to winning parties was one of several clear and important developments during the first years of independence.<sup>20</sup> The logic is as follows: since a party which obtains 51% of the popular vote could essentially control all of the patronage available to state elites, the political implication is to win the election at all costs. This usually caused rampant corruption, since the loss of any election carried with it catastrophic political and economic consequences.<sup>21</sup>

Second, where a ruling elite controls both access to wealth and jobs, it significantly consolidates its hold on power by denying would-be competitors independent bases of support. Opponents thus lack an independent source of revenue and patronage from which to launch campaigns of opposition. Few wealthy enterprises or entrepreneurs exist or are able to bank-roll such movements under these conditions. The government-backed party can easily outspend competing parties in any election.

This view of state control over jobs and resources limiting party competition is supported in part by the fact that Kenya, Ivory Coast, Tanzania, and Senegal have all had *de facto* one-party systems for at least some period of time<sup>22</sup> while there were no *de jure* restrictions on new party formation in these countries. In all of these countries the government had control over most of the non-agricultural employment, and in three of the cases the government owned significant sectors of the economy.

Third, where the state owns the most productive resources, a new class of indigenous entrepreneurs with divided economic and political interests is less likely to emerge. The co-optation of the exporting capitalist class via nationalization or state ownership of industry removes a group of individuals who might have interests distinct from import-competing capitalists. This in turn, undermines the chances for multiparty democracy to take hold. As several scholars have noted, democracy depends on the existence of powerful elites with divided interests.<sup>23</sup> It is not probable that an indigenous bourgeoisie with strong and conflicting interests can emerge in the climate just described.

Evidently, the nationalization of industries did facilitate the emergence of an independent and nationalistic bourgeoisie.<sup>24</sup> The question, however, is whether or not this new bourgeoisie has a strong multiparty tendency. Although it is theoretically possible for multiparty democracy to develop without private ownership of productive property, it is very unlikely to do so unless there are other sources of independent political power which can lead to balanced electoral competition. In principle, the existence of other significant "fragments of democracy" may compensate for the absence of an independent property owning bourgeoisie.<sup>25</sup> However, the existence of a strong private sector tends to enhance the overall vitality of democratic institutions.

The idea that the existence of a capital-owning bourgeoisie untrammelled by repressive state domination facilitates the emergence of democracy has been firmly established in comparative social theory. According to Barrington Moore, democracy is most likely to take root under conditions of a strong capitalist impulse, where the state is dependent on the bourgeoisie for its revenue. Under these circumstances, the bourgeoisie can extract the concession of a parliament in exchange for the government's ability to increase taxes.<sup>26</sup> Charles Lindblom has demonstrated that the form of government known as "polyarchy" has existed only where there have been strong and independent market forces, and thus a property-owning bourgeoisie.<sup>27</sup> Perry Anderson has argued that the Absolutist State in Europe had its genesis in the crown's ability to gain access to revenue without depending on the bourgeoisie for the essential state revenues. In Spain, the crown had access to American bullion; in the case of Sweden, the crown owned tin mines. In each case, the monarchy procured funds for the state and its military without the full cooperation of the bourgeoisie.<sup>28</sup> In the case of Africa, nationalized industries, especially the large extractive ones, are an independent source of revenue for the governing elites. Thus, the ruling elites are not dependent on a class of owners for revenue and need not grant an independent parliament to this

class.

Unfortunately, land owners in Africa have not usually been able to act as an independent and powerful bourgeoisie. Although large land owners have been a politically significant group able to force governments to lower agricultural taxation and levels of currency overvaluation, this was only in a few countries. Most of Africa's farmers are peasants who face large collective action costs for political organization.<sup>29</sup> Thus, they are not well suited to mount an effective challenge to government policy or to form the basis of an independent property owning bourgeoisie.<sup>30</sup>

### Statistical Evidence: Ownership and One-Party States

Statistical evidence is available to support the link between the nature of property ownership and one-party or no-party states. But first, the link between state ownership and access to patronage shall be explored. Africa as a region has a very high level of state employment. The following table compares rates across regions:

