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SOCIAL UNDERDEVELOPMENT IN SUB-SAHARAN AFRICA

by

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B.S. Southern Oregon University, 2002

A thesis submitted in partial fulfillment of the requirements
for the degree of Master of Arts
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in the College of Arts and Sciences
at the University of Central Florida
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ABSTRACT

For the past thirty years Africa has produced a more noticeably inferior reserve of human capital than other developing regions. This is puzzling because at the inception of independence, the future of Africa looked promising. However, during the 1970s both the political and economic situation in Africa began to deteriorate, and since 1980, the aggregate per capita GDP in sub-Saharan Africa has declined at almost one percent per fiscal year. Thirty-two countries are poorer now than they were twenty years ago, and sub-Saharan Africa is now the lowest-income region in the world despite the fact that during the last two decades Africa has attracted more aid per capita than other developing regions. I hypothesize that focusing primarily on economic growth as the primary means of development has undermined and deterred social development in sub-Saharan Africa. I believe that as foreign investment and debt increase, social development stagnates and even declines. I argue that because of the focus on economics and lack of focus on social and cultural considerations sustained economic growth has been devitalized in sub-Saharan Africa. For this research I employed time-series, cross-sectional regression analysis to test the relative importance of the economic development model on social development in sub-Saharan Africa. My analysis of the forty-eight countries over thirty years gives leverage to the critique of economic growth centered development policies.

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INTRODUCTION

Sub-Saharan Underdevelopment

For the past thirty years Africa has produced a more noticeably inferior reserve of human capital than other developing regions. This is puzzling because at the inception of independence, the future of Africa looked promising. Angus Maddison's 1995 study found that during the first half of the twentieth century Africa was growing more rapidly than Asia, and during the transition from colonialism to independence that growth rate continued to increase. However, during the 1970s both the political and economic situation in Africa began to deteriorate, and since 1980, the aggregate per capita GDP in sub-Saharan Africa has declined at almost one percent per fiscal year. Thirty-two countries are poorer now than they were twenty years ago, and sub-Saharan Africa is now the lowest-income region in the world despite the fact that during the last two decades Africa has attracted more aid per capita than other developing regions.

The main development theories – modernization, dependency, and world-systems – focus on economic performance, growth, and stability with social development discussed as an effect rather than a cause or at least a mitigating factor in the overall sustainability of development. This focus on economics in theory has been mirrored by the focus on economics in development programs and policies. The development policies implemented in African states since the 1950s have focused on development through economic growth, primarily through industrialization-focused investment by core states, as defined by Wallerstein (1974). My argument is the lending and investing of foreign

capital in developing states for the purpose of industrialization and liberalization of trade has taken precedence over all other forms of development assistance and undermined social development which in turn has prohibited sustainable economic growth.

I hypothesize that focusing primarily on economic growth as the primary means of development has undermined and deterred social development in sub-Saharan Africa. I believe that as foreign investment and debt increase, social development stagnates and even declines. I argue that because of the focus on economics and lack of focus on social and cultural considerations sustained economic growth is being devitalized. Current development policies, which focus primarily on economic growth without also focusing on equitable social development, cannot produce sustainable economic development because the societies where these policies are implemented are faced with subsistence level survival. This creates conditions for social volatility, insecurity and conflict resulting in unsustainable development at all levels. Economic growth alone cannot address these social issues. Development of social programs, such as education and health care, on the other hand, would help ensure social development, and sustainable economic development would follow.

Recent debates in the development literature consider the endogenous versus exogenous factors that contribute to development: geographic characteristics, demographic characteristics, ethno-linguistic diversity, colonial heritage, domestic policy, and foreign policy. Researchers such as Anangwe (2002), Dorkin (2002), Loungani (2001), Sachs (1998), and Stiglitz (2001) have discussed the economics of development with references to demography, diversity, colonialism, and domestic and

foreign trade and debt. Researchers such as Collier (1999), Sender (1999), Boafo-Arthur (1999), and Pattnayak (1996) have discussed the socio-political and socio-economic aspects of development with references to geography, demography, diversity, colonialism, and domestic and foreign policy. And, researchers such as Mair (2002), Reyes (1999), and Tures (1999) have discussed the theories of development with regard to socio-cultural and historical aspects of development. My thesis is informed by each of these research areas and compares and contrasts their various perspectives while attempting to apply their research to the social development condition of sub-Saharan Africa.

For the purposes of this study, I have borrowed Giovanni Reyes's definition of development: "A social condition within a state in which the needs of its population are met by rational and sustainable use of natural resources and social systems, and social groups have access to governmental organizations and basic services, such as housing, education, health care, sanitation, employment and nutrition (Reyes 1999)." I focus on the question: Is variation in foreign investment and debt associated with variation in social development? I argue that where a stagnation or decline in social development is evident it is directly related to the core states focus on economics in development policy and their lack of concern for social and cultural development issues. I believe that the economic development policies implemented in order to transform the countries of sub-Saharan Africa into modern, industrial societies have failed. I argue that this failure may be directly linked to the policy's primary focus on economic development programs and its subsequent lack of focus on social development programs. And, if future development

policy is structured toward the development of social structures, sustainable economic development will follow without further increasing the levels of poverty, inequality, and conflict in developing states.

In the first chapter I discuss the current development issues faced by the countries of sub-Saharan Africa and the differing theoretical frameworks in which development policies and programs have been constructed. In Chapter Two, I construct a model to test the effect of the current economic model for development on the present crisis of social development in sub-Saharan Africa. I also discuss the results of the tests that I ran and discuss the way those results fit into my critique of the current development policies being implemented in sub-Saharan Africa. In Chapter Three, I conclude my research with a discussion of my findings, the possible implications these findings could have for emergent development policy, and suggestions for further research that could extend my hypothesis into a development model for generating sustainable economic and social development in sub-Saharan Africa.

