

Growth of African Economies: Productivity, Policy Syndromes and the Importance of Institutions

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Abstract

Recent evidence from an exhaustive political-economy study of growth of African economies—the Growth Project of the African Economic Research Consortium—suggests that ‘policy syndromes’ have substantially contributed to the generally poor growth in Sub-Saharan Africa during post-independence. The current article employs the unique data and insights generated by the Growth Project to further explore the importance of a ‘syndrome-free’ (SF) regime for growth in the region by examining: (i) the channels via which SF affects growth: total factor productivity versus factors of production and (ii) the role of institutions in mediating this impact, with special attention accorded to the efficacy of the restraint on the executive branch of government in mitigating the potentially adverse effect of ethnicity.

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1. Introduction

Recent evidence suggests that ‘policy syndromes’ have substantially contributed to the generally poor growth of African economies during

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post-independence.¹ Had Sub-Saharan Africa (SSA)² been bereft of these syndromes, its per capita GDP growth could have averaged approximately 2% points higher during the post-independence period (Fosu and O'Connell, 2006, Table 6). This paper employs the unique data and insights generated by the Growth Project to further explore the importance of a syndrome-free (SF) regime for growth in this region by examining: (i) the channels via which SF affects growth: total factor productivity (TFP) versus factors of production and (ii) the role of institutions in mediating this impact. In particular, in the light of previous findings that ethnic division could lead to anti-growth policies (e.g., Easterly and Levine, 1997) in Africa, coupled with findings that the executive branch of government was often a culprit in the perpetration of such policies (Fosu and O'Connell, 2006), this paper examines how the degree of restraint on the executive could mitigate such potentially adverse effect of ethnicity.

In Section 2, aggregate evidence on the saliency of TFP vis-à-vis contributions by factors of production in the African growth record is presented. Section 3 briefly discusses the various syndromes and their expected effects on the sources of growth. Section 4 explores the relative potency of the channels by, first, estimating how SF is correlated with TFP versus factors of production. Second, based on 1960–2000/2004 panel data, the SF impact on per capita GDP growth, via TFP, is estimated using an augmented production function.³ This paper then explores the extent to which

¹ The African Economic Research Consortium (AERC) 'Growth Project' is a comprehensive study combining both cross-sectional analysis and a large number of detailed country cases to explain the African growth record since 1960, which is viewed herein as the post-independent era generally. It has resulted in two Cambridge University Press volumes: Ndulu *et al.* (2008a, b). An epitomised version of the study is presented in Fosu and O'Connell (2006). 'Policy syndromes' are considered 'anti-growth' and comprise the following regimes: 'state controls', 'adverse redistribution', 'sub-optimal inter-temporal resource allocation' and 'state breakdown'. These are further delineated below. Note that the 'classification is based on policies, not growth outcomes' (Fosu and O'Connell, 2006, p. 37). For further details, see Fosu and O'Connell (2006).

² 'Africa' and 'SSA' will be used interchangeably in the rest of the paper.

³ See also Fosu (2011) that provides evidence on how SF affects growth through TFP and presents in greater detail much of the qualitative evidence reported herein. As a point of departure, the present study treats SF endogenously and additionally explores how institutions might be employed to accentuate the prevalence of the growth-enhancing SF. There is an endogenous treatment of the syndromes in Ndulu *et al.* (2008a) also; however, there is little attention on the role of institutions *per se* in influencing growth via SF. Nor is there an attempt in Ndulu *et al.* to examine the effect of SF via productivity vis-à-vis factors of production.

Table 1: Growth Decomposition for SSA

Year	Growth of real GDP per worker	Contribution of growth in		Estimated residual ^a
		Physical capital per worker	Education per worker	
1960–64	1.33	0.53	0.12	0.68
1965–69	1.74	0.80	0.20	0.75
1970–74	2.33	1.05	0.22	1.06
1975–79	0.19	0.74	0.24	–0.79
1980–84	–1.70	0.16	0.29	–2.16
1985–89	0.45	–0.22	0.34	0.33
1990–94	–1.74	–0.08	0.30	–1.95
1995–2000	1.51	–0.12	0.26	1.37
Total	0.51	0.36	0.25	–0.09

^aMeasure of growth of TFP.

Notes: These data are based on 19 SSA countries with comparable data over time (see Appendix A). Despite the rather small sample size, note that these countries represent all sub-regions of SSA, and have 72% of SSA's population and the bulk of the region's GDP. Source: Fosu and Aryeetey (2009), with permission. [Source of data Ndulu and O'Connell (2003)].

the adverse effect of SF can be mitigated via stronger institutions by treating SF endogenously. Section 5 concludes this paper.

2. Decomposition of growth in Africa

Based on the Collins–Bosworth decomposition, Table 1 reports data on the sources of GDP growth for SSA over 1960–2000.⁴ These statistics indicate that when GDP in SSA as a whole grew relatively well in the 1960s through the mid-1970s, growth was supported equally by both investment and TFP growth. In contrast, the major decline in growth in the early 1980s, and again in the early 1990s, was accompanied by a large fall in TFP each time. The main source of the growth recovery in the late 1990s was once again TFP improvement.

⁴ As the SF data are for 1960–2000, the source-of-growth analysis is similarly limited. The decomposition is based on the production function: $q = Ak^{0.35}h^{0.65}$, where q , k and h are GDP per worker, physical capital per worker and human capital (average years of schooling) per worker, respectively, with respective capital and labour shares of 0.35 and 0.65. The constant A measures TFP. The exercise is conducted on per-country basis and then aggregated to arrive at the SSA figures for the 19 SSA countries that had consistent data over the sample period (see Appendix A for the respective countries and data). Note that these 19 countries represent all the sub-regions of SSA and constitute over 70% of SSA's population and a lion's share of its GDP.

The above observations suggest that TFP must have played a major role in the growth performance of African economies. [Devarajan *et al.* \(2003\)](#), for instance, argue that it is the low productivity rather than the level of investment that has been the main constraint to African growth. Indeed, as [Table 1](#) reveals, the overall modest per-worker growth in SSA during the 40-year period was supported by positive, albeit modicum, contributions from physical capital and education, whereas TFP contribution was negative, although near zero.

The overall sample period evidence showing insufficiently contrasting contributions of TFP and factors of production does not, however, do justice to the relative importance of these sources of growth intertemporally. During 1960–74, SSA’s fairly high annual per capita growth of about 2.0% was primarily associated with both physical capital accumulation and TFP growth, at approximately 45% shares each ([Table 1](#)). However, TFP was the main source of the negative growth in the 1980s and early 1990s, and it was also the primary source of the positive growth beginning in the mid-1990s.

[Figure 1](#) based on [Table 1](#) appears to tell the aggregate story of the qualitative importance of TFP. [Figure 1](#) shows that the per capita growth rate moves rather well with TFP growth, when compared with its movement with either physical or human capital accumulation. The contribution of education seems particularly uniform over time and seems unrelated to the evolution of growth.

The saliency of productivity is even more telling at the disaggregate country level. Even in the immediate post-independence period when average SSA growth was reasonably strong, several other countries actually experienced low growth in at least one half-decadal period, thanks to

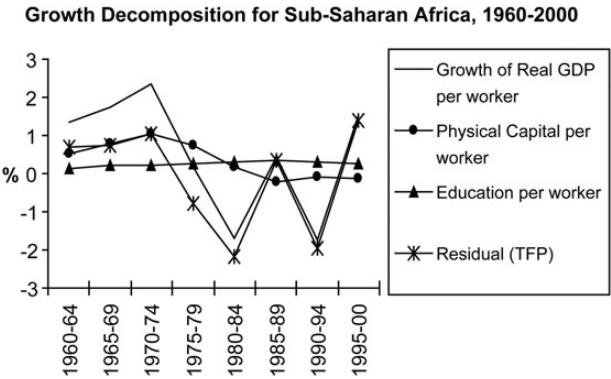


Figure 1: Source: Based on Data from [Table 1](#).

deterioration in TFP. These countries included: Cameroon, Ghana, Madagascar, Malawi, Mauritius, Nigeria, Rwanda, Senegal, Uganda and Zambia (Appendix A).