Table 1: State Employment as a Percentage of Non-agricultural Wages<sup>31</sup>

	Av.	S.D.	N	T1	T2	T3
Overall	36.37	19.8	38	14.21+*	25.80+*	2.44+*
OECD	24.2%	7.5	14	21.59+*	33.66+*	12.15+*
Asia	36.0%	20.7	5	9.43+*	16.35+*	1.49
Latin America	27.4%	11.8	5	15.17+*	23.72+*	6.52+*
Africa Overall	59.7%	19.6	9	X	X	X
Africa State	76.0%	9.2	5	8.11+*	X	X
Africa Non-State	39.4%	4.2	4	11.30+*	6.95+*	X

Africa State: countries with significant state ownership  
 Africa Non-State: countries without significant state ownership  
 T1- T-test: deviations from overall African average  
 T2- T-test: deviations from Africa State  
 T3- T-test: deviations from Africa Non-State

\*significant at 95% confidence level for one tail test

+significant at 95% confidence level for two tail test

All T test reported as positive numbers.

What is at first remarkable from the table is that the level of state employment in Africa as a percentage of nonagricultural employment was significantly higher than the other three regions. This result holds

for either Africa overall or with African economies characterized by state ownership of most resources. The remarkably high average of 59.7% for Africa as a whole is only eclipsed by the 76% average for countries with an active state in the economic sphere. Thus, a government can dispense two-thirds to three-quarters of these high paying jobs. Even where the state does not own most of the productive resources, the control over these jobs is very high, at 39.4%. The numbers for Africa are higher than comparable numbers for the other regions. Only the Asian average shows no significant difference from those African economies which are relatively free of state control. All of the other categories are significantly lower. Thus, it becomes clear that African governments on the whole have more patronage in the form of non-agricultural jobs than do most other governments from the other regions. Moreover, when the state owns a significant share of the economy, Sub-Saharan Africa has nearly double the amount of non-agricultural jobs to dispense—when compared to the next highest region. Of course, the question of whether or not there are fewer or more multiparty states where the state owns significant parts of the economy still remains unaddressed. Examining the incidence of multiparty democracy for twenty-three countries from 1966 to 1986, one finds that the incidence of multiparty democracy where the state owned significant parts of the economy was 7%, as compared to 28% where the state did not own such sectors (See Table 2). Furthermore, the majority of these year/country points for the 7% number consisted of the experiments in Nigeria and Ghana, both of which were quite temporary. In another sample of 24 countries and for the year 1985, the numbers were somewhat similar. Where there was significant state involvement in the economy there were no multiparty regimes; whereas where there was no significant state ownership of the economy, the incidence was 31%. Since the numbers are significant, one finds at a minimum a strong correlation among these two sets of countries and multiparty regimes.

TABLE 2

	State Owned Significant	State Owned Insignificant	T-test
23 Countries/ 21 Years	7%	28%	6.43+*
23 Countries/ 1 Year/1985	0%	31%	2.31+*

+ Significant for one tail test at 5%

\* Significant for two tail test at 5%

### State Control of Resources and Inward-Looking Policies

Although the Berg Report fails to distinguish among the types of development policies and the nature of state ownership, there are theoretical and empirical reasons to do so. States characterized by widespread government ownership of the economy have development policies which differ in degree, if not kind, from those countries whose economies are not characterized by such government control. The former have higher levels of protection of locally produced goods, larger government bureaucracies, higher levels of inflation, lower levels of overall investment, higher levels of agricultural taxation, and higher levels of currency overvaluation.

Differences in policies should be expected to flow from divergent interests of political owners of industries and private owners of industries. When enterprises are owned by political managers instead of by private managers, they will be run differently. It is taken as given among economists that private owners of industries maximize profits, resulting in preferences for lower levels of employment, market determined exchange rates (for exporting firms), low levels of inflation to safeguard the value of capital assets, and investment policies to continue profitability. Political elites who have control over major firms are expected to maximize political support, rather than economic returns.<sup>32</sup> Hence, the major maximizing strategies followed in Africa should be for political support rather than for economic growth.

