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Crisis in Sub-Saharan Africa: Stagnation and Decline in the 1980s

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Abstract

After independence, Sub-Saharan Africa experienced a rapid succession of economic, social and political issues. The magnitude of this crisis has led to attempts by international organizations and political economists to explain with two prevailing approaches: an internalist one and an externalist one. The externalist perspective predominantly attributed the responsibility of this crisis to deteriorating terms of trade and the instability of international markets, while the internalist one blamed mainly local policies. The purpose of this paper is to fill a gap in this literature, bringing the contribution of structural and historical factors. A weak institutional base, the low quality of human capital, and corruption created conditions for misguided sectoral strategies and unsustainable economic policies, making the productive sector unable to generate momentum in the economy and, therefore, producing economic and social stagnation in the region.

Keywords

Sub-Saharan Africa, Stagnation, Underdevelopment

1. Introduction

Since Independence, Sub-Saharan Africa has experienced a rapid succession of economic, social, and political problems, among which we highlight the fall in foreign-exchange receipts, the weak performance of the industrial sector, and the decline in agricultural production—and consequently, the drop in export volume—which led Sub-Saharan countries to exhaustion. These are elements of external, internal, and structural factors that characterized the severe economic crisis that affected the region in the 1980s.

Basically, there are two perspectives on the factors that generated the African crisis: an internalist one, defended by economists from the World Bank and the International Monetary Fund, and an externalist one, which corresponds to the position of economists from the African Development Bank and, particularly, to that of government leaders of the region who naturally did not want to accept full responsibility for the disastrous situation their countries were in. The latter blames external factors, whereas internalists attribute the crisis to the failure in domestic policies.

Comprehension of the origin of the crisis is a determinant of the nature of prescription and prospects for solution. Those who neglect external factors tend to fail as they do not integrate the decline in the terms of exchange or the instability of commodity markets into the analysis and, in consequence, into the prescription of policies, either. On the other hand, those focusing more attention on external factors underestimate the importance of local policies.

It should be noted that in their studies, both approaches have neglected structural and historical factors, making it necessary to conduct a more detailed analysis of these factors and their relation to the process that generated the crisis. This can be observed as the per capita income dropped by 15% between 1980 and 1994 [1].

Thus, the objective of this paper is to fill a gap in its understanding, bringing to the scene the contribution of structural and historical factors. The article is organized as follows: In the first section, we scrutinize the contribution of the failure in domestic policies toward the worsening of economic problems in the Sub-Saharan region; in the next section, we examine external factors and show how shocks and volatility in international commodity markets helped increase economic difficulties; in the third section, we integrate structural and historical factors into the analysis, highlighting those that provide an explanation for the economic exhaustion of the region; and in the last section, we draw a conclusion and give a general summary of economic inconsistencies that led to the collapse of the region[1].

2. Internal Factors

The internalist perspective is defended by Bretton Woods international organizations. To these institutions, inefficient macroeconomic and sectoral policies were the main problems behind stagnation and decline of Sub-Saharan economies. According to the World Bank [2], the inefficiency of these policies was a direct result of the central role played by the state in production activities and the regulation of the economy, associated with the introduction of policies without rationality and economic purposes. The continuation of unsuccessful strategies by political reasons was one of the main causes of the crisis.

The same report also points out the following policies pursued by African countries as determining factors for the extreme economic fragility of the region:

[1]An econometric study would be very welcome to assess the contribution of the different factors responsible for the decline in the Sub-Saharan region during this period. Unfortunately, when available, data is not reliable, as stated by the World Bank [2].

overvalued exchange rate policy, inappropriate industrial policy with an anti-export bias, market protection policies, lack of an agricultural policy, and government's monopoly in most sectors of the economy.

2.1. Exchange Rate and Trade Policy

In the early sixties, due to emphasis placed on import substitution and attracting foreign capital, several countries adopted multiple exchange rates in order to select imports, favoring intermediate and capital goods, and spare parts used in industrial production. Later on, the English-speaking countries chose not to peg their currency to any other one, having control over the exchange rate and being able to keep it overvalued. The overvalued exchange rate policy was initially designed to enable industry to import intermediate inputs and capital goods at artificially low prices but, over time, it was used by the bureaucratic elite as a means of appropriating income.

According to Herbst [3], simultaneously with exchange rate overvaluation, governments introduced administrative controls to ration imports. By focusing on administrative control rather than the exchange rate market as an instrument for rationing imports, the need to adjust the exchange rate to reflect the difference between domestic inflation and that of trading partners was not felt which, in a perverse way, led to greater exchange rate overvaluation. Import control tended to combat the disequilibrium of external accounts, but exchange rate overvaluation tended to deteriorate it through loss of competitiveness in the international market, which was also translated into a drop in export earnings. Moreover, increases in the premium on foreign exchange in the black market caused by exchange rate control, contributed to greater deterioration of official reserves.