Moreover, as to be expected, for the mid-1970s to early 1990s when productivity deterioration was the main source of the negative growth performance in SSA generally, most of the countries experienced considerable declines in TFP. More importantly, however, even in these doldrums, several countries out of the 19 presented in Appendix A registered, in at least one half-decadal period, considerable positive growth powered by improvements in productivity, including Ghana, Kenya, Mauritius, Mozambique, Nigeria, Uganda and Zimbabwe (Appendix A).

The above rather casual empiricism suggests that TFP was a major contributor to explaining the growth record of African economies generally. To provide a more credible test of this hypothesis, however, we use the country data in Appendix A to compute the zero-order correlation coefficients between the per capita growth rate, on the one hand, and growth contributions from physical capital, education and TFP, respectively, on the other hand, as (absolute values of the t ratio in parentheses) 0.328 (4.25), -0.081 (0.99) and 0.930 (31.06). Thus, growth is correlated most strongly with TFP, followed by physical capital, whereas there is little correlation with education. These results are in line with the above aggregate-level evidence and provide support for [Devarajan *et al.* \(2003\)](#).

3. The policy syndromes and SF impacts on sources of growth

Growth-accounting decompositions discussed above have revealed the relative roles of human capital (education), physical capital accumulation and TFP in the growth of African economies during the post-independence period. Numerous reasons have been presented in the literature as the culprits for the growth record. In particular, initial conditions have received attention, including colonial origins (e.g., [Acemoglu *et al.*, 2001](#)), geography (e.g., [Bloom and Sachs, 1998](#)) and the slave trade (e.g., [Nunn, 2008](#)). Although such studies are analytically attractive, they generally offer little in terms of policy prescription because initial conditions are seldom reversible.⁵

⁵ Among the few exceptions is the disease implication of geography, such as malaria, that could be mitigated by for instance undertaking appropriate preventive policy action in malaria-prone geographical regions. Indeed, using a variant of the [Nunn \(2008\)](#) model, [Bhattacharyya \(2009\)](#) finds that malaria, and not the slave trade as observed by Nunn, is the most important factor explaining Africa's long-term development.

The main thesis of the Growth Project is that policies matter for growth in Africa, despite the initial conditions.⁶ The project defines the following ‘policy syndromes’ as detrimental to growth: ‘state controls’, ‘adverse redistribution’, ‘suboptimal inter-temporal resource allocation’ and ‘state breakdown’, with the absence of all of the above syndromes referred to as ‘SF’.⁷ Discussed briefly below are these policy syndromes, including their half-decadal evolution during 1960–2000 (Table 2).

3.1 State controls

A country in a given year was classified as having ‘state controls’, if the government was judged to have ‘heavily distorted major economic markets (labour, finance, domestic and international trade, and production) in service of state-led and inward-looking development strategies’ (Fosu and O’Connell, 2006, p. 38). During the immediate post-independent period in the late 1950s through the mid-1960s, a major reigning development paradigm was Fabian socialism that involved strong reliance on government as the main agent of development. The choice of this mode of development was usually justified on the basis of limited markets and private capital. Another rationale, however, was apparently that the leaders of the newly created African nations were determined to free their respective economies from the existing colonial arrangement that often had these countries supplying primary products in exchange for

⁶ See Footnote 1 for further details.

⁷ Much of the present section derives from Fosu (2008a) that presents a number of case studies to illustrate each syndrome and the SF regime. The definitions of the regimes, provided below, form the basis for the classification of each country-year into one or more of the categories by the editorial committee of the Growth Project. ‘The first stage of this exercise was undertaken by Jean-Paul Azam, Robert Bates, Paul Collier, Augustin Fosu, Jan Gunning, Benno Ndulu and Stephen O’Connell in August 2003, based on the draft versions of the country cases The classification was assessed by country authors at a conference held in November 2003 and refined in response to their comments. In August 2004, the editorial committee undertook a similar judgemental exercise to extend the sample to most of Africa’ Fosu (2008a, Footnote 1). Collier and O’Connell (2008, chapter 2) presents the full classification. Note that ‘classification is based on policies, not growth outcomes’ (Fosu and O’Connell, 2006, p. 37). For example, although Sudan grew rather rapidly in the late 1990s, it was not categorised during this period as ‘SF’ but instead as ‘state breakdown’. Conversely, Malawi was designated ‘SF’ throughout the post-independence period, yet it stagnated in the 1980s, and so did Cote d’Ivoire in the early 1980s, despite its SF classification during that period.

Table 2: Evolution of Policy Syndromes in SSA (Half-Decadal Relative Frequencies)

Period	SF	Controls	Redistribution	Inter-temporal	State breakdown
1960–65	0.465	0.334	0.128	0.000	0.073
1966–70	0.373	0.323	0.194	0.009	0.100
1971–75	0.193	0.408	0.237	0.120	0.042
1976–80	0.106	0.432	0.245	0.149	0.068
1981–85	0.097	0.442	0.255	0.145	0.061
1986–90	0.149	0.381	0.276	0.118	0.076
1991–95	0.357	0.216	0.191	0.056	0.181
1996–00	0.435	0.147	0.176	0.039	0.203
1960–2000	0.272	0.335	0.213	0.080	0.101

Notes: Computed from 47 African countries. All syndrome-free (SF) classifications are defined in the text. The relative frequencies have been adjusted here to sum to 1.0 for each period, as multiple syndromes for a given country-year could occur.

Source: Fosu and Aryeetey (2009), with permission. [for source of the raw data, see Ndulu *et al.* (2008a,b)].

manufactures from their ‘colonial masters’.⁸ Many African governments, therefore, opted for the inward-looking, import-substitution, state-led development strategy.

The above strategy often entailed the use of controls to allocate scarce resources, resulting in the usual economic inefficiencies including rent-seeking activities. Thus, we should expect such controls to negatively impact TFP and hence growth.⁹ Although the relative frequency of this syndrome during 1960–2000 averaged about a third, it has been less than uniform over the period (Table 2). The relative frequency of state controls exceeded 30% in the early 1960s, reached a half-decadal peak in excess of 40% during the early 1980s, but ebbed considerably thereafter, representing only about 15% by the late 1990s (Table 2), likely in response to the World Bank-orchestrated structural adjustment reforms undertaken in many African countries (Fosu, 2008a).

⁸ African leaders were also influenced by the school of thought at that time, informed by particularly the Prebisch and Singer hypothesis, that industrialisation through manufactures was a more potent modality for development.

⁹ Whereas controls were pervasive in nearly all markets, the fixed exchange rate regime of the external sector was especially noteworthy. This policy often resulted in overvaluation of the domestic currency in most African countries, constituting a major deterrent to growth (e.g., Ghura and Grennes, 1993). The control policy also tended to introduce an urban bias that tended to subsidise urban dwellers at the expense of production incentives for rural producers of cash crops (Bates, 1981).

3.2 Adverse redistribution

‘Adverse redistribution’ refers to a situation, where redistributive policies favour the constituencies of the respective government leaders, usually regional in nature and with ethnic undertones, resulting in polarisation (Fosu and O’Connell, 2006).¹⁰ Such policies would often breed inefficient resource allocation via public investments. There are many examples among African countries of disproportionately huge public allocations of public goods or services in the constituencies of public officials, even though such investments could not be justified on the basis of the relative value of the marginal product.¹¹

Also classified under this syndrome is the case of downright looting, such as the regimes of Mobutu in the Democratic Republic of the Congo (1973–97), Idi Amin in Uganda (1971–79) and Sani Abacha in Nigeria (1993–98) (Collier and O’Connell, 2008, Table 2.A.2). Moreover, adverse redistribution is likely to undermine efficient resource mobilisation, as it tends to attenuate the propensity to pay taxes (Kimenyi, 2006). Indeed, the polarisation engendered by this syndrome could lead to open conflict and state breakdown.¹²

As apparent from the above discussion, by breeding economic inefficiency the redistributive syndrome is likely to adversely affect growth primarily through TFP. The syndrome’s relative frequency increased steadily right from the time of independence, and it was not until about the early 1990s that it began to reverse course (Fosu, 2008a, Figures 3.1 and 3.2; Table 2, this paper). During 1960–2000, the redistributive syndrome constituted about 21% of the country-years (Table 2).