Literature Review

A country's most important resource is its people. J.L. Simon (1981) called people the ultimate resource, requiring improved education, health care, and nutrition. Social ills such as limited access to health and education services are significant factors determining a society's development, as well as its level of vulnerability to crises such as drought, famine, disease, and war. The United Nation's Division for Social Policy and Development has reported that recent history clearly shows that a reorientation of

economic policy explicitly to target social development, especially focusing on health and education services, is needed in both industrialized and developing countries in order to reduce persistent poverty and social vulnerability and create a sustainable level of economic, political, and social development. According to sustainable development specialists, the development policies of the twentieth century need to be reconstructed to guard against premature liberalization and misguided policy reforms, which, in the absence of appropriate institutions and productive capacity, frequently serve to worsen social and economic conditions in developing countries. (UNDSPD 2003)

In Africa, Asia, and Latin America, established social relations and institutions came under severe strain during the last half of the twentieth century as most countries outside Europe and the United States became what Eric Wolf called "dependent zones of support" in a global capitalist supranational system. Since World War II, state structures have been the topic of intense debate over how developing societies should deal with integration into the larger world economy. The struggles are not simply over foreign economic policy but are, more fundamentally, about the very essence of how these societies are and should be constructed – their norms and rules, regulations and laws, and symbols and values (Eric R. Wolf, European the People Without History, 1982, p. 296). This is especially true for sub-Saharan Africa, which has become the outer periphery of the world economy, as well as the poorest continental region of the world and similarly marginal politically. The region experienced the fastest growth of value added industry until 1973, and it has been the slowest growing since then and even declined during the 1980s (Benneh, Morgan, & Uitto 1996).

In 1980, the number of African low-income countries (under $700 GNP per capita) was eighteen. In 1995, it had gone up to 27 or half of those listed in this category (World Development Report 1995: 162). The United Nations Division for Social Policy and Development has listed 34 of the 48 sub-Saharan African countries as being among the least developed countries in the world – Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zaire (the Democratic Republic of the Congo), and Zambia (United Nations 2003). The specific geographic and demographic characteristics affecting economic growth in Africa have been identified as social concerns such as low life expectancy, high fertility, low population density, high costs of transportation, high ethno-linguistic diversity; agricultural concerns such as soil quality, semi-arid climate, unpredictable and long rain fall cycles; dependency on natural resources; and colonial heritage. In smaller countries these characteristics have more of an effect on economic growth, particularly in terms of population density, investment risks, and opportunities for technological innovation (Collier and Gunning 1999).

Social development theorists assert that four distinctly different levels or types of mechanisms serve to set the stage for sustainable social, economic, and political development: social aspirations, government authority, social-cultural structure, and social knowledge in the form of science, technology, and productive skills. The primary

instruments of development are the acquisition and implementation of technology, accumulation of capital, expansion of infrastructure, and creation of social policies and institutions. Economic theorists generally argue that this development occurs when productivity rises, enabling people to produce more, earn more, and consume more. And, individuals, in order to consume more, have to have the opportunity and motivation to learn new skills, adapt to new work processes, and adopt new technology. However, Jacobs and Cleveland (1999) argued that development activities, policies, strategies, programs and results are limited in function to a specific context and circumstance. They found that goal determination by societies and individuals is determined by a societies needs and values. In the hierarchy of needs, physical survival, security, and comfort are primary. Social and intellectual needs become important once the basic physical needs are met. As society prospers, the vital urge for excitement, enjoyment, adventure, changing experience, and self-expression become more important determinants. Therefore, Jacobs' and Cleveland's, finding was that any assessment of development must always take into consideration cultural values, physical security, social beliefs, and political structures; and development policy should always be determined by first considering the socio-cultural needs of a country and then by evaluating the political and economic situation within the country (Jacobs and Cleveland 1999). A few social theorists have also noted that four critical elements have played a vital role in influencing the directions of the economic, political, and social development of Africa: (a) the Neo-classical ideas of development, (b) the structuralist view of adequate distribution of income, (c) the Neo-Marxist ideas of a grand universal Marxist paradigm of

development, and (d) the ideology of the various "isms" such as Pan Africanism, African socialism, communism, and laissez-faire capitalism (Yafru 2002).

For the last fifty years the majority of development policy and development aid has been primarily concerned with the economic progress of states, and has often marginalized the powerful influence that sociology, anthropology, history, politics, and ideology have over societies and their effect on development. Economic development, as it is commonly understood, became an object of interest to academia in the 1930s when, prompted by Colin Clark's 1939 quantitative study, Western economists began realizing that most of humankind did not live in an advanced capitalist economic system. However, the great early concern was still Europe: namely, postwar European reconstruction and the industrialization of its eastern periphery. It was only some time after World War II that economists really began turning their concerns toward the developing countries of Asia, Africa and Latin America.

Early development theory, rising out of the decolonization process of the 1960s and 1970s, equated "development" with economic growth and industrialization and focused on the analysis of economic growth and the institutions that could induce, sustain, and accelerate economic growth. As a result, Latin American, Asian, and African countries were seen mostly as "underdeveloped" countries, i.e. "primitive" versions of European states; whose primary goal should be to "develop" the institutions and standards of living of Europe and North America.

Development economists took on the role of suggesting economic policies that would create "short-cuts" that would create the conditions thought necessary for the

underdeveloped countries to "catch-up" with the more developed countries. Theorists who equated development with output growth, such as Ragnar Nurkse (1952) identified capital formation as the crucial component for accelerated development. Other theorists suggested government-directed trade (Rosenstein-Rodan 1943), socio-economic engineering (Hans W. Singer and Gunnar Myrdal 1978), and international trade (Hla Myint, Gottfried Haberler, and Jacob Viner 1979) as the catalysts for growth. Some theorists, such as T. W. Schultz (1979) emphasized the need for "human capital" formation, as opposed to physical capital accumulation and focused on education and occupational training as pre-requisites for growth. W. Arthur Lewis and Hans W. Singer (1975) argued that social development as a whole, notably health and education services, that is improving human capital, was also a necessary pre-requisite for growth. According to these theorists industrialization, if it came at the cost of social development, could never reach a sustainable level. Dudley Seers (1969) argued that development was a social phenomenon that involved more than increasing per capita output. Among these more sociologically centered economic theorists development began to be defined as eliminating poverty, unemployment, and inequality, as well as creating economic growth and political stability. Structural issues such as dualism, population growth, inequality, urbanization, agricultural transformation, education, health, unemployment, etc. all began to be reviewed on their own merits, and not merely as appendages to an underlying growth thesis.

From this concept Raul Prebisch (1980) formulated the "dependency" theory of economic development, wherein he argued that the world had developed into a "center-

periphery" relationship among states, where the underdeveloped world was regressing into simply producers of raw materials for developed world manufacturers and were thus condemned to a peripheral and dependent role in the global economic system. Some degree of protectionism in trade is believed to be necessary for these countries to reach a level of sustainable development. Import-substitution, enabled by protection and government policy, rather than trade and export-orientation, has been suggested as the preferred strategy for growth. Nitze's recent study found that those states that have achieved the most rapid and sustained growth in their exports have also experienced the greatest overall economic growth and prosperity (Nitze 1993). Analysts of dependency theory such as Andre Gundar Frank (1978), Samir Amin (1977), and Walter Rodney (1982) have raised and articulated the fundamental question of underdevelopment.