The result of these both policies led to a deteriorating cycle, particularly in the economies whose exchange rate was not pegged to a base currency, that is, more and more authorities were forced to impose tighter restrictions on imports, which made exchange rate overvalue more, thus causing exports to regress more and foreign-exchange receipts to fall. Poor management of the exchange rate policy resulted in hugely overvalued currencies when the crisis was at its peak[2], with premiums exceeding 100% in the black market.

According to the World Bank [2], the countries with fixed exchange rate in the CFA franc zone experienced fiscal and balance of payments difficulties simi-

[2]According to Herbst [3], over time, exchange rate overvaluation became a policy strategically designed to strengthen patronage ties between the government and its political support. Overvalued exchange rate provided a source of income to the elite—the class with a monopoly on import license. The main difference between the official exchange rate and that of the black market enabled this class to be rich overnight. According to the author, allocation of an import permit is almost a license to print money because those few who are able to import foreign goods, will be assured of making a large profit. The author points out that the administrative control of imports, contrarily to that through exchange rate, which does not discriminate who has access to import as they all face the same price, allows, through tariffs and quotas, to not only select and allocate import licenses, but also apply different levels of protection to different industries to reward in a discriminatory way each type of client.

lar to those of countries whose currency was not pegged to a base currency, but did not restrict access to the foreign currency. With their currency pegged to the French franc, the exchange rate varied according to the fluctuation of this currency and for a while exporters benefited from the devaluation of the franc in relation to the dollar. After the situation was reversed, exports fell sharply again, generating a crisis in the French-speaking countries.

With regard to trade, this policy had an anti-export bias. Exports of the agricultural and mineral extraction sectors were discouraged by exchange rate overvaluation. In the manufacturing sector, import substitution strategy was implemented with a wide range of tariff and non-tariff barriers in order to reduce competition with foreign goods. This protection made production for the domestic market profitable, even though it was inefficient, and therefore industry lacked the incentive to develop outward, which led to a gradual reduction of Africa's commercial relations with the rest of the world.

2.2. Fiscal Policy

African governments, since independence, have pursued an extremely expansionary fiscal policy aimed at creating public institutions and changing the structure of the economies, developing them so as to provide better living standards for the population [4].

After independence, the countries watched a great outflow of capital and disinvestment. Concerned about nationalist governments and nationalization of their enterprises, which was to occur in the entire region, foreign capital migrated to the metropolises. According to Arrighi and Saul [5], in the anglophone countries, private investment fell from 30 million pounds sterling prior to independence, to 2.2 million in the early 1960s.

Lack of a local business class and the ideology of government leaders led the state to invest in production to fill a hiatus in investment, making an effort to develop industry by importing technology, physical and human capital. The government invested equally in state-owned enterprises of the agricultural, commercial, and service sectors while making investments in infrastructure. These investments were initially made with the intention of building prosperous nations and creating jobs for the entire population but, over time, state-owned enterprises were used for the spreading of corruption and rent-seeking.

According to Mkandawire and Soludo [6], and Kankwenda *et al.* [7], until 1965 a large part of the investment was financed with tax revenues on exports and domestic savings. This period coincided with the golden age of capitalism which, until the second half of the sixties, provided considerable gains from foreign-exchange receipts, increasing substantially the region's tax revenues and income. However, according to Wheeler [8], and Gulhati & Datta [9], during this period, on dealing with macroeconomic management, government leaders were unable to prescribe sensible measures to allow accumulation of reserves which could be disaccumulated in times when the terms of trade deteriorated, permitting greater economic stability. In effect, government leaders did not resist the pressure to increase spending, and ended up creating more public bureaucracy and enterprises, distributing income and benefits to the elite, and expanding the patronage system.

From the mid-seventies on, African governments had full control over the economy; however, their financial standing became unsustainable due to a reduction in tax revenues on exports. In some countries, investment level fell significantly; in others, public investment was kept through accumulation of fiscal deficits and external indebtedness [10]. During the seventies and the first half of the eighties, public deficit (including subsidies) exceeded 4% of GDP [11].

Covering fiscal deficits and current account became the most serious issue Sub-Saharan governments had to tackle. These started being covered with larger loans obtained from abroad with official foreign aid and increased local currency issuance, generating inflation and continuous erosion of the purchasing power ([12] [13]). If in 1970, Sub-Saharan countries' external debt was insignificant, in 1980, it was about 46 billion current dollars, and in 1990 it reached nearly 150 billion current dollars, that is, a rise of 200% within a decade [1].

2.3. Agricultural Policy

Africa is undoubtedly an agricultural continent and since a large part of its tradables comes from agriculture, the sector could be viewed as determinant of economic growth. However, it was discriminated against during the import substitution period, which has accounted for a sharp decline in its production since the sixties. If in the early 1960s the share of the agricultural sector was by 50% of GDP, in the early 1990s its share dropped to by 35% [1]. The weak performance of this sector was due to policies favoring industry and urban development, to the detriment of agriculture, but particularly to taxation of the sector in order to develop industry as a great part of the government's tax base derived from the export crop sector.