Government elites have several political reasons to pursue policies which result in currency overvaluation, increased wage employment, higher levels of agricultural taxation, lower levels of industrial investment, and higher levels of inflation. First of all, these policies increase rents and perquisites that a government can dispense to its supporters. Currency overvaluation allows elites to dole out import licenses and scarce currency to politically important groups; enlarged government bureaucracies or swollen industrial payrolls allow elites to provide jobs to followers; and investments are used to promote political bases instead of financial ones, resulting in more resources being poured into services instead of reinvestment.<sup>33</sup>

Secondly, higher rates of inflation and lower rates of investment may flow from state ownership for other reasons. Since managers do not own assets *per se* and since they cannot bequeath their management rights to their heirs, they will probably never benefit directly from the sale of these assets and would be personally less concerned with the corrosive effects of inflation or underinvestment. Also, newly emerging industries are more likely to be debtors than creditors and pay a lower net rate on debts under conditions of higher inflation.

Third, these policies are often paid for by those groups which are not politically viable or strong. Since most agricultural production comes from small holders and farmers typically have problems organizing, the agricultural sector is usually heavily taxed. The few countries with large and powerful landholders are the exceptions.<sup>34</sup>

Although state owners have many different interests than do private owners, state owners share at least one significant interest with the private owner. Both share the interest that profits or rents from the industry not be undermined by excessive competition from either domestic or foreign firms. Unfortunately, ascertaining the particular interest in protection for any industry can be difficult. Usually the interests of any particular industry vis-a-vis protection or free trade are determined by studying its lobbying practices. In non-democratic countries such as one finds in most of Sub-Saharan Africa, this approach is problematic. Instead of trying to determine the interests of any particular industry empirically (on a case by case basis), I use a more theoretical model to determine a given industry's preferences for protection: an abundant-scarce factors model.<sup>35</sup>

According to a factors approach, most of the industries of Sub-Saharan Africa should seek protection. This approach holds that the major endowment factors of a society are scarce or abundant relative to each other within a country. Since free trade should benefit factors which are relatively abundant, factors which are relatively scarce should prefer protection. Since, the government-owned industries in Africa are almost exclusively capital intensive<sup>36</sup> and capital is relatively scarce everywhere in Africa,<sup>37</sup> it should follow that government-owned industries would seek protection for their products. As the capital intensity of a government-owned industry increases, its preference for protection should also increase. Political elites themselves should enact protective measures in order to capture larger rents from the ownership of these firms.

As a result of this analysis, it follows that government owned industries should push for protection for three reasons. First, the state owners of these industries would try to shield themselves from competition due to inherent inefficiencies of stateowned enterprises. Second, and more importantly, these owners would seek protection due to the natural inefficiency of a capital intensive industry in a capital scarce environment. Third, any owner should seek to expand their profits or revenue flow and would seek to monopolize any market.

I argue that protection is afforded to government-owned firms more frequently and at greater rates than they are for privately owned firms in any country. Private firms incur higher costs to obtain protection since they must compete with other political groups vis-a-vis relative tariff levels. Exporting firms, for example would have

preferences for a more open trading environment. The chances of private agents to secure protection are thus lower. Also, state owners can more easily translate their interests into economic or political policy. The costs of lobbying and access to policy makers are negligible when those who seek to influence are themselves the policy makers. Private firms on average, must spend more energy, time, and resources in obtaining favorable policy decisions. When the government is the holder of these resources or industries, there are essentially no lobbying costs for obtaining protection. The only real costs would be in repressing or co-opting opposition to these policies.

