Political Instability and Development in Africa

ECON 3510 Carleton University
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Source: Text, Chapter 12
Outline:

1. Introduction
2. Defining Political Instability: Concept and Measure
3. How Does Instability affect Economic Development?
4. Information on the African Record re Instability
5. Causes of Political Instability
6. Implications for Policy Makers?
1. Introduction

Popular Image: continuing political instability in Africa

- Failed state: Somalia
- Internal conflict: Nigeria, Chad, Sudan, Mali
- Domestic Disaster: Rwanda; Liberia (pre-2003)
- Lower level frictions: Kenya, Zimbabwe

Effective multi-party representative democracies:
Botswana, Mauritius, Republic of South Africa, Tanzania, and Liberia (since 2003)
1. Introduction

- What are the origins of political instability?

- Does such political instability generate economic collapse or development reversals? Or vice versa? How?

- What can be done to reduce political instability?
2. Defining Political Instability

Centrality of “Institutions” in economic life

What are Institutions? [Usually ignored in economic theory]

“... the social rules, conventions, and other elements of the structural framework of social interaction”

- Informal: e.g. social capital and norms of behaviour;
- Formal: laws ensuring individual rights liberties and responsibilities, and property rights
- Formal organizations: such as the political system, the legal system and judiciary; labour unions; Universities, Health Systems etc.

Stability and effective functioning of Institutions are vital for the functioning of an economy
Types of Political Instability: What is it?

1. Rapid changes in government before scheduled elections? (executive instability)
   e.g. Greece 2010-2012; Italy 2012

1. Rapid changes of government via elections in a minority government setting
   e.g. Israel, Italy, Canada 2004-2011

2. Over-throw of governments by unconstitutional means? (Systemic instability)
   e.g. Coup d’Etats (Mali 2012)
Types of Political Instability, Continued:

4. Revolutionary movements:
   Objective: to change the rules of the political game and redistribute power and property

5. Separatist movements, violent and non-violent?
   Objective: change boundaries of the state; Secession.

6. Political assassinations, mass murders, kidnappings, extortion, and violence?
   • Objectives: various
Types of Political Instability, Continued:

7. Strikes (a la Canada, June 2011)? Quebec 2012?)
   Objectives: Monetary gain, not regime change?
   Also, Politically motivated strikes

8. Demonstrations and Riots (Athens, Montreal, Vancouver 2011, Chile, 2011)
   Objectives: various: regime change or specific issue

9. Complete political breakdown (Somalia)

10. Civil War (Syria 2012)
Morrison & Stevenson’s concepts (from Text-book):

1. Elite instability:
   attempts at elite levels to remove governments unconstitutionally via Coup d’Etat, assassination....

2. Communal instability:
   Attempts by religious, ethnic, regional groups to change relationship with existing government through unconstitutional means

3. Mass instability:
   Attempts by a mass group to overthrow the current government or to change the functioning of the political system by extra-constitutional means
Distinction also between

- Regime threatening political instability
  threatened changes of the rules of the game and the regime as well

- Non regime threatening instability, generating disruption, but for other objectives
Gyimah-Brempong’s (text-book) definition:
“Situations, activities, or patterns of political behavior that threaten to change or actually change the political system in an unconstitutional way. “

Ritter’s addendum: Political Instability “Lite”
Situations activities, or patterns of political behavior aimed at changing the rules of the game or territorial definition of the state but by constitutional means (e.g. Separatist movements as in Quebec, Scotland or Catalonia)
To begin with, note there are some effective multi-party representative democracies”

– Botswana, 1964-2012
– Mauritius, 1961-2012
– Tanzania, 1961-2012
– Liberia, 2006-2012
Cases of Extreme Political Instability in Africa

Failed state: Somalia,
without a real government for almost two decades;
continuing turmoil, crisis in June/July 2009?