In an attempt to rapidly develop industry, the policy of transferring resources from the agricultural sector to industrial investments discriminated against the first, leaving it with few credit lines. Technological innovations introduced on state farms were not extended to peasants, who continued to produce in a low capital/labor ratio.

According to Berg [14], and Berry [15], investments in the sector concentrated on establishing large-scale state farms. On these farms, technological innovations were introduced to transform the mechanized agricultural activity and achieve high productivity. However, the authors point out that these investments were a means of losing resources since the activity became very capital-intensive but because of unskilled rural labor, its productivity was extremely low. Therefore, the impact of these investments on product and employment was negligible.

2.4. Industrial Policy

The main reason why the substitution policy failed was that the process did not overcome its contradictions, which arose as industry grew and the stages of substitution advanced. However, the fact that difficulties were not overcome was also related to lack of an export-oriented policy, excessive protection of the industry, state intervention, and the exchange rate policy [16].

Little evidence of an explicit policy directing industry outward may be justified by lack of knowledge about the development of strategies for business management and human resources that could generate an increase in productivity and a qualitative standard, as well as access mechanisms to the international market.

The fact that there was no explicit technological policy may be explained by their unawareness that a technologically advanced economy does not limit itself to the purchase and use of this technology only, it also improves it, or at least follows its evolution.

Another factor that contributed to the failure of the import substitution policy was that its development was based on state intervention and a high level of protection for the domestic market. The protection with constraints placed on private investment and imports of goods similar to those produced domestically reduced private competition, healthy for the market to operate efficiently, generating distortions that increased the inefficiency of enterprises instead of leading them to dynamic competitiveness.

According to Kadyampakeni [17], and Makandawire and Soludo [6], under such protection, even inefficient enterprises were able to make big profits in the domestic market operating at fairly low capacity levels; in effect, under these circumstances, they had no reason to take risks inherent in competitiveness in the international market, thus causing the industrial sector to direct its attention exclusively inward.

According to Stein [18], state intervention in industry's decisions was more political than economic. That is precisely why there was a large increase in public enterprises, the purpose of which was to create jobs, distribute favors, and rent-seeking. Rise in the number of state-owned enterprises also contributed to chaos in the industrial sector, as factories expanded beyond the state's financing capacity, the capacity to manage them efficiently—given the shortage of middle administrators and management—as well as human capital capacity to operate production processes based on imported technology.

It emerges from the literature that, although industrialization had been intended for expansion and diversification of production, and exports of manufactured goods whose prices tended to be higher, it lacked the strategy to shift progressively from import substitution to industry with an emphasis on export.

2.5. Brief Resume on Domestic Factors

As mentioned above, the state had a central role in producing goods and regulating the economy. However, the inefficiency and ineffectiveness that emanated from these interferences were the main causes of its crisis and stagnation. Agricultural, industrial, fiscal, and exchange rate policies were completely inadequate under the economic point of view, since these measures were based largely on political considerations.

3. External Factors

The externalist perspective defends that African economies were subject to constant changes at the base of foreign-exchange receipts due to the instability of international markets, which affected negatively the long-term growth plan. Fluctuation in primary commodities prices had a dramatic effect on total export earnings and import capacity, generating current account deficits, tough exchange restrictions, and reduction in tax revenues. On the one hand, the drop in imports had a direct influence on the level of domestic activities due to the dependence on imports of intermediary inputs and capital goods for production, and investment in the various sectors of the economy, especially in industry. On the other hand, the reduction in tax revenues decreased the state capacity to make investments that would create jobs, as well as social investments and human capital training, crucial to the development process.

After independence, several Sub-Saharan countries faced the problem of choosing between following a specialization in exports of primary goods and commodities based on comparative advantages, or becoming competitive in other sectors, such as the industrial one. A rapid decline in the terms of trade of agricultural goods between the mid-fifties and sixties acted as a stimulus to industrial development in some countries; however, these nations preserved the colonial pattern of concentrating exports in one or few primary goods, continuing to be heavily dependent on this sector as a source of external revenues. In this respect, international trade and terms of trade played a major role in the functioning of Sub-Saharan economies, determining their growth paths—trajectories which became extremely unstable due to price volatility and the demand of the international market.

During the golden age of capitalism between 1950 and 1970, the growth of developed economies provided great market expansion for Sub-Saharan primary products, thus allowing a good performance of Sub-Saharan economies during the period. Between 1960 and 1970, this external environment provided the resources for the start of the industrialization process based on import substitution; however, it also contributed negatively to trigger foreign exchange crises. Although several countries were showing high growth rates, their economies were still vulnerable and became more dependent on external conditions due to the import volume that the import substitution process imposed.

During the seventies, the situation of the international marked reversed and African economies fell into decline. Some factors influenced the terms of trade in this decade: two oil shocks, 1973/74 and 1978/80; decline in metal ore price, first copper, and then iron; and drought.