¹⁰ It is important to stress, though, that redistribution need not be adverse, that is, if it promotes harmony. As Azam (1995) for instance argues, governments could use redistribution to buy peace, especially between the North and the South in many West African countries (e.g., Chad, Cote d’Ivoire, Ghana and Nigeria).

¹¹ African political history is replete with examples of redistributive policies partial towards certain ethnic groups such as favouring the Tutsis in Burundi during 1975–87 (Nkurunziza and Ngaruko, 2003), the Kalenjins in Kenya under President Arap Moi (Mwega and Ndungu, 2004), the Temnes in Sierra Leone by the All People’s Congress during 1969–90 (Davies, 2004) and the Kabeyes in Togo by President Eyadema in 1976–90 (Gouge and Evlo, 2004).

¹² See, for instance, the cases of Burundi (Nkurunziza and Ngaruko, 2003) and Sierra Leone (Davies, 2004).

3.3 Suboptimal inter-temporal resource allocation

‘Suboptimal inter-temporal resource allocation’ is a syndrome of revenue misallocation over time. It entails overspending in commodity booms and underspending during the subsequent busts (Fosu and O’Connell, 2006; Collier and O’Connell, 2008; Fosu, 2008a). Although a number of projects undertaken in African countries during booms might have been economically justifiable, there were also numerous projects that were either ill-advised or were overallocated resources relative to their absorptive capacities. Many of these projects were simply abandoned due to resulting fiscal difficulties when the booms ended; hence, their values of marginal product fell short of the potential. Bust periods would often be characterised by much larger output declines than would have been the case with more prudent inter-temporal revenue management. The misallocation would often, therefore, result in inefficient overinvestment and as a decline in TFP.¹³

The relative incidence of this syndrome was rather small, though, representing only about 10% of the country-years during 1960–2000. It was quite minimal in the immediate post-independence period, but then began increasing in the early 1970s, achieving a relatively high plateau as of the mid-1970s amidst commodity booms in many African countries and then fell starting from the latter part of the 1980s (Fosu, 2008a, Figures 3.1 and 3.2; Table 2, this paper).

3.4 State breakdown/failure

‘State breakdown/failure’ refers mainly to open warfare, such as civil wars, and also to acute elite political instability involving coups d’état that result in a breakdown of law and order (Fosu and O’Connell, 2006).¹⁴ In addition to causing tolls in human suffering, state breakdown tends to generate major interruptions in production and distribution, and in inefficient reallocation of resources from the productive and social sectors into the

¹³ Examples of this scenario abound, including cases of: Nigeria in the late 1970s to early 1980s, Cameroon in the 1980s and early 1990s and Zambia in the 1970s and 1980s (see Appendix A).

¹⁴ Most of the classifications of state breakdowns involved civil wars, which have indeed been found to be growth inhibiting (e.g., Collier, 1999; Gyimah-Brempong and Corley, 2005). However, many studies have also uncovered adverse effects of the incidence of coups d’état on growth in Africa (e.g., Gyimah-Brempong and Traynor, 1999; Fosu, 2003, 2002, 1992).

non-productive military sector. Hence, although it can reduce investment as well, this syndrome is likely to particularly exert deleterious impacts on TFP.

State breakdown constituted about 10% of the country-years during 1960–2000, a rate that is considerably lower than that of state controls (33%) or adverse redistribution (21%), although about the same as that for suboptimal inter-temporal resource allocation (Table 2). Despite general belief, moreover, state breakdown in terms of civil wars has historically been rather rare in Africa generally, that is, until more recently in the 1990s when its relative frequency increased to 20% of the country-years, from about 5% in the 1970s (Table 2). In spite of this syndrome's historically low frequency, however, its impact can be quite large.¹⁵

As apparent from the above characterisation, the policy syndromes are likely to be inter-connected. For example, adverse redistribution could lead to increased polarisation, conflict and state breakdown. Similarly, the existence of state controls would create opportunities for rent-seeking and adverse redistribution in favour of individuals who are politically or ethnically connected. And, under suboptimal inter-temporal resource allocation, commodity busts resulting in shrunk revenues might lead to adverse redistribution. Many specific country examples are provided in Fosu (2008a) to demonstrate this inter-connectedness among the syndromes. The following case for Togo is particularly telling (Fosu, 2008a, p. 147):

There was substantial regional redistribution in favor of the Kabyles, President Gnassingbe Eyadema's ethnic group . . . financed initially from revenue windfalls from phosphate and the coffee boom of the late 1970s. Even in response to the structural adjustment program (SAP) begun in the mid-1980s when retrenching of the public sector was in effect, the Kabyles are believed to have retained the lion's share of desirable employment. While such a strategy likely shored up President Eyadema's political base, it fanned inter-ethnic polarization, which may have subsequently contributed to acute political instability in the early 1990s, with major demonstrations and strikes.

Indeed, it is likely that in a state breakdown regime, most of the other syndromes would be present as well, for rules of efficient resource allocation tend to break down. Thus, this policy syndrome is most probably the ultimate in terms of severity, as already alluded to. It is also apparent from the above discussion that commodity price fluctuations and natural

¹⁵ The impact of state breakdown on Africa's per capita annual GDP growth is estimated to be as much as 2.6% points (Fosu and O'Connell, 2006, Table 7). This estimate is only slightly larger than the 2.2% point estimate obtained for civil wars by Collier (1999).

resources availability played a pivotal role in the genesis of the policy syndromes, although such outcomes would not necessarily be inevitable under appropriate policy settings and institutional set-ups. Strong institutions should blunt the occurrence of these policy syndromes,¹⁶ as they entail high-quality ‘rules of the game’ involved in resource allocation, thereby efficiently and equitably allocating resource revenues inter-temporally and thereby obviating the policy syndromes.

The conceptual correlation among syndromes, furthermore, suggests that including them separately in a regression equation might not yield precise estimation of their independent effects (see Fosu and O’Connell, 2006). Therefore, focussing on the complement of the union of the syndromes—the SF regime—is the more appropriate empirical treatment. From an institutional development perspective, furthermore, SF should constitute a form of ‘sufficient statistic’, so that focussing decisions on maximising it, regardless of what the underlying syndromes are, would constitute the relatively efficient strategy. Thus, I turn next to the discussion of SF.

3.5 The SF regime

A country-year is considered ‘SF’ if none of the above syndromes is present. That would be a regime with a combination of political stability and reasonably market-friendly policies (Fosu and O’Connell, 2006). Quite interestingly, at more than one-quarter of the country-years, the frequency of SF was rather large in 1960–2000, and higher than that of any of the policy syndromes except the regulatory (Table 2). Indeed, in the immediate post-independence period of 1960–65, the relative frequency of SF was at about 50%. The prevalence of SF, however, began to wane starting in the latter 1960s, especially in the 1970s when state controls and other syndromes became dominant. The downward trend continued until roughly the mid-1980s when it reversed course. The upward trend actually accelerated in the 1990s, most likely as a result of the World Bank- and International Monetary Fund-championed market-oriented reforms (Fosu, 2008a).

Most African countries have undergone substantial economic and political reforms since the early 1990s. The relative frequency of state controls has, for instance, fallen from its peak of over 50% in the early 1980s to just 15% by the dawn of the millennium (Fosu and O’Connell, 2006). The incidence of adverse redistribution has also declined to approximately 20% by 2000 from its maximum of about 30% in the late 1980s.

¹⁶ For a most recent analysis on this subject of the ‘resource curse’, see Arezki *et al.* (2011).