International Conflict:
Ethiopia and Eritrea;
Sudan and Southern Sudan
Currently, spill over tendencies from Somalia (African Union, Kenya)
Approaching in Mali

Internal conflict:
Nigeria and the petroleum rich states
Chad: continuing struggle for control of oil wealth
Sudan: Darfur
Southern Sudan: Nuer and Dinka?
Rwanda: Genocide
Mali 2012: Coup-d’Etat plus separatist movement conflict
Lower level frictions:
  Kenya
  Zimbabwe

Break-down of control of the government and effectiveness of the legal judiciary system:
  Corruption, economic crime, tax evasion
  Disintegrating law and order: robbery, murder, etc.
Political Instability Index

Risk level:
- Very high
- High
- Moderate
- Low
- Not rated

Source: Economist Intelligence Unit, 2009
Political Instability Index, Africa

Risk level:
- Very high
- High
- Moderate
- Low
- Not rated

Source: Economist Intelligence Unit.
### Economist.com rankings

**Political instability**
Countries, 2009-10 (2007 score, if different)

#### Most vulnerable

<table>
<thead>
<tr>
<th>Rank</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Zimbabwe 8.8</td>
</tr>
<tr>
<td>2</td>
<td>Chad 8.5 (7.5)</td>
</tr>
<tr>
<td>3</td>
<td>Congo Kinshasa 8.2 (7.2)</td>
</tr>
<tr>
<td>4</td>
<td>Cambodia 8.0 (7.0)</td>
</tr>
<tr>
<td></td>
<td>Sudan 8.0 (6.0)</td>
</tr>
<tr>
<td>6</td>
<td>Iraq 7.9</td>
</tr>
<tr>
<td>7</td>
<td>Afghanistan 7.8 (6.8)</td>
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<tr>
<td></td>
<td>Central African Republic 7.8 (5.8)</td>
</tr>
<tr>
<td></td>
<td>Côte d'Ivoire 7.8</td>
</tr>
<tr>
<td></td>
<td>Haiti 7.8 (6.8)</td>
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<td></td>
<td>Pakistan 7.8 (5.8)</td>
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<tr>
<td></td>
<td>Zambia 7.8 (6.8)</td>
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</tbody>
</table>

#### Least vulnerable

<table>
<thead>
<tr>
<th>Rank</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>165</td>
<td>Norway 1.2 (0.2)</td>
</tr>
<tr>
<td>164</td>
<td>Denmark 2.2 (0.2)</td>
</tr>
<tr>
<td>163</td>
<td>Canada 2.8 (1.8)</td>
</tr>
<tr>
<td>161</td>
<td>Finland 3.2 (1.2)</td>
</tr>
<tr>
<td></td>
<td>Sweden 3.2 (1.2)</td>
</tr>
<tr>
<td>160</td>
<td>Switzerland 3.4 (0.4)</td>
</tr>
<tr>
<td>158</td>
<td>Costa Rica 3.5 (1.5)</td>
</tr>
<tr>
<td></td>
<td>Mauritius 3.5 (2.5)</td>
</tr>
<tr>
<td>154</td>
<td>Australia 3.6 (0.6)</td>
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<tr>
<td></td>
<td>Austria 3.6 (0.6)</td>
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<tr>
<td></td>
<td>Luxembourg 3.6 (0.6)</td>
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<tr>
<td></td>
<td>New Zealand 3.6 (0.6)</td>
</tr>
</tbody>
</table>

*On a scale of 0-10 whereby 0=no vulnerability and 10=highest vulnerability*

Source: Economist Intelligence Unit
The Economist’s Methodology:
Focuses on 15 indicators & 60 measures

Underlying Vulnerability
1. Inequality
2. State History
3. Corruption
4. Ethnic Fragmentation
5. Trust in Institutions
6. Status of Minorities
7. Proclivity to Labour Unrest
8. Level of Social Provision
9. The Neighbourhood
10. Regime Type
11. Factionalism
12. History of Political Instability

Economic Distress
13. Growth in Incomes
14. Unemployment
15. Income per capita
Political Risk (Dynamic) Index 2012

Maplecroft's Political Risk (Dynamic) Index assesses risks that can change quickly due to direct government action, business activities or to action by sub-state or other politically-motivated groups. It is comprised of twelve political risk indices under the five themes of governance framework, political violence, business and macroeconomics, forced regime change and resource nationalism.

The Political Risk (Dynamic) Index is part of Maplecroft's Political Risk Atlas 2012, a product providing a comprehensive appraisal of traditional risk areas including conflict, terrorism, the rule of law as well as the regulatory and business environment. In addition, the atlas also focuses on emerging risk areas and structural challenges affecting political stability such as resource security, societal resilience, infrastructure readiness and poverty. The Political Risk Atlas is an ideal tool for businesses to assess, quantify and compare political risks and develop strategies to mitigate them. For more information see www.maplecroft.com or contact info@maplecroft.com.
Major Armed Conflicts, 1999–2008

Note the steady decline for Africa, up to 2008
Source: Stockholm International Peace Research Institute Yearbook 2009
3. How Does Instability effect Economic Development?