A strong deterioration of the terms of trade from 1973 to 1975 resulted in a weak performance of mineral ore and commodity exports, causing considerable losses for the entire region. Simultaneously, the 1973/74 drought required larger imports of food, thus contributing to greater deterioration of current accounts in several countries, with the crisis worsening as of 1974 ([14] [19] [20]). During the eighties, African exports fell dramatically, reaching a level in 1983 that corresponded to 93% of that in 1977 ([11] [21]). Additionally, a new period of drought began in 1980 and lasted until 1985, which increased the need for importing food and once more the situation of the balance of payments was aggravated. This time, the external restriction was tighter and led almost all the countries to external collapse.

When we examine a longer period of time, from 1970 to 1986, we observe that the terms of trade deteriorated for all Sub-Saharan countries, but for the oil-exporting countries where they improved more than 100%. For non-oil exporting countries the loss was by 30%, whereas for mineral ore exporters that was 50% [2]. For the region, excluding oil exporters[3], the decline in the terms of trade meant a fall in foreign-exchange receipts equivalent to 5.4% of GDP between 1971/73 and 1981/86 [22].

Note that the amplification of the shock effect was closely related to structural dependence on food imports, originated with the periods of drought, imports of oil, machines and intermediate inputs to sustain production and investment in industry[4]. Collier and Gunning [23] emphasize that Sub-Saharan's terms of trade deteriorated more in the eighties, in comparison with other regions. The same authors also reinforce that, due to a poor structure and means of production, and the excessive dependence of these economies on a limited number of products, even if the terms of trade had not deteriorated so much, the negative effect of the shock would have been more profound in this region as its limiting economic conditions would reproduce it disproportionately.

In short, this line of argument favors external factors as responsible for stagnation in their economies. Oil shocks, falling ore prices, and drought would have contributed negatively to balance of payments results and thus significantly reduced economic growth in these countries.

4. Structural and Historical Factors[5]

Both perspectives mentioned above seem incomplete as structural and historical factors are not taken into consideration. The Sub-Saharan crisis was also triggered by a series of those. The Sub-Saharan economy was founded on colonial heritage, that is, on shortage of human capital and staff prepared to plan and execute policies with some economic rationality and a vision of long-term growth.

[3]Oil-exporting countries were a minority (Nigeria, Gabon, and Congo).

[4]Paradoxically, rather than alleviating the balance of payments, import substitution burdened it even more with customs and import duties on a large volume of intermediate and capital goods, essential to investment and production, higher than the foreign exchange available.

[5]This approach is in line with the unified growth theory in which variations in cultural, institutional and biogeographical characteristics have generated different growth paths from stagnation to growth across countries, besides the technological progress and the human capital.

A large part of Africa had poorly prepared government leaders, which caused the economic policy to be intuitive or a copy of what was working in other countries, such as in the case of the import substitution policy, which was implemented in light of its apparent success in other countries. And it is precisely because of government staff of weak analytical ability that it was not observed that the dynamics of import substitution generated more dependence on the foreign market, and African conditions were much more limiting, which prevented industrialization from advancing. This means that simultaneously with import substitution, the primary sector should be restructured, implementing technological innovation and labor training, raising productivity and quality of tradables in order to increase exports and be able to cope with the growing demand of the import substitution industry for intermediate inputs and capital goods. Contrarily, the primary sector was neglected, which made industrialization progress impossible.

Shortage of human capital and an intelligence staff was reflected in African countries' weak institutional capacity. The combination of these factors increased uncertainty about Sub-Saharan economies and reduced foreign investments. Uncertainty of a return on investments was intensified by frequent civil conflicts and tribal cleavages, sown by the Berlin Conference a century earlier, property rights constantly altered by the government, clientelism, corruption and rent-seeking activities, causing capital outflow and making the region unattractive to new, foreign direct investments.

A more detailed discussion of these factors comes next.

4.1. Historical Heritage

4.1.1. Human Capital

Until the Second World War, Sub-Saharan Africa was endowed with human capital of little expressiveness due to colonial rules that kept the autochthones[6] away from any type of formal education. After independence, the countries of the region were deficient and at a disadvantage in terms of human capital in comparison with the rest of the world. In the colonial state, decisions on policies were made by the metropolises and implemented in the colonies by means of a bureaucracy constituted mainly of Europeans; in this respect, the colonial period left a legacy of a mass of an extremely underdeveloped human capital and exiguous manpower with some administrative, financial and technical skills for the staff in the civil service and enterprises. In some countries, even a minuscule qualified staff, with which other countries were able to count, was almost nonexistent, that is, professionally qualified employees to analyze economic problems, define options, and manage the entire process of planning, preparation, and implementation of economic and social policies ([24] [25]).