As observed above, the only syndrome that has shown an upward trend recently is the state breakdown. In contrast, SF reached the nadir of its frequency of about 10% in the early 1980s, and by 2000, the relative frequency of SF had skyrocketed to 45%, nearing the rate prevailing in the immediate post-independence era.

Fosu and O’Connell (2006) find for the 1960–2000 sample period that being SF was a necessary condition for sustainable growth and a near-sufficient condition for preventing a growth collapse. The authors further estimate a 2% point increase in per capita annual growth attributable to SF (Fosu and O’Connell, 2006, Table 6). This estimate represents nearly twice Africa’s growth gap with the rest of the world during 1960–2000, about a third of its gap with East Asia and Pacific and more than the gap with South Asia (Fosu and O’Connell, 2006).

4. Modelling the effects of SF and institutions/governance through TFP

Further explored in the present study is the role of the SF regime in explaining the economic growth of African economies. Given the above discussion that the effect of SF is likely to be primarily via TFP, Figure 2 presents superimposed graphs of SF and TFP growth using 5-year averages over 1960–2000. It is interesting that these two graphs move rather closely together. Coupled with the above observation that GDP growth was most closely related with TFP, rather than with the production inputs as

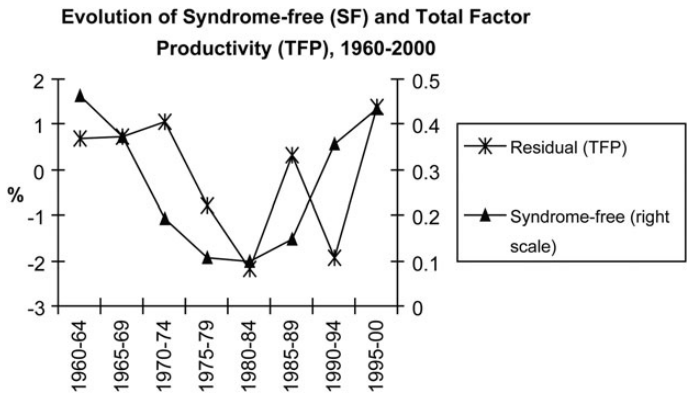


Figure 2: Source: Based on Data from Tables 1 and 2.

shown in Figure 1, for instance, Figure 2 suggests a high inter-temporal co-movement between SF and growth.

We now employ an augmented production function approach to quantitatively investigate the channels by which SF may have influenced growth: via production factor inputs versus TFP. This approach differs from those of Collier and O'Connell (2008) and Fosu and O'Connell (2006), both of which use essentially reduced-form models that controlled for shocks and geographical endowment,¹⁷ and could not isolate the productivity effect. Moreover, I employ herein a 5-year, rather than annual, panel in an attempt to capture the long-term impact of SF. Also examined is the importance of governance in the growth equation.

As preliminary evidence on the role of SF in growth, pair-wise zero-order correlation coefficients between SF, on the one hand, and per capita GDP growth and its sources, on other hand, are computed using the country data from Appendix A. These respective correlation coefficients for growth, physical capital, education and TFP (with the absolute values of the t ratio in parentheses) are 0.305 (3.92), 0.102 (1.25), -0.210 (2.63) and 0.295 (3.77). Thus, SF is strongly positively correlated with per capita growth, and TFP is weakly positively correlated with physical capital accumulation and, perhaps surprisingly, negatively correlated with education.

To further examine the channel by which SF affects growth, I postulate as the starting point a simple Cobb–Douglas production function:

$$Q = AL^bK^c, \quad (1)$$

where Q is output, L , labour and K , capital, and A , b , and c are the respective parameters. The growth version of equation (1) is

$$q = a + bl + ck, \quad (2)$$

where q , l and k are the growth rates of output, labour and capital, respectively, and a , b and c are the respective estimable parameters.

Equation (2) is the classical production function, an augmented version of which has been estimated in many studies.¹⁸ However, to more

¹⁷ Specifically, the controls in the Fosu–O'Connell model are 'partner growth', 'rainfall', 'coastal' and 'resource rich', and similar specifications are used in Collier and O'Connell (2008). However, these control variables seem inconsequential because accounting for them did not appear to appreciably affect the estimated coefficient of the SF variable (see, e.g., Fosu and O'Connell, 2006, Table 6).

¹⁸ The production function model has traditionally been estimated, alternatively to the Barro-type model, for example, in numerous studies to assess the effectiveness of

appropriately compare the current results with those of Fosu and O'Connell (2006), for instance, equation (2) is converted to per capita growth as follows:

$$y = a + (b-n)l + ck, \quad (3)$$

where y is per capita output growth; population is assumed to grow at the rate of nl , with n , the ratio of population to labour growth, greater (less) than unity if population grows faster (slower) than labour.

As the Hicks-neutral technological change measuring growth in TFP, parameter a may be especially susceptible to the policy-syndrome nature of the economy, as argued above. It has, furthermore, been observed within the sources-of-growth framework above that TFP appears to be a crucial source for the generally low growth of African economies since the 1960s.

Consistent with the above discussion, I hypothesise that SF would increase output growth by increasing TFP. For efficient policy-prescription purposes, we focus on SF, rather than the individual policy syndromes. In the final analysis, if SF has a positive effect on growth, for instance, the salient issue is what the policy instruments are that could increase it, regardless of what syndromes are being affected by such instruments, especially if any of these syndromes are (negatively) inter-correlated. Although estimating the independent effects of the syndromes (e.g., Fosu and O'Connell, 2006; Collier and O'Connell, 2008) might be of analytical interest, it would likely not shed much light policy wise on how to raise growth overall, unless the cumulative effects of the syndromes were estimated. Fortunately, assessing the SF impact is one way to obtain this overall impact of the policy syndromes.

In addition to SF, we also hypothesise that institutions/governance would have implications for TFP and growth. First, 'good institutions/governance' should minimise the proliferation of the policy syndromes and hence augment SF. This is because the syndromes appear to be spawned by government action. Second, institutions/governance could have an independent impact on TFP as well, if it led to policies other than those identified above. Hence, a in equation (3) may be expressed as follows:

$$a = a_1 + a_2f + a_3g + a_4x, \quad (4)$$

production factors, vis-à-vis, the role of productivity, on growth. See, for instance, Bosworth and Collins (2003) and also Fosu (2008b).

where f and g are the SF and institutions/governance variables, respectively, $\mathbf{x}$ is the vector of other variables, such as ethnic division and other fixed effects influencing TFP and a_1 , a_2 , a_3 and $\mathbf{a}_4$ are the respective coefficients. Combining equations (3) and (4), the model to be estimated may be specified as

$$y_{it} = a_1 + a_2 f_{it} + a_3 g_{it} + \mathbf{a}_4 \mathbf{x}_{it} + a_5 l_{it} + a_6 k_{it} + e_{it}, \quad (5)$$

where the subscripts i and t are the respective country and time indexes, f and g are the measures of the SF regime and institutions/governance, respectively, l and k are the respective growth rates of labour and capital and $\mathbf{x}$ is a vector of other control variables that might influence y ; the respective coefficients of the above variables are to be estimated; and e is the error term, whose i.i.d. properties are yet to be examined.

5. Estimation and results

Equation (5) and its constrained versions are estimated using 5-year panel data for 1960–2000, although subsequent instrumental variable (IV) estimation is also employed to provide estimates for the longer 1960–2004 period. The definitions and sources of all variables included in the regression are provided in Table 3. In particular, SFREE, the measure of SF, equals unity if a given country is SF for the whole 5-year observation period, zero otherwise.¹⁹ As discussed above, SF is the (good) policy variable, as the policy syndromes may be viewed as ‘bad’ policies, directly or indirectly. The institutions/governance variable is measured by XCONST, the degree of constraint on the executive, which is likely the most relevant institutions/governance variable in the present analysis. This is because much of the evolution of the policy syndromes, as discussed above, revolves around the ability of the executive branch of government to make decisions very much at will, with little restraint.²⁰

¹⁹ As explained above (Footnote 7), the classification of each syndrome was determined by an editorial committee, based on the country case studies written by individuals familiar with the political economy of each of the respective countries, using the above descriptions of the syndromes. Thus, if the evidence pointed to the existence of a given syndrome in a given country in a given year, a unitary value was assigned; zero was assigned otherwise. Hence, for this study, SFREE equals unity if and only if none of the syndromes exist during the 5-year observation period, zero otherwise.