#### Statistical Evidence: Ownership and Inward Oriented Development

The contention that state owned firms get more protection than purely private firms is partially supported by a study of public, quasi-public and private firms in Kenya.<sup>38</sup> Grosh, in her study of the manufacturing sector in Kenya (see Table 3), used the average effective rate of protection (ERP) as a means of comparing levels of protection. According to her, the "ERP determines whether trade policies create an incentive or disincentive for local production. The ERP is the ratio of value added at domestic prices to value added at world prices, minus one."<sup>39</sup> (See Table 3) She found the ERP for public firms to be 47.1%, whereas the ERP for quasi-public and private were 3.3% and 22% respectively.<sup>40</sup> Perhaps in an even more convincing comparison, she found that only 2.1% of public firms receive no protection in comparison to 68.2% and 35.6% for the other categories. Thus, fully 98.3% of state owned firms received moderate to strong levels of protection and compared to only 64.4% of private firms receiving this category of protection. Thus the state owned industries have the highest frequency of protection, if not the highest rates.<sup>41</sup>

TABLE 3

Levels of ERP	Public	Quasi-public	Private
27% - 2%	2.1%	68.2%	35.6%
14% - 35%	85.8%	19.9%	27.7%
50% - 112%	12.5%	11.9%	36.7%

In order to test further the proposition that where the government owns significant sectors of the economy development policies differ in degree, an analysis of macroeconomic data is used. The categories to be

tested are the following: 1) the rate of non-agricultural wage employment hired by the state (jobs);<sup>42</sup> 2) the level of currency overvaluation for non-CFA zone countries (OV-nonCFA);<sup>43</sup> 3) the percent of GDP used for investment;<sup>44</sup> 4) the level of inflation generally and for non-CFA zone countries;<sup>45</sup> and 5) the level of taxation for export crops (Ag Tax-ex) as well as for domestically traded crops (ag tax-dom).<sup>46</sup>

Table 4

	ND = 1			ND = 0			T-test
	X	SD	N	X	SD	N	
Jobs	80%	5.5	4	43.5	10.2	5	6.94* <sub>-</sub>
OV-nonCFA	159%	426	122	31%	39	159	3.32* <sub>-</sub>
Investment	13%	8.71	169	15%	11	313	-3.11* <sub>-</sub>
Inflation	21%	23	155	8%	7	281	6.71* <sub>-</sub>
Infl-nonCFA	25%	25	114	8%	7	153	6.71* <sub>-</sub>
Ag Tax-ex	72%	19	166	58%	28	298	6.16* <sub>-</sub>
Ag Tax-dom	43%	57	166	25%	56	301	3.23* <sub>-</sub>

\*Significant at alpha < .01% ND = State Ownership

These expectations are consistent with available data. All of these variables are higher where the state owns significant sectors of the economy, except investment where the numbers are lower—as expected. Additional evidence which suggests that economies characterized by significant state ownership are more inwardly oriented comes from the World Bank's data. Although protectionism is only one component of inward looking policies, there is a great deal of cross-over between the two. In the 1987 version of the World Development Report, countries were characterized according to their level of economic outward orientation: very outward, moderately outward, moderately inward, and very inward.<sup>47</sup> Numbers were assigned to each category as follows: 2 for very outward, 1 for moderately outward, -1 for moderately inward, and -2 for very inward. The results were as follows:

Table 5  
Average trade orientation

	ND = 1			ND = 0			T-test
	X	SD	N	X	SD	N	
1960-73	-1.6	.55	5	0.0	1.15	4	2.5+
1973-86	-2.0	.01#	5	-1.0	.01#	4	149.0*

+ Significant at a < .05% ND = State Ownership

\*Significant at a < .01%

# a small number was used in order to make a calculation

The table shows that in both time periods, the levels of inward development were higher for those countries which were characterized by large scale government ownership of productive property than they were for the other category of countries.

Thus, all these indicators signify that policy variables do vary according to whether or not the state owns a significant portion or sector of the economy. They also tend to support the theoretical arguments about the differences that exist between the material interests of a political/manager class and the material interests of a class of private owners.

## Conclusion

Variables which contributed to the similarities of African political and economic policies were the ideology at the time of independence, the influence of development economists, the drive for power consolidation by political elites, the delegitimation of capitalism, the great influence of early parties in a power vacuum, the natural search for protection of industries which were capital scarce, and the pull of socialist and nationalist sentiments. However, there was an independent effect of state ownership of industries and state patronage. State patronage and state ownership of important resources partially undermined the existence of multiparty regimes and helped lead to the creation of one-party or military regimes as well as reinforced the movement toward inward oriented development policies.