Shortage of human capital of quality had three basic consequences: first, it reflected in the reduced capacity to plan and implement economic policies, espe-

[6]In many colonies, autochthones were not considered citizens; such people were regarded merely as working tools.

cially those requiring a high level of coordination by the public administration; the result was the accumulation of several economic problems as prescriptions were based on politicians' intuition rather than economic rationality; this in turn was translated into the government's inability to put programs into action to start the development process. Second, businesses, particularly state-owned enterprises, were impregnated with administrative inefficiency as their administrators' capacity for business planning and coordination of production processes was very limited. And lastly, shortage of human capital resulted in additional expenditure by the state and enterprises as they had to import foreign staff members for executive and consultant positions in the governments.

4.1.2. Institutional Capacity

The colonial state was an institutional structure that served the needs of the metropolis; therefore, it consisted of institutions aimed at regulating activities relating to appropriation of local resources and distribution of manufactured goods from the metropolis. Consequently, legal institutions and regulations governing the market and society, as well as educational and health institutions were scarce and only for Europeans. After the Second World War, with changes in the colonization system, the black population began to have access to institutions, particularly educational ones, which were still underdeveloped and of which there were few. Moreover, in several countries, metropolitan institutions had been destroyed during the fight for independence. Adapting old institutions to new conditions, as well as building and structuring them required great effort and large spending of resources.

According to Hope [26], and Sandbrook [27], decisions on development policies in most countries of the region were formulated intuitively, based on the ideology of government leaders, and randomly implemented; therefore, they had a disastrous effect on Sub-Saharan economies, especially when the implemented policies combined with adverse international state of affairs.

Enterprises were also endowed with minuscule business capacity. Although it had thrived throughout the colonial period, commercial activity was dominated by Europeans. In Central and East Africa, trading, financing, and manufacturing were activities intended almost exclusively for Europeans, and on a smaller scale for Arabs and Asians; there was no African participation in these activities, especially in industry. Even in more advanced economies such as those of Kenya, Uganda, and Zimbabwe, where the local population participated more actively in trading, no African person owned a business that had more than 10 employees [28].

According to Acharya [28], Harris [29], and Kilby [30], West Africa's inherited business capacity was more promising. The transition from an agrarian community to a market-oriented society in this region allowed long exposure of African people to commercial agriculture and started a process that engaged them in several commercial activities: banking, printing, electrical equipment, and manufacturing—ceramics, glass, and soap. Although it certainly contributed to the formation of a less primitive society, this process was very limited as it only involved Nigeria, Ghana, the Ivory Coast, and Senegal.

4.2. Endowment of Resources, Climate, Production Structure, and Politico-Economic Geography

Africa is one of the richest continents in natural resources, especially minerals; however, exploitation of these resources up to the time of independence was restricted to a small number of products that the metropolis believed to be the vocation of each country or what it needed mostly, the same occurring in the agricultural sector. Therefore, in the first years following independence, knowledge about the base of resources was limited to what had already been exploited in the colonial period and, basically, the investment pattern in production for export did not change [5].

With respect to production structure, colonial heritage period was very poor; obsolete practices were used in agriculture, and production provided subsistence. Agricultural exploitation for export was restricted to one or two products which, because of characteristics of their own, reproduced in large numbers, with no need for advanced technology. After independence, the situation of the agricultural sector was almost the same or rather it worsened as it was disfavored by the industrial policy. In mining, a more advanced technology was introduced for exploitation of petroleum and its by-products, especially in Nigeria, Congo, and Gabon, as well as in the production, cutting and polishing of precious stones.

With regard to industry, although it has been established more recently, the technology used was outdated in relation to that of the international market, as a large part of the industrial park was built either with obsolete equipments or assembly lines donated within the scope of foreign aid programs.

As they were technologically backward in all the sectors, African countries were unable to be competitive in the international market. Associated with technology backwardness, a good part of Sub-Saharan countries had climatic conditions totally adverse to any type of economic exploitation. The dry, tropical climate with scanty rainfall has a negative effect on investments in agricultural production and industry as the high cost of resources such as energy and water, which are essential for production, places a financial burden on production. Moreover, very hot weather makes pest and disease control in plantations difficult, as well as the maintenance of crops, affecting the population's survival.

Drought is a very important aspect of the formation of prospects and short and long-term economic decision-making in Africa. It is a factor that causes shocks, alters foreign exchange earnings, which in turn worsens the situation of the balance of payments and changes the budget for development projects, having a negative effect on the trajectory of the economies that are dependent on the export of agricultural goods.

The politico-economic geography of African countries conditions their commercial relations with the external world, makes construction and maintenance of socioeconomic infrastructure difficult, and causes political instability.

Several African countries do not interface with the sea. They are encircled by nations or bounded by the Sahara desert. Lack of a connection with the sea is a geographic factor that has a major effect on the development of these countries as it not only increases the costs of transport and communications, but also makes them more dependent on the neighboring countries, especially for trade with the external world. This unfavorable condition is intensified by internal disputes and conflicts between neighboring countries, which interrupt trading and transport connections and make maintenance of infrastructure difficult. In addition to communication difficulties with the rest of the world, being bounded by the Sahara desert imposes great climate variability and dreadful conditions on human survival and economic development.