World systems theory (Wallerstein 1974) followed up where dependency theory left off in the development debate. World systems theorists argue that the behavior and experiences of the world system constituent geopolitical units depend fundamentally on features of the system as a whole (a capitalist world economy), which reflect transnational linkages. The modern world system is composed of three structural positions: core, semi-periphery, and periphery. These labels indicated an international division of labor in which the core is linked to the periphery, and to a lesser degree to the semi-periphery, in dynamic and exploitive ways. Core states are those which are the most economically diversified, wealthy, and powerful (economically and militarily). Semi-periphery states represent the middle line between the core and the periphery; they are states moving toward industrialization and a diversified economies. Periphery states are

the least economically diversified. They tend to depend on one type of economic activity (Kerbo 2000).

World Systems theorists point out that economists have generally assumed that states throughout the world follow similar patterns of economic development. Economic theory states that with some initial capital investment, states progress from pre-industrial agrarian societies to industrialization, in a consistent pattern of growth. They argue in response that the realities faced by today's undeveloped and developing societies in the semi-periphery and periphery are far different from those faced by the already developed states when they were in the process of economic development. Among these new realities are fewer natural resources, a much larger population, and a poorer climate. Most importantly, however, is the fact that the states that are developed economically today did not have other developed states to contend with in their early process of development. The result is that the periphery states today find it much more difficult to achieve economic development (Kerbo 2000).

Many periphery states (particularly in Africa and Latin America) that have extensive investment and aid from the core have less long-term economic growth than periphery states (particularly Asian) without such investment and aid. The states with aid generally show a pattern of growth for a limited time, usually about five years, from the aid; but in the long term their prospects for growth may actually be harmed by the kinds of outside aid and investment they receive (Kerbo 2000: 425). Some of the reasons that this aid has harmful effects is because it creates structural distortion in the periphery state's economy; instead of the harvesting of raw materials for internal growth, they are

harvested and shipped out with very little profit remaining in the state; political and economic power is split between the state and the external investors, multinational corporations split the power with the wealthy elite who are very interested in maintaining ties with the corporations, policies are created and enforced that keep them happy, including extensive tax breaks, exportation of the majority of the profits, and maintenance of ineffective labor laws and low wages for domestic workers; disruption of agricultural activities, introduction of capital-intensive methods of farming, technology, export-intensive agricorp investment, and exaggerated urbanization as the farm workers are forced to move into the cities to find work. Core influence on other states may be measured by the degree of foreign control over internal economic production, dependence on external markets, and the magnitude of foreign debt dependence in the economy (Kerbo 2000).

Economic development theory generally asserts that trade in financial assets benefits individual countries in ways paralleling trade in goods. Sach's (1998) theorizes that financial transactions allow two kinds of gains from trade: increased diversification of risk and inter-temporal gains. International economics is concerned with the trade and financial relations of state economies, and the effects of international trade and finance on the distribution of production, income, and wealth internationally and intranationally. State economies have become interdependent in four fundamental ways –through trade, finance, production, and a growing web of treaties and institutions. The increased trade linkages are clear: In almost every year since World War II, international trade has grown more rapidly than global production, resulting in a rising share of exports and imports in

the GDP of virtually every country. In the past 15 years, cross-border financial flows have grown even more rapidly than trade flows, foreign direct investment (in which foreign capital gains a controlling interest in a cross-border enterprise), in particular, has grown even more rapidly than overall capital flows (Sachs 1998).

Modern development economists argue that international capital flows should not be restricted; they benefit entrepreneurs and savers alike, with lower borrowing costs and greater returns. Evidence from Krol's study published in 2001 focused on forty-one industrialized and emerging economies during the 1970s and 1980s and confirmed that countries that allow international investment have higher levels of economic growth, productivity, and capital formation. This is assumed to be because the international flow of capital improves risk management, allowing increased consumption, improving financial-sector efficiency, and leading to greater overall market discipline. Unrestricted capital flows are also believed to have a stabilizing effect on financial markets. Policies restricting international investment are thought to deny a country these benefits, resulting in slower growth and reduced standards of living. According to this modern economic perspective, global capital markets should result in lower cost capital, increasing rates of investment, and overall economic growth. Greater financial-sector competition should result in enhanced risk management and improved use of capital. Open capital markets provide incentives for better government economic policymaking. Taken together, these developments should positively affect a country's overall standard of living (Krol 2001).

Many Third World governments adopted the language and policies of the neo-Marxist theorists, however, the policies these theories cultivated generally failed to

produce even short-term sustainable development. Neo-classical theorists began to argue that too much government intervention had created huge bureaucracies and extensive state regulations and inhibited private investment, distorting prices and making developing economies unbalanced and even more dependent. In response to these debates E.F. Schumacher, the author of *Small is Beautiful*, 1973, proposed an argument against the desirability of industrialization and extolling the merits of traditional economies. A very small segment of development theorists have followed his lead, deconstructing the concept of development and questioning who should be the determiner of a society's goals. The debate over the meaning and purpose of development continues.

Development in Africa

On the basis of Maddison's (1995) estimates of per capita GDP for a sample of countries, during the first half of the century Africa had grown considerably more rapidly than Asia; by 1950, the African sample had overtaken the Asian sample. In the 1950s there were uncertainties of political transition, but after 1960 Africa was increasingly free of colonialism, with the potential for governments that would be more responsive to domestic needs. During the period 1960-1973, growth in Africa was more rapid than in the first half of the century. However, during the 1970s both political ad economic matters in Africa deteriorated. Since 1980, aggregate per capita GDP in sub-Saharan Africa has declined at almost 1 percent per annum. The decline has been widespread: 32 countries are poorer now than in 1980. Today, sub-Saharan Africa is the lowest-income region in the world (Collier and Gunning 1999: 3-4).

The debate surrounding the causes of underdevelopment in sub-Saharan African countries has resulted in many different explanations. Generally, external influences have been held accountable for Africa's slow growth. During the 1980s, the World Bank, the International Monetary Fund, and bilateral donors identified exchange rate and trade policies as the primary causes of slow growth in Africa. African governments have argued that the crisis has been due to deteriorating and volatile terms of trade. Jeffrey Sachs and his co-authors have emphasized the fact that Africa's population is atypically landlocked and affected by adverse climate conditions, which cause poor health, reduced life expectancy, and create a disadvantage for development.