This analysis has advanced both theoretical and empirical support for these propositions. An argument for why these structural variables could lead to these outcomes was ventured with reference to the work of prominent authors whose work was shown to be consistent with this argument. Furthermore, the statistical data support this

argument. The correlation of multiparty regimes with states which had widespread state ownership of resources was shown to be negative and significant. The degree of inward oriented development was significantly higher where the state owned or controlled important sectors of the economy. Policy variables which can be used as indices for inward oriented development policies were also significantly different for countries where there was widespread government ownership of productive property.

If this analysis is correct, there are broader implications for institutions, democracy, development, capitalism, socialism, and structural adjustment. Ideas were presented to have a tremendous influence in shaping these institutions, especially where the older institutions of power have collapsed or are weak. Also, the institutions of property ownership matter a great deal in shaping both political and economic outcomes. Government ownership or control of significant sectors of the economy affects politics in general, and multiparty systems in particular. The maintenance of multiparty democracy in countries with significant government ownership is problematic.

Even though the ideology upon which inward oriented approaches to development is based has become more and more discredited,<sup>48</sup> this analysis suggests that it would be difficult to open up, or make more outward looking, those economies which are characterized by widespread state ownership of industry. First, state ownership in Africa tends to be in sectors that are capital intensive in a capital scarce continent, and are thus not competitive internationally. This would doom many of the industries to certain failure. Second, a liberalization of markets would take away much of the patronage upon which the political elites of the region lubricate the political system. Thus, the free reign of markets is likely to result in political suicide for many of the elites. The core requirements of structural adjustment programs so often prescribed for African economies threaten the central political interests of political elites.

For political and economic development to continue in Sub-Saharan Africa, it is clear that government ownership of the most productive assets must be abandoned. This does not necessarily mean that the goals of social justice must be forsaken. Rather, it suggests that the statist model of socialism based on governmental ownership of productive enterprise is detrimental to development. State ownership consolidated too much power in the hands of too few people: corruption and real abuses of power resulted in both economic and political disasters. Other forms of public ownership may be compatible with economic efficiency and social justice.

The concentration of economic power in private hands which often accompanies capitalist systems seems to be compatible with the

development of a multiparty regime, even if it does not guarantee it. In the case of Sub-Saharan Africa, whenever a vibrant independent, capital-owning bourgeoisie emerged, the property rights which were put into place tended to lead to more rapid economic development. Some combination of reliance on markets and the search for social justice seems inevitable.<sup>49</sup> The big question is whether or not both political and economic accountability can be built into the same system.

## APPENDIX

23 Major African Countries 1966-86\*  
Countries and number of years in each box

	<u>State Ownership</u> <u>Significant</u>		<u>State Ownership</u> <u>Less Significant</u>			
	<u>1-party</u>	<u>Milit.</u>	<u>Multiparty</u>	<u>1-party</u>	<u>Milit.</u>	<u>Multiparty</u>
Benin	13			8		
Botswana						21
Burkina Faso	3			11		7
Burundi				21		
Cameroon				21		
Congo	18			3		
Gabon				18		3
Gambia, The						21
Ghana		15	6			
Ivory Coast				21		
Kenya				21		
Liberia				18		3
Madagascar	11			10		
Malawi				21		
Niger				21		
Nigeria		16	5			
Rwanda				21		
Senegal				8		13
Tanzania	20			1		
Togo	13			7		1
Zaire	18				3	
Zambia	15		2			4
Zimbabwe						21

\* not representative of all countries, it excludes countries torn by war, South Africa, as well as others

## NOTES AND REFERENCES

<sup>1</sup>Inward oriented development policies (moderate or strong) are those which result in incentive structures which are biased towards, or distinctly favor, production for the domestic market. The average rate of effective protection is medium to high and is fairly wide-spread, direct import controls and licenses are present and may be pervasive, and the exchange rate favors imports over exports. See World Bank, *World Bank Development Report 1987* (Washington, D.C., 1987), p. 82.

<sup>2</sup>Significant government ownership is government control of 51% or more of either the major exporting sector or of most major industries.

<sup>3</sup>World Bank Development Report 1987, p.82.