A number of countries cover a vast area, with the population distributed in small communities distant from each other, making the provision of communications and transport channels between these villages difficult and costly; therefore, in most countries, economic and social infrastructure is restricted to urban centers where, in spite of the location, is still very poor. Part of the infrastructure problem has derived from a strong rural exodus that led to a rapid growth of cities, which was not accompanied by investments in infrastructure.

4.3. Rapid Population Growth and Urbanization

High population growth in black Africa has been a cause for concern among international organizations and economists as economic growth, food production, and resources available to provide basic infrastructure in the region have not accompanied the growing demand. Between the 1960s and the 1980s, the annual population growth rate rose from an estimated 2.5% between 1960/69 to an estimated 3% in the eighties. In the early eighties, there were approximately 380 million inhabitants; at the end of the decade that number jumped to an estimated 500 million [1].

According to Ikoku [31], Harrison [32], and Isiugo-Abanihe [33], a large part of this population was or came from the country. Its high growth and the urban bias in economic policies that discriminated against the agricultural sector accelerated the rural exodus, raising the urbanization rate. In 1965, the urban population was estimated to be approximately 40 million inhabitants; 10 years later, this number surpassed 62 million, which means that the population concentrated in urban centers rose 55% [34]. Iheduru [25] estimated an annual urbanization growth rate of 4.6% between 1950 and 1970, and of 5.2%, between 1970 and 1980. This data shows a growing attempt to flee from rural poverty, hunger, and unemployment.

This strong trend toward urbanization implied serious social and economic issues to local governments as an increase in urban population requires major adjustment to infrastructure, health and education systems in the cities. In the case of the Sub-Saharan region, the period coincided with a decline in the resources available, leading to conflicts and pressure for their distribution. Government leaders were faced with the dilemma of choosing between allocating resources in housing, infrastructure, and social services or in industrial development projects and economic infrastructure. Social services were neglected and masses of people concentrated in urban centers lived well below the poverty line.

4.4. Political Instability

At the end of the 19th century, the Berlin Conference divided Africa and demarcated borders, forming nations that would belong to colonial powers. Prior to that, the Sub-Saharan region had a tribal division, that is, each tribe had its territory demarcated. The Conference disregarded this natural division, and divided the region based on the resources it was endowed with, leading to an equivocated division in terms of cultural and social aspects of the African population: tribes, ethnics and peoples, many times antagonistic, were forced to share the same territory [35].

During colonial repression, there was little evidence of problems as, according to Iheduru [25], and Austen [36], the colonial power used violence to subjugate the locals and establish their authority over the settlements, keeping them under colonial rule. However, in the last days of the colonies, repression and authoritarianism were already disintegrating. After independence, issues began to arise from the diversity of social and cultural backgrounds; this factor, combined with the African tribal conception, in which the leader of a people could not be accepted as the leader of several others, were enough to make the formation of new nations difficult, with states becoming politically fragile and unstable. According to Nyang'oro [37], politicians from several countries tried to establish legitimacy and persuade the population into accepting common rules in order to resolve political conflicts, claims on land and resources that were multiplying, but because of a question of leadership the population did not give their consent. Since no agreement could be made, the political elite decided to adopt authoritarian regimes as models, opting to keep order through the use of force. This situation led to the arrival of military regimes in most of the region. However, the entire authoritarianism was imbued of a nationalistic ideology based on cohesion for development, which would supposedly justify acts of coercion, appropriation of property and production means of the population. Thus, such nationalism became the driving force behind integration and constitution of governments, whose legitimacy was always in question, who fought to broaden their political alliance and end parochial cleavages. According to Nyang'oro [37], and Marenin [38], in order to be legitimate, government leaders made the state play the central role in the administration of all the aspects of African countries' politico-economic life.

Overcoming internal difficulties came at a cost. African government leaders gave priority to political cohesion over economic development in the first years of independence [14], that is, resources that should be used in development projects, were used to ensure territorial unity. Therefore, political instability may have been the main problem that blocked the effort put into developing the Sub-Saharan region, as it not only caused resources to be diverted from development, but also had a negative effect on the implementation of economic policies, creating quite inappropriate internal conditions for foreign investment, conditions which generated capital outflow in several countries[7].

4.5. Lack of Transparency

State intervention in all the economic sectors contributed substantially to the start of the process that generated the African crisis, as stated by several authors ([3] [6] [8] [25] [26] [38] [39]). It is described by some of these authors as counterproductive to the economic process as economic policies were not rationally oriented: 1) laws were detrimental to the market and the private sector; 2) it caused excessive bureaucratization and developed centralized states; 3) it monopolized the main economic sectors of society; 4) it spread corruption and rent-seeking in the state apparatus through a network of "political clients".

The strong position of the state in African economies originated from the historical inheritance of colonial and authoritarian regimes which provided, after independence, the substitution of emerging democratic regimes for authoritarian single-party regimes ([37] [38]). Ascendancy of these regimes was generated by political instability, government leaders' need for legitimacy, and lack of a local business class, factors which led government leaders to start investing in production, creating state-owned enterprises in order to fill the gap in investment[8] [7].