Recently, the focus of the development debate has shifted to include domestic causes of underdevelopment in sub-Saharan Africa, but the debate as to the relative importance of policy-induced and exogenous factors continues. Jeffrey Sachs and his co-authors have added the fact that African states are more ethnically diverse than other developing states to their list of the causes of slow-growth. Collier and Gunning (1999) emphasized domestic policy factors such as poor public service delivery. Also, African governments have typically been less democratic and more bureaucratic than their Asian and Latin American counterparts, which may negatively affect sustainable development (Collier and Gunning 1999).

Other aspects of the possible internal causes of slow growth in Sub-Saharan Africa are the enduring economic disparity and social inequity. According to World Bank estimates (World Bank 1990), Sub-Saharan Africa has the second highest proportion of poor people of major world regions and is forecast to become proportionately the world's

worst case by the year 2000. There is also evidence of a vicious cycle of population problems, producing mounting resource pressures and complicated by considerable migration, including strong rural-urban flows, migrant farmers and laborers, agricultural resettlement, pastoral nomads, and refugees from famine, warfare, and persecution. Despite high infant mortality rates, annual population growth rates of 3 percent or more in most Sub-Saharan countries pose one of the greatest challenges to economic development and resource management. However, many theorists have argued that these challenges may be overcome through improvement of education and health services. Social theorists have also suggested that these improvements will become even more difficult to provide due to rapid population growth and the increasing social and economic liabilities of an urbanization that has failed to trigger industrialization or to produce higher levels of economic development. According to these more socially centered development theorists, the future looks bleak for Sub-Saharan Africa because many countries have been unable to improve standards of living or to provide for basic needs (Benneh, Morgan & Uitto 1999).

Development theorists often assert that economic development alters the structure of social relations by shifting the underlying sources of distributive conflict. They have asserted that this creates social conditions whereby overall inequality declines, lessening a fundamental source of political conflict and increasing the likelihood of a democratic regime. It also creates the means for technological breakthroughs and expansion of manufacturing and service-oriented jobs, which transforms the old economic structure. Thus the distribution of economic risk changes allowing for a general improvement in

material conditions and health technologies, prolonging life expectancy and eventually leading to a shift in the demographic structure. Unfortunately, the backlash of this may be the concentration of social risk in specific segments of the population, usually those segments that are already economically and politically marginalized (Boix 2001).

Social development theorists have focused their debates on the idea that there are multiple arenas within each society and also within each system of societies. They assert that the interactions among the multiple arenas of a society have set the stage for the contingent, particular historical outcomes for each society and its state. The structure of the state, whether it be a democracy or some other system of government, its goals, its efficacy, its proficiency, its domination by particular social forces or its autonomy – all these have been determined through these critical struggles and accommodations in the multiple arenas of society and the relationships among arenas. Therefore, development policy must be as concerned with intranational conditions as well as international conditions, because the transformation from underdevelopment to development may transform the transitive country as much as the transitional country (Migdal 1994). Many social development theorists also believe that the development of institutions for internal, regional, and international markets; and the implementation of a rule of law to safeguard property rights and eliminate corruption and establish a judiciary system to protect the foundations of the institutions are preconditions for sustained human and economic development. They believe that for Africa to freely participate in the global economy, it has to first be free from its current debt and second, has to construct its social and political structure based on an integrated state economy (Yafru 2002).

Critics of the contemporary literature on development in sub-Saharan Africa argue that the development debate has been dominated by a pessimistic prognosis, which has negatively influenced the formation of development policy. Development literature is often written in a language of disappointment, moralistic outrage, repugnance, and contempt. Stone (1996) observed, “With much of Africa in a bloody mess, we are back to where we were before… the 1880’s”. Leys (1996) argued that “Africa… a tragedy that is already far advanced… millions face Hobbesian existences in conditions of accelerating environmental and social degradation: famines, chronic malnutrition, the collapse of health services, the erosion of education, reappearing endemic and epidemic diseases, aids, endemic criminal violence, civil wars, genocide… barbarism, these are the facts of the African tragedy.” Landes (1998) observed, “All the ills that have hurt Latin America and the Middle East are exponentially compounded in sub-Saharan Africa: bad government… poverty, hunger, disease, overpopulation – a plague of plagues.” The World Bank’s econometricians and economists highlight “ethnic fractionalism,” “traditional ways of thinking,” and a “crisis of capability,” arguing that Africa’s economic history since 1960 is “reflected in painful human scars” and that “it fits the classic definition of tragedy: potential unfulfilled, with disastrous consequences” (Easterly and Levine 1997). They have even gone so far as to admit that “Progress in reducing poverty in the region as a whole has, for the most part, been negligible” (World Bank 1996).

A few African studies and development theorists emphasize that Africa may be underdeveloped, but it is developing. According to Boix’s (2001) study total current

public revenue in developing countries grew from 14% of GDP in 1950 to around 27% thirty years later, which is relatively comparable to the rise in OECD states' total current public revenue which grew from 24% of GDP in the early 1950 to around 44% by 1970. Also, Sender's (1999) research shows that there has been a decline in risks of death since independence, decline in under-five mortality rates since 1960, significant improvements in female welfare, decline in fertility in 22 countries, improved access to drinking water, expanded communications infrastructure, expanded transportation and power networks, and significant productivity gains in the agricultural workforce. These theorists believe that by focusing on the social ills affecting sub-Saharan Africa, the progress that has been made during the half-century since decolonization has been overlooked and has created conditions for further marginalization of African societies in policy and aid consideration, which may result in declining levels of development. (Sender 1999)

During the last three decades, sub-Saharan Africa has attracted much more aid per capita than other regions, partially because donor allocation rules have typically favored countries that have small populations and low incomes, and were recent colonies. Sub-Saharan Africa has received more than one third of the official development assistance to less developed countries in 1991. In nine Sub-Saharan countries it provided more than one-fifth of the gross national product (World Bank 1994). There has been a long debate in the development literature as to whether aid has been detrimental or beneficial for the growth process. The argument against foreign capital's benefits is often that undermines Africa's development efforts and gives prominence to foreign development models and interests. Foreign capital generates production surplus or profit or interest, which is

invested in the already developed world. However, some development theorists argue that Africa could greatly benefit from a convergence effect with richer countries, because despite its continuing low levels of income per capita, it has higher aid inflows and so could benefit from aid-induced growth. Conversely, the debate has shown that the effect of aid on growth has been policy-dependent. Some of the effects of past injurious policy are highly persistent. The colonial governments of Africa provided little financial support for education, especially at the secondary level. Although, independent governments rapidly changed these priorities, for the past thirty years sub-Saharan Africa has produced less human capital than other developing continents. Researchers have generally claimed that the rapid growth in education has, however, gradually narrowed the gap with other developing regions (Collier and Gunning 1999).