<sup>4</sup>In fact, Carol Lancaster argues that nearly all increases in aid given by the World Bank since 1986 have gone to adjusters. "Economic Restructuring in Sub-Saharan Africa", *Current History: Africa* 1989, May 1989, p. 214.

<sup>5</sup>See APPENDIX 1 for the countries examined.

<sup>6</sup>Although "personal rule" was common throughout the continent until the mid-1980's, it was manifest in the forms of the one-party state or military dictatorship. See Robert H. Jackson and Carl G. Rosberg, *Personal Rule in Black Africa: Prince, Autocrat, Prophet, Tyrant* (Berkeley: University of California Press, 1982).

<sup>7</sup>For a good description of one-party states see Ruth Collier, *Regimes in Tropical Africa: Changing Forms of Supremacy, 1945-1975* (Berkeley: University of California Press, 1982); also see Aristide R. Zolberg, *Creating Political Order: The Party-States of West Africa* (Chicago: Rand McNally & Co., 1966)

<sup>8</sup>Collier, *Op. Cit.*, p. 174.

<sup>9</sup>*Ibid.*, p. 142-43.

<sup>10</sup>Zimbabwe had competitive elections and more than one party in the legislature—even if the system only included a minority.

<sup>11</sup>World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington, D.C., 1981).

<sup>12</sup>Since most of the former Francophone countries belong to the West African Monetary Union (WAMU) where their collective exchange rate is pegged to the French Franc, currency overvaluation has not been a problem for them. It is more prevalent in other countries.

<sup>13</sup>See Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley and Los Angeles: University of California Press, 1981), p. 65.

<sup>14</sup>See J. Gus Liebenow, *African Politics: Crises and Challenges* (Bloomington, Ind.: Indiana University Press, 1986), esp. chapter 2; William Tordoff, *Government and Politics in Africa* (Bloomington: Indiana University Press, 1984), esp. chapter 2; also see Ali A. Mazrui, *The Africans: A Triple Heritage* (Boston: Little, Brown and Company, 1986), esp. chapter 5; Crawford Young, *Ideology and Development in Africa* (New Haven: Yale University Press, 1982); D.K. Fieldhouse, *Black Africa 1945-1980: Economic Decolonization and Arrested Development* (Boston: Unwin Hyman, 1986).

<sup>15</sup>For a good overview of predominant ideas of developmental economics see Tony Killick, *Development Economics in Action: A Study of Economic Policies in Ghana* (London: Heinemann, 1978), esp. Chapter 2; also Hollis Chenery and T.N. Srinivasan, ed., *Handbook of Development Economics* (New York: North-Holland, 1989), vol 2, chapter 30 "Import Substitution," by Henry Burton; for criticisms see Deepak Lal, *The Poverty of "Development Economics"* (Cambridge Mass.: Harvard University Press, 1985).

<sup>16</sup>Burton, "Import Substitution"; also Killick, *Development Economics*. For

an overview of these views see Lal, *Poverty of Development Economics*.

<sup>17</sup>Zolberg, *Creating Political Order* pp. 16-17.

<sup>18</sup>Richard Hodder-Williams, *An Introduction to the Politics of Tropical Africa* (London: George Allen & Unwin, 1984), p. 120.

<sup>19</sup>*Ibid.*, p. 121.

<sup>20</sup>Collier, *Op. Cit.*, esp. pp. 95-117.

<sup>21</sup>Larry Diamond, "Nigeria: Pluralism, Statism, and the Struggle for Democracy," in Diamond et al. (eds.), *Democracy in Developing Countries: Africa* Vol. 2 (Boulder, CO: Lynne Rienner Publishers, 1988); Liebenow, *African Politics*.

<sup>22</sup>See Tordoff, *Government and Politics*, p. 103; and Hodder-Williams, *Politics of Tropical Africa*, pp. 114-127.

<sup>23</sup>Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986); also Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge, Mass.: Cambridge University Press, 1991).