Politicians' legitimatization led, soon after independence, to the spreading of an ideology that the state should play the leading role in the economy, that is, it should control and administer the principal means of production and also control the distribution channels of inputs and consumer goods. Hence intervention ended up encompassing all the sectors of economy, working through channels of the factor and product market, import and export sector, credit market, industrial and agricultural sector, and through strict controls on the private sector.

According to Wheeler [8], Gordon [40], and Herbst [3], the function of state-owned enterprises was to increase employment and offer low priced goods to the urban population. Functioning as a source of employment, state-owned enterprises provided great expansion of employment and salary mass in urban areas. However, exploitation of small farmers so as to subsidize food in the cities triggered a strong rural exodus. This fact caused an expansion in urban population and a larger increase still in the mass of salarymen, leading to greater expansion

[7]Despite the fact that the World Bank [2] considered political instability as a possible factor of the crisis in Sub-Saharan Africa, it was relegated to a secondary role. Moreover, they had doubts as to whether political instability is the cause or the effect of economic stagnation itself.

[8]Therefore, it is not surprising that public investments have played an important part in the growth of aggregate investments in every African economic regime, be it either left-wing or right-wing.

of bureaucracy and state-owned enterprises in order to meet the demand for work in the cities. As jobs were offered to those who became political support for the party, patronage relations blossomed, engendering a more pronounced tendency of the government toward basic consumer goods subsidies which would successively generate greater rural exodus and expansion of federal institutions and state-owned enterprises.

Herbst [3] and Sandbrook [27] point out that public enterprises became an excellent way of crystallizing relations of personal and political interests, serving also to mask decisions on investments with no economic return to society. As they were autonomous, these businesses were able to direct resources to specific areas, diverting public resources to political and private activities in secrecy, transactions which could not be conducted in the civil service.

In this respect, distribution of patronage caused state-owned enterprises to have exceptionally poor performance, and rapidly become a fiscal burden on the state. A study conducted by Nellis [13] on the performance of state-owned enterprises from West Africa showed that 62% of them had net losses.

Therefore, in pursuit of short-term political order, institutions and clientelistic networks proliferated in order for the legitimacy position of the elite to be consolidated, "buying" political support, submission or silence from other social forces. In this aspect, the public arena was, to a certain extent, occupied by individuals who pursued their own interests, forming coalitions behind economic policies. As economies were dominated by states guided by patrimonial logic, the crisis was founded on the "patrimonial" and rent-seeking nature of African politicians [41].

In this picture, concern with legitimacy and eagerness to appropriate income were translated into the start and spreading of corruption, and the government's deflection away from its role in development[9], which led to the implementation of irreversible measures that greatly distorted the economy[10].

External aid also contributed to the underdevelopment of the state apparatus. In the post-independence period, there was a significant flow of resources to Sub-Saharan Africa from rich Western countries and the former Soviet Union. Most development activities in the region received some type of foreign assistance, ranging from health services, education, and infrastructure construction to the financing of projects in the industrial, mining, and agricultural sectors. Many resources were intended for strengthening the structure of governments in order to overcome domestic cleavages and form an internal community with

[9]However, the state structure based on "patron-client" relationships was too fragile, highly costly, and inefficient as it required constant reconstruction of networks and channels of loyalty and, to some extent, of submission. Hence the process used for establishing and managing institutions ended up producing a regime that was sensitive, unstable both in terms of policies and wrong allocation of resources. Overvaluation of the exchange rate and allocation of foreign exchange are two examples of policies strategically guided toward generation of income for the class or holders of import license holders.

[10]As observed by Mbaku [42], according to the perception of investors and business leaders, several of the most corrupt countries in the world are African.

characteristics of a nation.

According to Van de Walle [39], Sub-Saharan Africa received 1/5 of the total official assistance given to peripheral countries between 1960 and 1980 as the international community felt it was their responsibility to promote the development of the region after independence. Moreover, the ideology of economic development of the period believed that poor countries were caught in a low income equilibrium trap and were unable to generate investment by themselves suitable for capital formation for rapid growth. This made the international community consider foreign financial resources of primary importance to stimulate economic growth.

In this context, an international aid system with a set of rules, principles and procedures defined according to certain ideologies[11] was rapidly formed, particularly with the purpose of promoting international stability and affecting economic development in the Sub-Saharan region. According to Van de Walle [39], it was defined in one of the rules that African states were to draw up development plans (for a 3 - 5 year period) so as to rationalize needs and choices, list projects in order of priority, growth targets, and identify the hiatus in resources the aid would be filling. However, international agencies noted from the very beginning that the plans were ill-conceived, based on improbable hypotheses, very optimistic, and rather unrealistic about the government's ability. They also noticed that the projects were badly planned and based on national statistics which were not very reliable.