However, for the last two decades, development strategy has been dominated by a "Washington consensus", or economic centered development policy model, composed of the opinions of the US Treasury, the International Monetary Fund, and the World Bank. The consensus sought to regulate the ability of states to conduct retaliatory trade wars, which in turn could lead to price level instability, unemployment, and international economic disarray, which would in turn create the essential environment for the long-term expansion of international trade and worldwide prosperity. The policy measures proposed by the Washington consensus were liberalization of domestic and international markets, macroeconomic stabilization, and privatization. These development policies resulted from the belief that these policies were required because poverty and stagnation in developing countries were a result of following a policy regime that impeded the

operation of market forces and have not taken into account an analysis of African policy and performance. The Group of Eight (G-7) of the European Union made a statement of support for Africa on June 22, 1997. The Denver Communiqué called for Africa's full participation in the global economy. In the White House, President Clinton (1997) issued a statement outlining growth strategy for Africa. However, neither the communiqué nor the statement mentioned how Africa can pull out of its present economic crisis. The discussion on debt relief for the poorest countries of Africa is centered on the new debt initiative launched in Lyon (1996) to help the heavily indebted poor countries. Interestingly enough, to qualify for it, a country must agree to restructure its social, economic, and political institutions according to the policy directives of the international financial institutions and to the IMF's surveillance of the international monetary system. (Yafru 2002)

In the 1980s, the IMF began helping countries service their debt obligations. It took a country-by-country approach, whereby it negotiated with all interested parties, private and public, and established adjustment programs to help the country out of its balance of payments crisis. The Fund also negotiated financing arrangements to keep the country solvent. It was the belief of the IMF that private commercial banks had carelessly lent money to developing countries. With this in mind, it insisted that the private commercial bankers help the IMF finance the country's recovery. The debt crisis arose because developing countries needing to borrow abroad turned to international commercial bank lending as a replacement for foreign direct investment (Dorkin 2002).

Over the period 1979 to 1996, most countries in sub-Saharan Africa were persuaded to design their macroeconomic policies within the framework of IMF conditionality. The consensus view was that the economic performance of all developing economies could be improved by a reliance on market forces and the reduction of state intervention and expenditure to a minimum. (Center for Development Policy and Research 1998; Sender 1999)

Unfortunately, private sector investment in sub-Saharan Africa has not behaved the way that the consensus analysis of incentives anticipated. Between 1990 and 1996, private investment in Africa remained below the levels reached in the 1970s and 1980s, following the trend in public investment which, as a share of GDP in the 1990s, has fallen to much less than half of the level reached in the 1970s (Glen and Sumlinskey 1998). Public investment as a share of GDP in sub-Saharan Africa is now much lower than in any other region of the world (UNCTAD 1998). The World Bank has for some time been the major donor agency in sub-Saharan Africa, playing an increasingly dominant role in the allocation of concessional finance, as well as policy recommendation and formulation, since the mid-1980s (Sender 1999). Since 1983, the World Bank has shown an increased interest in the role of society and environment in long-term development and has encouraged the growth of new studies of social vulnerability, environmental economics, and environmental accounting (Benneh, Morgan, & Uitto 1996).

Most foreign aid materializes in the form of external debt, direct foreign investment, and or project grants or loans. According to Evans (1979), as foreign capital is attracted to the industrializing countries of the periphery there emerges according to the

model of associated dependent development a "triple alliance" between transnational corporations, the international sector of the domestic bourgeoisie and state enterprises. Mueller (1985) expands this theory claiming that this economic interest of this triple alliance is exclusionary: it shows a distinct preference for capital accumulation rather than labor production; for low wages so as to retain competitive advantage in international markets; and for concentration of income at the upper end of the distribution in order to enlarge the local market for luxury consumer goods. This "marginalization" of the working and lower middle classes economically requires their marginalization politically. Due to the economic interest of the triple alliance, which reflects the external dictates of modern capitalist imperialism, resulting breakdowns of democracy are thought to be inevitable in the more economically advanced states of the periphery (Muller 1985: 447).

The private international capital markets have always played a role in world finance. What has changed, however, is the size of the investors and the size and speed of the flows of capital into and out of countries. Although there was still substantial FDI, borrowers began looking for an alternative source of capital. Institutional, or portfolio investment, went through the roof, increasing more than eleven fold from the late 1980s to 1993. Portfolio investments in emerging markets have been significantly more volatile than FDI because they are generally held for a short term and are generally more liquid than FDI. Therefore portfolio investment has attributed to the debt crisis (Dorkin 2002).

Foreign Direct Investment, however, has proved to be resilient, maintaining both quantity and quality of investment, during financial crises. The resilience of FDI during

financial crises was evident during the Mexican crisis of 1994-1995 and the Latin American debt crisis of the 1980s. This resilience could lead many developing countries to favor FDI over other forms of capital flows, furthering a trend that has been in evidence for many years. FDI allows the transfer of technology, particularly in the form of new varieties of capital inputs, which cannot be achieved through financial investments or trade in goods and services. FDI can also promote competition in the domestic input market. Recipients of FDI often gain employee training in the course of operating the new businesses, which contributes to human capital development in the host country. Profits generated by FDI contribute to corporate tax revenues in the host country. Of course, countries often choose to forgo some of this revenue when they cut corporate tax rates in an attempt to attract FDI from other locations. One striking feature of FDI flows is that their share in total inflows is higher in riskier countries, with risk measured either by countries' credit ratings for sovereign (government) debt or by other indicators of country risk. FDI is more likely than other forms of capital flows to take place in countries with missing or inefficient markets. Both economic theory and recent empirical evidence suggest that FDI has a beneficial impact on developing host countries; other research has implied that a high share of FDI in a country's total capital inflows may reflect its institutions' weakness rather than their strength (Loungani & Razin 2001).

The institutional investor has a darker side when it comes to developing or emerging capital markets. Because of their size and the size of their holdings, foreign institutional investors can affect the macroeconomic realities in emerging economies. They can cause distortions in the value of a country's currency, in the value of the

exports and imports relative to the country's trading partners, and they can ultimately lead to the collapse of that country's financial system. The foreign institutional investor can create difficulties because of the size of its capital inflows into an emerging economy. This is because a large influx of foreign capital can affect the value of the domestic currency. The country's exports will suffer because the overvalued currency will make them expensive for consumers abroad. Increased imports combined with decreased exports may lead to troublesome deficits in the country's current account. The institutional investor can also wreak havoc by creating large capital outflows of foreign capital from emerging economies (Dorkin 2002).