Political Effects

1. Threatens institutions,
2. Generates risk and uncertainty, and
3. Creates the potential for vicious downward spirals into disruption, chaos, civil conflict, death and destruction

All of these affect the economy
3. How Does Instability effect Economic Development, cont’d?

Economic effects:

1. Kills people; Reduces or destroys investment in Human Capital

2. Reduces domestic savings & investment; “Capital Flight” also reduces investment

3. Destroys property

4. Reduces legitimacy of a government, obstructing effective policy formulation and implementation for the long term
5. Greater vulnerability of government then promotes patronage payments and corruption rather than long range approaches to policy

6. Taxation may be distorted to benefit supporters of government rather than being aimed at econ. growth for the longer term

7. Pattern of public expenditures may be deformed, reduced, inefficient and ineffective

All of this is counter-developmental
5. Possible Causes of Political Instability:

a) Ethnic fragmentation and/or historic frictions? (See Text Chapter 8 and Class of June 13)

b) Ethnic dominance and historic frictions

c) Religious tensions

d) The strength of “primordial loyalties” (kinship & clan)

e) Secessionist impulses?

f) Poor economic growth performance, leading to general dissatisfaction, rioting, coup d’états…..

   Another “vicious circle”
5. Possible Causes of Political Instability, cont’d:

f) Conflict over resource wealth

g) Ineffective or predatory government actions;

h) generalized corruption and illegalities in government;

i) Political inexperience?

j) Worsening economic difficulties?
6. Implications for Policy Makers?

Because Political instability has a major impact on development, policy formulation should attempt to be “stabilizing”

- Policies should not disrupt political stability;
- Policies should be fair and equitable across regions, ethnic groups, and income groups;
- Implementation must be careful and politically wise;
But reformist political measures are likely to be necessary to ensure equity and stability in the long run.

Successful “development” (growth with equity) promotes stability.

Political stability in a context of steady economic retrogression is difficult to maintain. “It’s the economy, stupid”??

Reduce corruption and predation in government and throughout the economy.
Addendum on The Problem of Corruption

1. Definition:

- Appropriation (or theft) of public – or private – resources for private profit or use, through the exercise of official power, influence, or access.

- Abuse of public – or private – trust, position or access for private gain;
2. Varieties of Corruption

- Twisting or influencing by bribery or influence peddling of public policy for personal gain
- Discriminatory provision of public services (to home town or ethnic group or political supporters)
- Obtaining advantage through falsehood, cheating, and fraud
- Nepotism: hiring from family or friends
Varieties of Corruption, cont’d

- Theft of public property, goods or services;
- Illicit payments to suppliers or supporters for political support and gain or “kick-back”
- Use of public property for personal purposes
- Influencing design or application rules regulations and permissions for personal gain
- Tax Evasion
3. Consequences of Corruption

- Unfair advantage to some individuals or groups;
- Harmful impacts on income distribution (Corruption as a regressive tax on the poor);
- Sacrifice or general well-being for personal gain for some privileged interests
- Deformation of public policy
- Slow-down of investment and economic growth
- Impairs ability of government to function in all areas due to erosion of “trust”
- Ultimately extreme corruption can generate economic and political paralysis and breakdown
4. Solutions to Corruption?

- Promote civil service professionalism with adequate pay scales;
  - Meritocratic promotion policies in civil service;
- Avoid large monopolies (e.g. as in petroleum);
  - Promote competition and entry into the economy;
- Make public expenditures and procurement transparent;
- Eliminate unnecessary regulations and rules and make others simpler, more transparent;
- Separate financing of political parties from general government expenditures;
4. Solutions to Corruption? con’t’d

- An independent judiciary;
- Reduce immunity of members of the executive, legislative and judicial branches from prosecution for wrong-doing;
- Education re the nature and consequences of corruption;
- Free media, for shining lights in dark corners;
- Open Democracy, for scrutiny, criticism and rejection of corrupt leaders
Corruption as a Regressive Tax: The Case of Ecuador