In the seventies, most countries had institutions to manage the growing financial aid and integrate it into the formal national decision system and the state's budget. However, proliferation of international agencies representing several dozen donors, each one with complex programs in different areas of development and special needs, required not only a high level of coordination by government leaders, but also imposed a huge burden on local administration and institutions.

Lack of confidence in the plans and the inability of government leaders to manage the flow of resources from the aid made such system start shaping the nature of the region's power of decision, that is, donors began to have the final word on decisions about allocation of aid resources, which was reflected in their option of financing isolated projects within a "tied" pattern[12], in which any spending on acquisitions for the projects had to be done in the donor's country, favoring its businesses. Consultants would be hired likewise [39].

According to the same author, in the mid-seventies, 60% of the aid fitted the "tied" pattern. This was a less bureaucratic pattern in the short run, but in the long run it tended to replace the role played by governmental institutions in the formal selection, execution and inspection process of these projects, as interna-

[11]It is argued that the aid served as a weapon during the Cold War. Western countries used it to persuade countries with inclination toward socialism to abandon such ideology.

[12]Now, decision on aid allocation starts to have commercial purposes to donor countries, being used to provide employment for newly qualified labor force from these very countries.

tional agencies[13] began to present and analyze projects they were interested in financing—including all the acquisitions for execution—favoring businesses and specialists from donor countries. As a result, governments' attitude toward donors was usually passive: they passively accepted and executed the projects, whenever allowed, while monitoring and inspection were carried out by donor agencies, with little or no participation of the government, what hindered the progress of governmental institutions intended for those tasks. According to the author, donor agencies also had a technical staff and paid much higher salaries than those offered in the civil service, draining better qualified members of staff from central governments and reducing the quality of central ministries and institutions, with substantial loss of decision makers[14].

As they did not participate in project management, government leaders began to regard donated resources as a series of free benefits to be appropriated. Projects started to be used as a vehicle to operate spending from government leaders[15], who sought a privileged relation with the donor and agencies who, in turn, agreed on spending project resources on ministerial commitments. This reduced government leaders' discipline, and encouraged patrimonial and corrupt trends[16], causing several projects managed by donors to lose developmental logic and be left unfinished due to appropriation of their resources [39].

In this context, external aid helped determine the politics and the economy of the region, with dramatic consequences: weakening of the state's capacity to develop institutionally, although it has stimulated consumption growth of the public sector; reduction in the power of decision capacity; and profound implications for the type of development founded on state growth. Whatever rhetoric and intention donors had, evidence suggests that aid helped increase the size of the public sector. According to Bates [44], it also influenced policies adopted between 1960 and 1970, favoring consumption, to the detriment of investment; import, to the detriment of export; urban over rural interests.

5. Conclusions

A combination of the persistence of the policy to substitute imports and measures to protect industry, with the addition of an ideology based on state intervention in the economy, weak institutional capacity, and tendency to clientelism are factors that contributed considerably to determining Sub-Saharan Africa's economic performance in the post-colonial period. The interventionist ideology resulted in excessive growth of the state apparatus.

[13]According to Van de Walle [39], if African leaders tried to improve aid management, its flow would decrease, given the administration's capacity limit.

[14]Moreover, by paying much higher salaries than the civil service, the aid program contributed to social stratification, being complacent with social inequalities.

[15]According to Svensson [43], in many developing countries, foreign assistance is an important source of income. For example, of the 50 most dependent countries on aid, the share of aid in central government spending for the 1975-1995 period was on average 54%.

[16]According to Van de Walle [39], work in projects, scholarships, houses, cars were the various types of acquisition often assured in the projects, based on family ties, ethnics, and political affiliation.

The situation deteriorated even more when commodity prices became extremely volatile, causing great oscillations in foreign exchange earnings, balance of payments and tax revenues in deficit. With the fall in commodity prices in the international market, the financial situation of the states became critical, leading to foreign indebtedness and, later on, to inability to service the debt.

As it can be observed, the Sub-Saharan crisis was caused by a conjunction of all the factors mentioned, among which structural aspects had considerable weight. Lack of a general plan for economic development due to shortage of government leaders with managerial skills and of institutions that could solve economic uncertainties together with insecurity about property rights and political instability, contributed substantially to a drop in foreign direct investment. Exogenous shocks played an important role in the exacerbation of the crisis process. However, it is noted that the intensification of the shock effect was closely related with structural dependence on imports of food caused by inappropriate price policy and drought periods, and imports of oil, machines, and intermediate inputs to sustain the import substitution process. The dynamics of this industry and low return on its investments exerted higher pressure on the balance of payments which, in combination with oil shocks and drought periods, led to the external collapse in the eighties. Moreover, poor institutional structure and means of production inherited from the colonial period, clientelistic political logic, heavy dependence on a limited number of export products, and the general limiting conditions of these economies intensified the negative effect of the shocks. A weak institutional base, human capital of low quality, and corruption created conditions for misguided sectoral policies and unsustainable economic policies, preventing the productive sector from generating dynamism in the economies and, in consequence, causing the region to fall into stagnation and decline.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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