The predictive association between variation in the quality of macroeconomic performance and democratic political stability is quite weak, and the hypothesis of a negative relationship between economic crisis and democratic political stability must be rejected. (Muller 1985:457-8). The median African government during the 1970s and 1980s was close to autocracy, and far less democratic than the median non-African developing country, as measured by the Gastil scale of political rights. During the 1970s, states across Africa, in an attempt to develop basic infrastructure in the pursuit of their commitment to modernize and accomplish greater ownership and control of production, have been engaged in policies that call for large increases in both public and private foreign capital (Adedeji 1985: 65-67). Development theorists have suggested that adjustment lending has failed because "African countries have characteristics that are not conducive to reform". The problem lies with the nature of African states, to many of

which have not been democratically elected, are politically unstable, and "ethnically fractionalized" (Dollar and Stevenson 1998:16-17).

Many theorists have argued that the impact of economic development depends strongly on the political regime in place. By proportion of population within democratic regimes, only approximately 25% of sub-Saharan Africans live under democratic conditions. The first half of the 1990s saw widespread political turbulence across the African continent. Transitions away from one-party and military regimes started with political protest, evolved through liberalization reforms, often culminated in competitive elections, and usually ended with the installation of new forms of regime. But by 1994, while trends in democracy were still rising, the trend of increased political liberty had already dropped back to where it was in 1990 - 16 governments convened democratic elections in 1994 and 26 failed to hold elections or did not adhere to basic standards of free and fair conduct. Since 1995, elected governments have been overthrown by military coups in Burundi, Gambia, and Niger. The governments of other new African democracies in Lesotho, CAR, and Comoros have had to call on outside assistance to put down military mutinies. The African democracies that inherited an institutional legacy of military takeovers – like Benin, CAR, Congo, Madagascar, Mali, and Seychelles – must be considered at great-continued risk (Bratton 1997).

Social development theorists often argue that the critical condition for sustainable development is maintenance of civil order. External aggression or internal civil war can set a country's development back by decades. They have recently begun to assert the likelihood that local and regional conflicts involving poorer countries will continue to

increase as a result of the removal of Cold War restraints on religious and ethnic conflicts and growing competition for scarce natural resources. The greatest threat to sustainable development is war and civil disorder (Nitze 1993).

Much of the political-sociological research on Asia, Africa, and Latin America in the past two decades has introduced the state as an intervening variable while examining the relationship between foreign capital and industrial growth (Ruinson 1977; Sepan 1978; Evans et al. 1985; Evans and Stephens 1988; Chu 1989; Kaufman 1990; Gereffi and Wyman 1990; Bradshaw and Wahl 1991, Pattnayak 1994). Modernization theorists focus on the positive relationship between external debt and industrial growth (Rostow 1960; Stallings 1990). As new borrowed resources are injected into the host economy, they are supposed to generate enough employment, subsequent demand for new products, and eventually help the recipient country take-off economically (also, Bierstaker 1981). Dependency theorists focus on the negative aspects of the relationship between external debt and industrial growth, due to the assumed highly exploitive nature of said relationship. They identify the potential negative effects in the form of high debt servicing payments, tied-in clauses for specific use of the debt money, and marginalization of the poorer socio-economic strata (Furtado 1970, Frank 1972). Through transfer pricing and high interest payments, eternal debt contributes to decapitalization and worsens the balance of payment situation as a subsequent period (Bierstaker 1981).

Economists concerned with the low levels of investment in sub-Saharan Africa, and with the region’s fluctuating and inadequate capacity to import capital goods and the technology required to accelerate structural change, often argue for an expansion in the

financial resources and the power of policy implementation of multilateral organizations such as the World Bank and the International Monetary Fund. It has become obvious over the last decade that the prospects for financing growth in sub-Saharan Africa from other sources, such as foreign direct investment, are no longer promising (Sender 1999). Many economists have blamed low and declining levels of foreign investment on investor doubt about future political stability, despite the spread of greater democracy, and some evidence of capital flight (Benneh, Morgan, & Uitto 1996).

Economists tend to favor the free flow of capital across state borders because in theory it allows capital to seek out the highest rate of return. Unrestricted capital flows may also offer several other advantages, as noted by Feldstein (2000): International flows of capital may reduce the risk faced by owners of capital by allowing them to diversify their lending and investment; the global integration of capital markets can contribute to the spread of best practices in corporate governance, accounting rules and legal traditions; and the global mobility of capital limits the ability of governments to pursue bad policies (Loungani & Razin 2001).

Despite the strong theoretical case for the advantages of free capital flows, modern economic development theorists now argue that many private capital flows pose countervailing risks. Hausmann and Fernandez-Arias (2000) suggested that many host countries, even when they are in favor of capital inflows, view international debt flows, especially of the short-term variety, as “bad cholesterol”, because short-term lending from abroad is often determined by speculative considerations based on interest rate differentials and exchange rate expectations, rather than on long-term considerations. A

comprehensive study by Bosworth and Collins (1999) provided evidence on the effect of capital inflows on domestic investment for 58 developing countries during 1978-1995. The sample covers nearly all of Latin America and Asia, as well as many countries in Africa. The authors focused on three types of inflows: FDI, portfolio investment, and bank loans. They found than an increase of a dollar in capital inflows is associated with an increase in domestic investment. FDI appears to bring about a one-for-one increase in domestic investment; whereas there is virtually no discernible relationship between portfolio inflows and investment; and the impact of loans falls between those of the other two. Borensztein, DeGreiorio, and Lee (1998) found that FDI increased economic growth when the level of education in the host country was high. Hausmann and Fernandez-Arias (2000) suggested that a high share of FDI in total capital inflows may be a sign of a host country's weakness rather than its strength (Loungani & Razin 2001).

Many economic theorists have acknowledged that the risk of open capital flows is the pattern of booms and busts in international lending that contribute to instabilities in both creditor and debtor states. The cycle of open capital inflows, followed by sudden outflows, has repeated itself every generation or so, including the defaults by U.S. states on British loans in the 1830s; the crisis of Egyptian and Ottoman debts in the 1870s; the defaulted loans to Caribbean countries in the early twentieth century; the worldwide defaults of the Great Depression; the developing-country debt crisis of the early 1980s; the Mexican crash of 1994; and most recently in the East Asian crisis (Sachs 1998).