²⁰ Also included is a measure of ethnic diversity that, a la Easterly and Levine (1997), is hypothesised here to negatively affect SF, independently or interactively with XCONST.

Table 3: Five-Year Unbalanced Panel Estimation, RE Results, 1960–2000

Dependent variable: GDPPCGA				
Var./Eqn.	(1)	(2)	(3)	(4)
INVEST	0.223 ^b (2.50)	0.126 ^a (2.75)	0.120 ^a (2.72)	—
LABOR	0.190 (0.59)	0.145 (0.45)	0.084 (0.28)	—
ETHDIV	—	−3.292 ^c (−1.95)	−2.044 (−1.23)	—
XCONST	—	0.365 ^b (2.06)	0.197 (1.10)	—
SFREE	—	—	2.294 ^a (4.88)	2.338 ^a (4.25)
CONSTANT	−1.955 (−1.54)	0.369 (0.25)	−0.566 (−0.39)	0.240 (0.49)
R ²	0.106	0.095	0.143	0.060
SEE	4.388	4.301	4.045	4.418
Sample size	281	259	259	308
Hausman	0.42 {0.81}	0.56 {0.91}	1.60 {0.81}	0.03 {0.85}

^aSignificant at 1% level (two-tailed).

^bSignificant at 5% level.

^cSignificant at 10% level.

Notes: **GDPPCGA**, per capita GDP annual growth (%) (source: [World Bank, 2008](#)); **INVEST**, investment share of GDP (%) (source: [Heston et al., 2004](#)); **LABOR**, annual growth average of total labour force (source: [World Bank, 2004](#)); **XCONST**, degree of executive constraints (range [0, 7]: equals 7 if ‘strict rules for governance’, 1 if ‘no one regulates the authority’ and 0 if ‘perfect incoherence’; source: Polity IV Dataset); **ETHDIV**, ethnic diversity (fractionalisation), with a higher value indicating greater diversity (source: [Fearon, 2003](#)); **SFREE**, SF dummy variable that equals 1 if the 5-year period is SF, 0 otherwise (source: compiled from raw data, AERC Growth Project, e.g., [Collier and O’Connell, 2008](#)); *t* ratios that are based on robust standard errors are in parentheses; *P*-values for the Hausman statistic, to test the validity of the random effects relative to the fixed effects, are in brackets. Maximum of 38 African countries.

Random-effects (RE) results are reported in Table 3 as essentially the basic models. The RE equations are selected over their fixed-effects counterparts based on the Hausman specification test statistics (see Table 3) which suggests that the RE estimates are not subject to country-effects endogeneity biases and are relatively efficient.

As to be expected, the effect of capital formation, measured by the investment share of GDP INVEST, is strongly positive and significant in all equations. In contrast, the estimated impact of the labour variable LABOR, although positive, is generally insignificant. This is not surprising because the coefficient equals $(b - n)$, the difference between the coefficient of labour growth in the original production function, b , and the ratio of population growth to labour growth, n . This coefficient cannot be signed generally; it would be zero if $b = n$, and greater (less) than zero if $b > n$

($b < n$). Thus, the faster (slower) population grows relative to the labour force, the more likely that the coefficient of labour would be negative (positive).

Consistent with the findings by Easterly and Levine (1997) for a global sample, the estimated effect of ethnic division, ETHDIV, on growth is negative and significant in the basic equation (see equation (2) of Table 3). Similarly, the institutional/governance variable, XCONST, has a positive impact on growth. When the SF variable, SFREE, is included in the model, however, neither ETHDIV nor XCONST is significant (equation (3), Table 3). Indeed, once SFREE is controlled, the XCONST impact is cut by nearly one-half, and with a considerable loss of precision. Similarly, the coefficient of ETHDIV has been reduced by about a third with SFREE's entry, and with its precision also substantially reduced. This outcome suggests that the effects of these two variables on growth might be channelled, in large part, through SFREE. Moreover, the coefficient of SFREE is positive and highly significant, and its value of 2.3 is remarkably comparable to the 2.0 estimate obtained in Fosu and O'Connell (2006), despite the difference in models.²¹ Thus, the prevalence of SF is estimated to raise per capita GDP growth by 2.3% points. This estimate is quite large, especially given the sample mean of per capita growth of only 0.8% during 1960–2000.

Note that whereas the coefficient of LABOR remains statistically insignificant, that of INVEST retains its strong significance at the 0.01 level. A 10% point increase in the investment ratio should increase per capita GDP growth by 1.2% points. Alternatively, computing the elasticity for INVEST at the means as 1.5, the investment effect is quite elastic: a 1.5% rise in per capita GDP growth would be expected to accompany a 1% increase in the investment ratio. Thus, consistent with findings by many other studies and with the above qualitative evidence, investment has been an important source of growth in Africa. As also observed above, however, TFP may have been even more consequential.

The SFREE effect, furthermore, appears invariant to the exclusion of LABOR and INVEST from the regression (compare for instance equations (3) and (4) of Table 3). Thus, the impact of SFREE appears to be primarily via TFP, rather than indirectly through the factors of production. This

²¹ As indicated above, the Fosu-O'Connell model is in reduced form with the following controls: 'partner growth', 'rainfall', 'coastal' and 'resource rich', whereas the current model is the augmented production function, where investment is a regressor, so that SFREE should reflect TFP.

finding, then, supports the above observation of an insignificant, albeit positive, zero-order correlation between SF and contributions by physical capital, on the one hand, and a highly significant positive correlation coefficient between SF and TFP, on the other hand. Such a result was not possible under the Fosu-O'Connell reduced-form model, for instance.²²

Further support for this TFP channel impact of SFREE is provided by examining the pair-wise zero-order correlation coefficients, where once again the correlation between SFREE and INVEST is weak, despite a significantly positive correlation between SFREE and growth (Appendix B, Table B2). Hence, there is now stronger evidence in support of the hypothesis that a dominant impact of TFP observed in the heretofore sources-of-growth analysis (see Table 1) could be attributed primarily to the prevalence, or absence thereof, of the policy syndromes.

5.1 Effect of institutions/governance

As observed above, the effects of ETHDIV and XCONST might be channelled through SFREE. That is, the nature of the institutional setting, as represented by ETHDIV and XCONST, can influence policy outcomes represented by SFREE. For example, ethnic diversity (fractionalisation),²³ if not appropriately managed by for instance XCONST, could lead to polarisation and create a pernicious 'political economy' environment that engenders the policy syndromes.²⁴ Such an economy would likely perpetuate controls that generate rent-seeking opportunities, which might in turn spawn adverse redistribution, suboptimal inter-temporal resource allocation and possibly even state breakdown, as discussed above. Thus, ETHDIV would exert a negative effect on SFREE.

Similarly, many of the policy syndromes could arguably be attributed to the unbridled powers of the executive in many African countries. Hence, improving institutions/governance by increasing XCONST, for instance, might be a way to limit the discretion of the executive for creating

²² Note that the model estimated in Fosu and O'Connell (2006) does not include investment or labour.

²³ Note that 'diversity' and 'division' are used interchangeably here, with both terms employed to indicate fractionalisation as implied in Easterly and Levine (1997).

²⁴ For example, Alesina and Drazen (1991) presents a 'wars-of-attrition' political economy framework explaining why growth-enhancing stabilisation is more likely to be delayed in a more ethnically heterogeneous society. Alternatively, one could envisage a situation of ethnically based 'it-is-our-turn' psychology.

the policy syndromes, in the first place.²⁵ XCONST could, furthermore, serve as an effective policy instrument to attenuate the pernicious effect of ETHDIV.²⁶

Thus, even though there appears to be no evidence for endogeneity in the above estimates according to the Hausman tests,²⁷ from a policy-prescription perspective, we could consider a structural model, where SFREE is treated as endogenous with respect to ETHDIV and XCONST. Given the observed deleterious effect of policy syndromes, an appropriate policy issue might be how to increase SFREE and growth through institutions/governance as measured by XCONST.