<sup>24</sup>See Richard L. Sklar, *Corporate Power in an African State* (Berkeley and Los Angeles: University of California Press, 1975), pp. 192-204; and Sklar, "Postimperialism: A Class Analysis of Multinational Corporate Expansion," in David G. Becker et al., *Postimperialism: International Capitalism and Development in the Late Twentieth Century* (Boulder, Co.: Lynne Rienner Publishers, 1987), pp. 19-40.

<sup>25</sup>On "fragments of democracy" see Richard L. Sklar, "Developmental Democracy," *Comparative Studies in Society and History* 29, 4 (October 1987), pp. 686-714.

<sup>26</sup>Barrington Moore Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966).

<sup>27</sup>Charles E. Lindblom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, Inc., 1977); for the origins of the term see Robert A. Dahl and Charles E. Lindblom, *Politics, Economics, and Welfare* (New York: Harper & Brothers, 1953).

<sup>28</sup>Perry Anderson, *Lineages of the Absolutist State* (New York: Verso, 1974).

<sup>29</sup>For a definition of collective action see Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass.: Harvard University Press, 1965 and 1971).

<sup>30</sup>Robert Bates, *Market and States in Tropical Africa: The Political Basis of Agricultural Policies* (Los Angeles: University of California Press, 1981).

<sup>31</sup>Peter S. Heller and Alan A. Tait, "Government Employment and Pay: Some International Comparisons," Occasional Paper 24. (Washington, D.C.: International Monetary Fund, October 1983), p. 7.

<sup>32</sup>This point is made generally about politicians by Bates in *Markets and States* but he does not mention state-owned industries in particular.

<sup>33</sup>See Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *The American Economic Review*, 60, 3 (June 1974), pp. 291-303; Bates, *Market and States*; and Michael Shafer, "Capturing the Mineral Multinationals: Advantage or Disadvantage." *International Organization*, 37,1, Winter 1983, pp. 93-119.

<sup>34</sup>Bates, *Op. Cit.*

<sup>35</sup>For a good overview of both Heckscher-Ohlin and Stolper-Samuelson see Richard E. Caves and Ronald W. Jones, *World Trade and Payments: An Introduction* (Boston: Little, Brown and Company, 1973); for how they affect the preferences of political actors see Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, New Jersey: Princeton University Press, 1989).

<sup>36</sup>See Sara S. Berry, "Economic Change in Contemporary Africa," in *Africa 2* ed. Ed. by Phyllis M. Martin and Patrick O'Meara (Bloomington: Indiana University Press, 1986), pp. 318-319; also Bates, *Markets and States*, esp. p. 22.

<sup>37</sup>Rogowski, *Commerce and Coalitions*, pp. 107-119.

<sup>38</sup>Barbara Grosh, (Boulder: Lynne Rienner Publishers, 1991), pp. 108-112.

<sup>39</sup>*Ibid.*, p. 108.

<sup>40</sup>*Loc. Cit.*

<sup>41</sup>*Ibid.*, p. 112.

<sup>42</sup>Heller and Tait, "Government Employment," p. 7

<sup>43</sup>Taken from *Pick's Currency Yearbook* and *World Currency Yearbook*, various years.

<sup>44</sup>Robert Summers and Alan Heston, "The Penn World Table (Mark 5): An Expanded Set of International Comparisons, 1950-1988," *The Quarterly Journal of Economics* (May 1991), pp. 327-368.

<sup>45</sup>USDA/UCLA database. See John J. Quinn, "Testing Macro-economic, Policy, and External Variables and their Effects on Per Capita GDP in Sub-Saharan Africa," (Paper presented at Annual Meeting, American Political Science Association, Washington, D.C., August 1991).

<sup>46</sup>*Ibid.*

<sup>47</sup>World Bank, *Development Report* 1987.

<sup>48</sup>See especially John Ravenhill, *Africa in Economic Crisis* (New York: Columbia University Press, 1986); also Michael F. Lofchie, *The Policy Factor: Agricultural Performance in Kenya and Tanzania* (Boulder, CO.: Lynne Rienner Publishers, Inc., 1989).

<sup>49</sup>See Richard L. Sklar, "Beyond Capitalism and Socialism in Africa," *Journal of Modern African Studies*, 26, 1 (1988), pp. 1-21.