Sub-Saharan Africa is currently the least industrialized major region of the globe, and industrialization is unlikely to expand and diversify significantly in the near future

with poor prospects for foreign direct investment, which has become primarily attracted to more developed regions. Recession and state sector cutbacks under structural adjustment, whose severity was predicated partly on the assumption that foreign investment flows would increase, are exacerbating already abysmal social conditions, as well as unemployment and industrial pressures on the environment. Many people have been forced into dependence on informal economic activity, which in turn continues to undermine any possibility of sustainable economic, political, and social development (Benneh, Morgan, & Uitto 1996).

At independence, African states followed the economic interventionist credo for development, evident in centralized planning, corrective interventions in resource allocation, and heavy hand in infant-industry planning. Their focus was on alleviation of poverty, illiteracy, and disease. During the 1970s, this strategy was showing signs of failure and doing harm to African states' economies. Many African states came up with development plans whose funding could not be fully raised locally, and foreign capital was brought in to supplement local resources. This dependence on foreign capital ultimately culminated in the debt crisis of the 1980s (Anangwe 2002).

The crisis of the 1980s led to donors cutting down on their aid. African leaders began to search for new development paradigms. In the 1980s their development plans faced two problems: implementation was dependent on foreign funding from the same institutions that participated in their underdevelopment and the plan was not as well crafted as the western development model developed by the Breton Woods institutions. At the same time, donors began to issue new alternatives for Africa's development,

namely, Structural Adjustment Programs. Many African leaders accepted the World Bank's Structural Adjustment Programs, but they did not implement them with full acceptance, they did this in order to get donor funds (Anangwe 2002).

For Africa in general, the debt crisis of the 1980s ushered in a completely new global economic situation. And for the past two decades in Sub-Saharan Africa much attention has been focused on economic reform and the introduction of structural adjustment and stabilization policies supported by advice and loans from the World Bank and the International Monetary Fund. In the words of Mosley et al. (1991: 9), serious economic problems "placed a premium on finding ways of bringing down developing countries' payments deficits to the level that could be financed by stagnant aid flows plus rapidly dwindling private commercial lending." The primary response to these economic imperatives has been in the form of economic recovery and structural adjustment programs. Between 1949 and 1999, 24 countries used IMF funds for 30 years or more. Egypt, India, Turkey, and Yugoslavia used IMF funds for 40 years or more. Forty-six countries borrowed from the IMF between 20 and 29 times, and 25 countries borrowed from the IMF 10 to 19 times (Allan H. Metzer, "Whats Wrong With the IMF? What Would be Better?" Independent Review 4, No. 2, Fall 1999, 201-15). The 1980s witnessed a complicated convergence between the IMF and the World Bank in the evolution of SAPs that address the twin issues of debt and economic growth. The major features of the economic recovery programs sponsored by the IMF and WB in the 1980s included labor retrenchment, trade liberalization and devaluation, subsidy withdrawal, and an increase in user fees, which rendered basic services like health and education

unaffordable to the average worker (Boafo-Arthur 1999). The most dramatic effect of trade liberalization in Africa has been to reduce/remove the protection of the local industries that were supposed to lead to economic advance because of their forward and backward linkages. The IMF views these enterprises as over-priced producers, burdened by corruption, ineptitude, and overstaffing. The loss of local enterprise has been as devastating as the removal of Africa's originally anticipated path to development and growth (Riddell 1992).

According to many modern economic development theorists the appropriate government response to a crashed economy should be to increase expenditures or to cut taxes, thereby increasing demand and boosting the economy. The long-term effects of trade liberalization, privatization, and low inflation are no doubt beneficial, but the short-term effects can be disastrous. The IMF's role should be to provide temporary financial assistance to foster economic growth and higher levels of employment. Instead the IMF has instituted policies implementing premature capital market liberalization without institutional regulation of the financial sector. In addition, the IMF information deficit has led to the labeling of some developing countries as non-cooperative causing capital flight and draining these countries of foreign investment. This has in turn destabilized entire developing economies by causing substantial inflows of short-term investment capital; followed by rising inflation, which set the stage for the IMF to impose loan conditions requiring fiscal austerity and causing interest rates to rise dramatically. The IMF policies also recommend for cash-strapped countries to privatize, selling their assets at a fraction of their value to raise cash allowing foreign corporations to then buy the assets at rock-

bottom prices. In many developing states this policy cycle has led to widespread bankruptcies without legal protection, massive unemployment without a social safety net, and the prompt withdrawal of foreign capital (Stiglitz 2002).

Some theorists argue that the IMF's lending programs do not provide strong incentives for fundamental market reforms. Instead of helping to create sustainable economic growth, IMF interventions promote a debilitating dependence on further IMF loans. Some economists have argued that a better strategy would be to reduce the power of the IMF, ending its role as the global guarantor for international investors. Without IMF intervention, countries in search of private investors would also face strong incentives to adopt the kinds of market reforms needed for sustained long-term economic growth. They believe the result would be higher standards of living worldwide (Krol 2001). The IMF has identified certain core economic indicators (e.g.: exchange rates, international reserves, central bank balance sheet, reserve money, broad money, interest rates, consumer prices, external trade, the external current account balance, external debt/debt service, the fiscal balance, and GDP/GNP) and encourages monthly reporting by all of its member countries. This allows private investors to more accurately assess the risks associated with particular countries, such that the "proper" level of capital flows move across borders; and the private international capital markets will begin to "require" countries to provide voluntary reports as a condition of favorable credit terms, or before extending more FDI or portfolio investment. It is hoped that countries will improve the functioning of their macroeconomic policies to assure the accuracy of the volunteered information (Dorkin 2002).

The irony of the debate is that while arguing how difficult, if not impossible, it would be for weak states in sub-Saharan Africa to intervene to pursue state industrialization strategies, these economists have suggested that these impoverished states should also attempt a range of other complex tasks, including the immediate and simultaneous implementation of fiscal discipline, financial deepening, privatization, good governance, democratization, and the liberalization of trade and capital flows (Sender 1999). Opponents of market based economic development policy assert that the IMF, WTO, and World Bank lack transparency and accountability. And, without government oversight, they reach decisions without public debate and resolve trade disputes involving "uncompetitive" or "onerous" environmental, labor, and capital laws in secret tribunals, without appeal to a state's courts. Loans come with extensive conditions that subvert the growth of democracy, hamper local economic growth and enrich multinational corporations (Stiglitz 2002).