Tables 4 and 5 present results, where SFREE is treated endogenously. The two-step generalised methods of moments (GMM) results are presented in Table 4 using the following external instruments: ETHDIV, XCONST and PCWAR (post-Cold War dummy variable). The expected effects of the first two instruments have already been discussed above. In the case of PCWAR, this variable is expected to have a positive impact on SFREE due to the following rationale: (1) the allure of socialism had tarnished by 1990 with the breakup of the Soviet Union and (2) the Soviet Union was no longer a counterweight to Western fiscal assistance, compelling many African countries towards reform (e.g., Fosu, 2008a). Hence, the prevalence of SF should rise during the post-Cold War period.

The results shown in the first-stage equation (equation (1.1) of Table 4) clearly indicate that the above expectations about the coefficients of these

²⁵ For African countries, the strong role of the executive appears to have largely contributed to the prevalence of the syndromes (see Fosu, 2008a).

²⁶ Easterly (2001) and Collier (2000), for example, argue that good institutions can resolve ethnic conflicts. Easterly, for instance, uses Knack and Keefer's (1995) comprehensive measure of institutional quality, which combines: (a) freedom from government repudiation of contracts, (b) freedom from expropriation, (c) rule of law and (d) bureaucratic quality. XCONST is used in this paper instead of these other variables in part because the other measures began later in the 1970s or 1980s. Perhaps a more important rationale is that XCONST is more of a 'policy' instrument in terms of reflecting institutional quality than these others; for example, how does one achieve the above comprehensive measure of institutional quality that contains all of these components? Furthermore, as apparent from the above discussion, many African government executives tended to appropriate to themselves strong powers, bereft of checks and balances, in order to be able to precipitate the policy syndromes that benefited their respective constituencies, at least in the short run (see Ndulu *et al.*, 2008a). A way to curb this modus operandi would, therefore, entail appropriately increasing XCONST.

²⁷ Specifically, the Hausman test suggests that the omitted country fixed effects are not correlated with the included regressors.

Table 4: Five-Year Panel Estimation, GMM Results, with SFREE as Endogenous, 1960–2000

Stage 1 (SFREE instrumented)			Stage 2 Structural model: Dep. Var. = GDPPCGA	
Var./Eqn.	(1.1)	(2.1)	(1.2)	(2.2)
INVEST	0.005 (1.38)	0.006 (1.65)	0.085 ^a (2.38)	0.088 ^b (2.45)
LABOR	0.026 (1.01)	0.028 (1.05)	0.044 (0.16)	0.047 (0.17)
SFREE	—	—	3.109 ^b (2.30)	2.886 ^b (2.07)
ETHDIV	−0.533 ^a	−0.708 ^a (−4.85)	—	—
PCWAR	0.140 ^b (2.27)	0.148 ^b (2.41)	—	—
XCONST	0.057 ^a (3.44)	—	—	—
ETHXC	—	0.072 ^a (3.15)	—	—
CONSTANT	0.371 ^b (2.87)	0.493 ^b (3.88)	−1.094 (−1.36)	−1.089 (−1.35)
Centred <i>R</i> ²	0.152	0.145	0.120	0.123
SEE	0.426	0.428	4.050	4.044
Sample size	259	259	259	259
Hansen J	—	—	3.414 {0.19}	3.214 {0.20}

^aSignificant at 5% level.

^bSignificant at 1% level (two-tailed).

Notes: See Table 3 for definitions of variables and data sources; note additionally: ETHXC ETHDIV × XCONST; PCWAR, unity if sub-period is 1990–94 or after, zero otherwise; *t* ratios based on robust standard errors are in parentheses; *P*-values of the Hansen J statistic, to test the validity of the instruments, are in brackets.

three instruments are borne out. That is, the effects on SFREE of ETHDIV, XCONST and PCWAR are negative, positive and positive, respectively.

From a policy perspective, we next explore the extent to which XCONST may mitigate the pernicious effect of ETHDIV by including the interactive term involving these two variables, ETHXC, along with ETHDIV in the SFREE equation.²⁸ The results are presented in equation (2.1) of Table 4. The positive and highly significant coefficient of this variable, ETHXC, implies that XCONST reduces the negative effect of ETHDIV. For example, from equation (2.1), we have $-0.708\text{ETHDIV} + 0.072\text{ETHXC}$, so that the effect of ETHDIV on SFREE is estimated as zero when XCONST equals 9.8. This value, unfortunately, exceeds the upper limit of XCONST, which ranges from 0 to 7. The important point, though, is that governance, represented by XCONST, is capable of reducing the pernicious impact of ethnic division. At XCONST's upper limit of 7.0, for

²⁸ A specification that additionally included XCONST in the interactive equation was also estimated; however, there was a problem of severe multicollinearity.

Table 5: Five-Year Unbalanced Panel Estimation, IV Results, with SFREE as Endogenous (*Probit*), 1960–2004

Stage 1 (SFREE instrumented)			Stage 2 Structural model (Dep. Var. = GDPPCGA)	
Var./Eqn.	(1.1)	(2.1)	(1.2)	(2.2)
INVEST	—	—	0.125 ^a (3.16)	0.131 ^a (3.25)
LABOR	—	—	0.143 (0.70)	0.141 (0.69)
SFREE	—	—	4.414 ^a (3.11)	4.484 ^a (2.93)
ETHDIV	−0.525 ^a (−3.93)	−0.711 ^a (−4.96)	—	—
PCWAR	0.105 ^c (1.74)	0.109 ^c (1.81)	—	—
XCONST	0.059 ^a (3.97)	—	—	—
ETHXC	—	0.075 ^a (3.66)	—	—
CONSTANT	—	—	−2.357 ^a (−2.63)	−2.432 ^b (−2.60)
Pseudo- R^2	0.101	0.094	—	—
R^2	—	—	0.081	0.079
SEE	—	—	4.023	4.027
Sample size	301	301	299	299

^aSignificant at 1% level (two-tailed).^bSignificant at 5% level.^cSignificant at 10% level.

Notes: See Table 3 for definitions of variables and data sources; note additionally: ETHXC, ETHDIV × XCONST; PCWAR, unity if sub-period is 1990–94 or after, zero otherwise; *t* ratios based on robust standard errors are in parentheses; note that the sample size is extended to 2004, as SFREE can be estimated for the additional sub-period, 2001–2004; the coefficients at stage 1 are marginal effects.

instance, the effect of ETHDIV would be only −0.204, less than one-half of the −0.542 value based on the SSA minimum average of 2.3 reached during the ‘lost decade’ of the 1980s. Thus, although XCONST cannot completely eradicate the deleterious effect on ETHDIV, it can go a long way in mitigating it.

Also presented in equations (1.2) and (2.2) of Table 4 are the second-stage GMM estimated results, where SFREE is instrumented as shown in stage 1. Consistent with the previous random effects results (Table 3), the labour coefficient is small and insignificant. The investment effect, however, remains positive and significant.²⁹ More importantly for the purpose of the current paper, the coefficient of SFREE remains robustly

²⁹ Also estimated were models, where investment was endogenously specified. The results are similar to the present ones, although the coefficient of INVEST tends to increase in size, but decrease in statistical significance, when INVEST is endogenised. The robustness of SFREE, nonetheless, remains intact.

positive, with its size increasing slightly with endogenisation.³⁰ Furthermore, the Hansen J test, also reported in Table 4, fails to reject the null hypothesis that the instruments are valid, suggesting at least that we have reasonable instruments.

For robustness, Table 5 reports the IV results, where the instruments for SFREE are the external ones used in the above GMM estimation,³¹ that is, PCWAR, ETHDIV and XCONST in equation (1.1) and PCWAR, ETHDIV and ETHXC in equation (2.1). Both sets of estimates are based on the *probit*. The IV also allows us to extend the analysis to 2004 using the estimated values of SFREE. Interestingly, these results are similar to those of the GMM in Table 4. In particular, the coefficients of ETHDIV and XCONST are significantly negative and positive, respectively, whereas that of ETHXC is significantly positive.

Based on equation (2.1) of Table 5, the completely diversity-neutralising value of XCONST is estimated at 9.5,³² which is, remarkably, statistically indistinguishable from the 9.8 estimated under the GMM. Similarly, this current estimate is also not feasible, given the upper limit of 7.0 for XCONST. Nevertheless, at this upper limit, the estimated effect of ETHDIV is only -0.186 , once again less than one-half of the implied value of -0.542 at the average minimum XCONST value attained in the 1980s.

Equations (1.2) and (2.2) of Table 5 present the IV results from estimating the structural growth models. The current results are very similar to those of their GMM counterparts: the estimated effects of INVEST and SFREE are positive and highly significant, whereas that of labour is insignificant. The SFREE coefficient, moreover, is larger and slightly more significant in the current specification than in the GMM. These outcomes are likely attributable to the application of more focused instruments than in the case of the GMM that entailed the use of INVEST and LABOR as additional (internal) instruments, thus resulting in more precise estimation of

³⁰ These results are similar to those obtained in Collier and O'Connell (2008, Table 2.12), despite the fact that slightly different instruments are employed here. That study, based on annual data, also uses, *inter alia*, PCWAR and the conjunction of ETHDIV and a self-constructed variable measuring 'rule by fear'. Employing a more apparent governance variable like XCONST here allows further exploration of the extent to which institutional quality can realistically be used as a 'policy' instrument to mitigate the pernicious effects of ethnic division, for instance.

³¹ Note that as 2SLS, the GMM employs the remaining variables in the regression as instruments for SFREE.

³² That is, $0.711/0.075 = 9.5$.

SFREE in the current case.³³ The estimated coefficient of SFREE from the IV of about 4.5 suggests that in the absence of policy syndromes, per capita growth in African economies could have averaged 4.5% points higher, an amount that exceeds the growth deficits with all regions of the world.³⁴

6. Conclusion

The current paper has, first, presented strong evidence in favour of the hypothesis that the growth record of African economies over the last four decades or so can primarily be attributed to TFP. The productivity explanation is not, however, limited to the dismal growth experienced generally by these economies in the 1980s and early 1990s as observed by previous studies. Conversely, the recent growth resurgence as of the mid-1990s could reasonably be attributed to major improvements in TFP.

Second, the paper has applied the 'policy-syndrome' taxonomy to explain the observed growth. Based on half-decadal 1960–2000/2004 panel data for up to 38 African countries, it is estimated that being free of such syndromes could have added as much as 4.5% points annually to growth. This estimate exceeds the growth deficit with any region of the world since 1960. Thus, achieving a SF environment should represent a major policy objective.

Third, the paper finds that ethnic division (fractionalisation) reduces the probability of attaining SF, whereas governance/institutional quality, represented by the degree of constraint on the executive of government, XCONST, can enhance SF. Furthermore, XCONST helps to mitigate the pernicious effect of ethnicity. Thus, holding the executive in greater check appears to be an important antidote to the policy syndrome woes of many African countries.

A crucial issue, then, is how to accentuate XCONST. Recent research suggests, for instance, that increasing electoral competitiveness can enhance

³³ Other possible explanations might include the slight extension of the sample size by the use of the IV to estimate missing SFREE values for the additional 2001–2004 sub-period. In addition, the *probit* is used in the first stage of the IV estimation, whereas the linear probability was applied in the GMM. Nonetheless, restricting the sample to 1960–2000 or using the linear probability at the first stage of the IV produced similar results as those reported herein.

³⁴ The highest SSA per capita growth deficit for 1960–2000 was with East Asia and Pacific and is estimated at about 3.4% points (Ndulu and O'Connell, 2003).

growth in ‘advanced-level’ democracies in Africa (Fosu, 2008b).³⁵ If so, then future research should examine how this form of democracy, in particular, may be capable of accentuating XCONST.

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³⁵ Fosu (2008b) finds that democratisation beyond the threshold of approximately 4.4 for the indexes of electoral competitiveness (on a 1–7 scale, with 7 as the highest level of democracy) would raise GDP growth among African countries. It is noteworthy that currently, SSA as a whole has transcended this threshold (Fosu, 2008b).

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Appendix A

Table A1: Growth Accounting Decomposition, African Economies, 1960–2000

		1960–64	1965–69	1970–74	1975–79	1980–84	1985–89	1990–94	1995–2000	Total
Cameroon	Growth in real GDP per worker	1.39	−0.49	3.15	6.70	4.63	−2.04	−6.60	1.95	1.10
	Contribution of physical capital per worker	−0.19	0.75	1.43	2.25	3.52	1.78	−0.79	−0.79	0.98
	Contribution of education per worker	0.12	0.17	0.30	0.35	0.36	0.38	0.28	0.21	0.27
	Residual*	1.46	−1.40	1.42	4.11	0.76	−4.20	−6.09	2.54	−0.15
Cote d'Ivoire	Growth in real GDP per worker	6.99	3.20	3.02	4.56	−6.16	−0.77	−3.75	0.72	0.82
	Contribution of physical capital per worker	1.40	1.65	1.52	2.47	0.69	−1.21	−1.88	−0.81	0.43
	Contribution of education per worker	0.13	0.13	0.34	0.39	0.42	0.43	0.32	0.29	0.31
	Residual*	5.45	1.42	1.17	1.70	−7.27	0.01	−2.20	1.24	0.08
Ethiopia	Growth in real GDP per worker	2.72	1.68	1.71	−0.20	−0.55	−2.35	−0.14	2.96	0.73
	Contribution of physical capital per worker	3.23	2.32	0.88	−0.29	1.42	0.93	0.25	1.13	1.18
	Contribution of education per worker	0.05	0.05	0.11	0.13	0.27	0.31	0.28	0.28	0.19
	Residual*	−0.55	−0.68	0.73	−0.04	−2.25	−3.58	−0.67	1.55	−0.63
Ghana	Growth in real GDP per worker	0.62	−0.26	1.54	−3.74	−4.17	1.52	1.05	1.77	−0.18
	Contribution of physical capital per worker	1.90	0.65	−0.28	−0.06	−1.19	−1.28	0.05	1.17	0.10
	Contribution of education per worker	0.37	1.06	0.43	0.25	0.18	0.15	0.15	0.15	0.34
	Residual*	−1.64	−1.97	1.39	−3.92	−3.17	2.65	0.85	0.44	−0.62
Kenya	Growth in real GDP per worker	0.94	4.14	5.02	1.83	−1.05	2.02	−1.91	−0.94	1.21
	Contribution of physical capital per worker	−0.25	0.49	1.72	0.49	−0.52	−0.79	−0.66	−0.28	0.03
	Contribution of education per worker	0.26	0.38	0.30	0.69	0.33	0.35	0.36	0.29	0.37
	Residual*	0.93	3.26	2.99	0.64	−0.86	2.46	−1.60	−0.96	0.81
Madagascar	Growth in real GDP per worker	−0.51	1.34	−0.90	−0.84	−3.97	−0.06	−2.56	0.21	−0.89
	Contribution of physical capital per worker	−0.20	0.23	0.29	−0.19	−0.28	−0.29	−0.16	−0.57	−0.16
	Contribution of education per worker	0.05	0.05	0.19	0.23	0.35	0.38	0.31	0.30	0.24
	Residual*	−0.36	1.06	−1.38	−0.87	−4.04	−0.14	−2.71	0.48	−0.97
Malawi	Growth in real GDP per worker	0.33	5.11	3.59	2.96	−1.65	−0.97	−0.65	3.90	1.67
	Contribution of physical capital per worker	4.46	4.45	4.25	2.52	0.07	−0.90	−0.11	−1.29	1.54
	Contribution of education per worker	0.06	−0.02	0.24	0.13	0.24	0.18	0.20	0.39	0.19
	Residual*	−4.19	0.67	−0.90	0.30	−1.96	−0.25	−0.74	4.80	−0.06
Mali	Growth in real GDP per worker	1.40	0.67	0.40	5.78	−2.94	−0.77	−0.96	2.74	0.82
	Contribution of physical capital per worker	0.71	0.68	0.31	0.26	0.01	0.02	0.27	−0.20	0.24
	Contribution of education per worker	0.02	0.05	0.11	0.13	0.09	0.08	0.08	0.10	0.08
	Residual*	0.67	−0.05	−0.02	5.39	−3.04	−0.87	−1.31	2.84	0.50
Mauritius	Growth in real GDP per worker	3.86	−1.88	3.42	4.04	−1.55	4.95	3.37	3.83	2.50
	Contribution of physical capital per worker	0.39	−0.40	−0.08	1.02	−0.27	0.63	1.02	0.95	0.42
	Contribution of education per worker	0.41	0.53	0.36	0.65	0.41	0.32	0.26	0.24	0.39
	Residual*	3.06	−2.01	3.14	2.37	−1.69	4.01	2.09	2.64	1.69

(continued on next page)

Table A1: *Continued*

		1960–64	1965–69	1970–74	1975–79	1980–84	1985–89	1990–94	1995–2000	Total
Mozambique	Growth in real GDP per worker	0.63	4.75	0.49	–6.56	–6.84	4.71	1.05	4.88	0.50
	Contribution of physical capital per worker	–0.44	0.19	1.04	–0.88	–0.69	0.05	0.14	1.06	0.10
	Contribution of education per worker	0.11	0.09	0.07	0.10	0.20	0.25	0.15	0.12	0.14
	Residual*	0.97	4.46	–0.63	–5.78	–6.35	4.41	0.76	3.70	0.26
Nigeria	Growth in real GDP per worker	1.95	–1.72	8.34	–0.87	–6.93	2.92	0.90	–0.02	0.52
	Contribution of physical capital per worker	1.25	1.36	3.18	3.94	0.62	–1.18	0.13	0.41	1.19
	Contribution of education per worker	0.10	0.10	0.08	0.07	0.43	0.52	0.53	0.53	0.31
	Residual*	0.59	–3.19	5.08	–4.87	–7.98	3.58	0.23	–0.96	–0.98
Rwanda	Growth in real GDP per worker	–6.76	4.89	–0.43	4.60	0.16	–0.37	–14.03	7.10	–0.26
	Contribution of physical capital per worker	–0.08	–0.01	0.83	1.95	2.13	2.04	1.53	–1.50	0.82
	Contribution of education per worker	0.10	0.12	0.28	0.25	0.13	0.19	0.23	0.18	0.19
	Residual*	–6.79	4.78	–1.54	2.40	–2.10	–2.60	–15.79	8.41	–1.27
Senegal	Growth in real GDP per worker	–0.24	–2.04	–0.03	0.67	–0.96	0.61	–1.18	2.38	–0.03
	Contribution of physical capital per worker	–0.46	–0.79	–0.26	–0.21	–0.25	–0.01	0.06	0.17	–0.20
	Contribution of education per worker	0.00	0.04	0.33	0.16	0.14	0.17	0.19	0.20	0.16
	Residual*	0.22	–1.29	–0.10	0.73	–0.84	0.44	–1.43	2.00	0.01
Sierra Leone	Growth in real GDP per worker	2.71	2.75	2.17	0.03	0.49	–0.36	–3.69	–7.37	–0.66
	Contribution of physical capital per worker	–0.09	1.02	0.39	–0.18	–0.07	–0.85	–0.33	–1.08	–0.17
	Contribution of education per worker	0.09	0.12	0.40	0.28	0.28	0.30	0.24	0.22	0.24
	Residual*	2.71	1.60	1.38	–0.07	0.27	0.19	–3.60	–6.51	–0.73
South Africa	Growth in real GDP per worker	3.46	3.75	3.32	–1.32	0.61	–1.72	–2.15	0.38	0.71
	Contribution of physical capital per worker	–0.09	0.84	1.31	1.02	0.61	–0.39	–0.51	–0.14	0.33
	Contribution of education per worker	–0.08	0.31	0.12	–0.18	0.58	0.28	0.52	0.43	0.26
	Residual*	3.63	2.60	1.89	–216	–0.58	–1.61	–2.17	0.09	0.12
Tanzania	Growth in real GDP per worker	2.20	3.31	2.57	–0.30	–2.16	0.92	–0.59	1.29	0.88
	Contribution of physical capital per worker	–0.85	–0.02	0.92	0.66	–0.02	–0.04	0.45	–0.26	0.12
	Contribution of education per worker	–0.19	–0.13	–0.08	0.02	0.21	0.16	0.10	0.14	0.04
	Residual*	3.25	3.46	1.72	–0.97	–2.34	0.80	–1.14	1.41	0.73
Uganda	Growth in real GDP per worker	2.18	0.09	–0.58	–5.84	1.16	0.56	2.82	4.22	0.63
	Contribution of physical capital per worker	1.10	1.63	1.08	–0.02	0.08	0.09	0.18	1.29	0.68
	Contribution of education per worker	0.13	0.21	0.11	0.20	0.16	0.59	0.30	0.21	0.24
	Residual*	0.95	–1.75	–1.77	–6.02	0.92	–0.12	2.34	2.71	–0.30
Zambia	Growth in real GDP per worker	0.96	0.97	1.59	–3.23	–2.07	–0.76	–4.05	–1.09	–1.01
	Contribution of physical capital per worker	–0.63	0.75	0.94	–0.61	–1.66	–2.03	–2.02	–1.55	–0.88
	Contribution of education per worker	0.26	0.23	0.32	0.55	0.24	0.14	0.59	0.28	0.33
	Residual*	1.33	–0.01	0.33	–3.17	–0.65	1.13	–2.63	0.18	–0.46
Zimbabwe	Growth in real GDP per worker	0.39	2.83	5.98	–4.60	1.56	0.53	0.02	–0.25	0.79
	Contribution of physical capital per worker	–1.06	–0.68	0.42	–0.07	–1.08	–0.73	0.78	0.06	–0.27
	Contribution of education per worker	0.25	0.23	0.25	0.23	0.56	1.25	0.53	0.31	0.45
	Residual*	1.20	3.29	5.31	–4.76	2.07	0.01	–1.29	–0.61	0.61

Source: Fosu and Aryeetey (2009), with permission. [Source of the data: Ndulu and O'Connell (2003)].

Appendix B

Table B1: Summary Statistics, 1960–2000

Variable	Mean	Standard deviation	Min	Max	<i>n</i>
GDPPCGA	0.82	4.55	−30.45	32.37	308
INVEST	10.34	7.41	1.18	49.68	340
LABOR	2.39	1.05	−4.32	9.25	356
XCONST	2.63	1.77	0	7	313
ETHDIV	0.71	0.19	0.18	0.95	336
SFREE	0.29	0.46	0	1	376
PCWAR	0.25	0.43	0	1	376

Notes: See notes to Table 3 of text for variable definitions and data sources.

Table B2: Correlogram of Variables, 1960–2000

	GDPPCGA	INVESTMENT	LABOR	XCONST	ETHDIV	SFREE	PCWAR
GDPPCGA	1.000						
INVEST	0.225	1.000					
LABOR	0.039	1.015	1.000				
XCONST	0.171	1.108	0.079	1.000			
ETHDIV	−0.165	−0.064	0.016	−0.019	1.000		
SFREE	0.299	0.095	0.082	0.262	−0.244	1.000	
PCWAR	−0.082	−0.152	0.086	0.184	0.000	0.175	1.000

Notes: See notes to Table 3 of the text for variable definitions and data sources.