More than 30 sub-Saharan African countries adopted structural adjustment programs in the 1980s, although African countries were affected by World Bank and IMF policies even in the 1960s and 70s, e.g. the Democratic Republic of Congo, which was one of the first countries to accept such policies. Despite all of these programs, real GDP growth in sub-Saharan Africa in 1980-1988 averaged only 0.8 percent per annum, compared with 4.8 percent in 1965-1980, while international debt grew at 12 percent per annum and social conditions deteriorated (Stein, H. and E. W. Nafziger. 1991. Structural Adjustment, Human Needs and the World Bank Agenda. *Journal of Modern African Studies* 29(t): 173-189 (review article of the World Bank, *Sub-Saharan Africa: From*

Crisis to Sustainable Growth, 1989). With the publication of its 1989 report on adjustment in Africa, the World Bank targeted the political barriers to economic development and raised expectations for political reform, developing a new focus on governance that emphasized transparency and consultation in policy-making. The development researchers have found that political instability and maladministration over the years had an equally devastating toll on the economy and state development. They have discouraged external investors, victimized domestic entrepreneurs, led to ad-hocism in economic policy measures, contributed to flight of human capital, and reinforced cycle of economic deterioration, stagnation, and corruption (Boafo-Arthur 1999).

The general policy conclusion among economic theorists researching this situation has been that since so many African states continue to lack capacity, or fail to exhibit the characteristics of "promising candidates for adjustment support," they should not be selected as the beneficiaries of further adjustment lending (Sender 1999). Among social development theorists, structural adjustment has been found to encourage many characteristics that have been identified with persistent underdevelopment. Foremost among these is the reliance upon a few export crops or commodities as the primary source of economic growth, which locks individual African countries into a dependence upon declining markets in industrialized states, and holds them hostage to the wild swings, which typify commodity price movements. Rather than instigating movements away from neo-colonial patterns of trade and exchange, those patterns are instead being reinforced (Copeland 1989: 13-14).

Structural adjustment programs cannot bring the African states to be competitive in the global market economy; and as Copeland identified, some of these countries will remain in the cycle of underdevelopment because of the persistent decline of purchasing power caused by devaluation (Yafru 2000). The effect of devaluation is to reduce the value of the local currency in terms of imported items, including such basic necessities as fuel, medicine, and food and to make exported goods cheaper. Devaluation also increases the cost of many other essential items, including farm and factory inputs, the medicines provided by the health-care system, and the piped water brought by development projects (Riddell 1992).

Development theorists have generally found that the sub-Saharan African economic and financial problems were made much worse in the 1970s and the 1980s by a combination of (1) an investment in growth and development that failed to earn the expected rewards, (2) the international debt crisis, oil price hikes, and rising interest rates, plus the inadequacy of the aid programs that were meant to provide relief, (3) repeated drought, crop failure, and widespread famine, (4) the failure of agricultural production to contribute significantly to growth an the increased dependence on imported food, (5) widespread warfare and civil unrest, and (6) the fact that SAPs have been only partially successful and that that success has been in terms of system rather than people (Benneh, Morgan, & Uitto 1996). Critics of SAPs have argued that the IMF's "structural adjustment programs" are often accompanied by high interest rates that are often justified by a single-minded focus on inflation. The high interest rates mean that new jobs and enterprises are not created. Trade liberalization, rather than moving workers from low-

productivity jobs to high-productivity ones, moves them from low-productivity jobs to unemployment. Rather than enhanced growth, the effect has often been increased poverty. (Stiglitz 2002) Some researchers have gone so far as to that that what is currently going on in Africa in the name of "structural adjustment," "democratization," or "peacekeeping" bears a distinct similarity to the situation of a hundred years ago and what we are witnessing now is the recolonization of Africa (Hyden 1993).

During the mid-1990s, a few theorists found that many African countries started to improve economically quite rapidly. However, the recent acceleration in the annual average growth rates of GDP in sub-Saharan Africa, from 1.7 percent in 1980-90 to 2 percent between 1990 and 1996 (WDI 1998), has not been accompanied by levels of investment believed to be required to sustain this accelerated growth. According to the World Bank, Sub-Saharan Africa. From Crisis to Sustainable Growth: A long-term perspective study (Washington, D.C. 1989: 221), sub-Saharan Africa has experienced increasingly favorable rates of average annual GNP per capita growth compared to all low-income countries during the following periods: (1965-1973: 2.9-3.3%; 1973-1980: 0.1-2.6%; and 1980-1987: -2.8-4.0%). Over the period 1990 to 1995, sub-Saharan African economies defined by the IMF as "Recent Strong Performers" have consistently shown lower investment to GDP and private investment to GDP rates than the average for sub-Saharan Africa (Fisher, Hernandez-Cata, and Khan 1998: Table 2). The resulting economic recession in Sub-Saharan Africa has led some governments and local authorities to encourage the development of state and local autonomy to compensate for the loss of overseas earnings, while social services have been reduced, civil service labor

forces have been cut, and some state controlled industries and social organizations have been privatized in order to reduce state budget costs (Benneh, Morgan, & Uitto 1996).

Development and Economic Theory Applied

The "modern" theory of international trade, the Heckscher-Ohlin-Samuelson theory, assumes that there are two countries, distinguished by their relative capital-labor endowments, which have the same technologies and identical development. The Stolper-Samuelson theorem (1941), which developed out of the "modern" theory of international trade, was the primary theoretical foundation of a development study done by Rogowski (2000), which states, "Under the assumed conditions: two commodities, produced by factors of production, and where trade leaves something of both commodities produced but at a new margin; it has been unequivocally demonstrated that the scarce factor must be harmed absolutely (by a reduction in protection)."

Rogowski opens his discussion by stating "In almost any society… protection benefits, and liberalization of trade harms, owners of factors in which, relative to the rest of the world, that society is poorly endowed, as well as producers who use that scarce factor intensively. Conversely, protection harms, and liberalization benefits, those factors that – again, relative to the rest of the world – the given society holds abundantly, and the producers who use those locally abundant factors intensively." Thus as trade policies change social groups who benefit from the changes will try to continue and accelerate them, while those who do not benefit or who are negatively impacted by the change will attempt to impede or stop it. As the benefiting group's experience increases in wealth and

income due to the changes, they will expand their political influence and their ability to institutionalize their political preferences. And as the benefiting group's political power grows, they will be better able to devise socio-political mechanisms to overcome collective action of the "outsider" groups (Rogowski 2000).

Interestingly, while many theorist found positive signs of growth in sub-Saharan development during the last two decades, others found that 1980s and 90s witnessed persistent economic decline or stagnation in most of sub-Saharan Africa. Foreign aid from many capitalist core states, especially the United States, dropped dramatically in the 1990s. There has been both less military aid and less development aid flowing into the region (Kerbo 2000). The productivity of agriculture, sub-Saharan Africa's most vital industry, has failed to keep pace with the growth of population and has suffered particularly from falling productivity in the export sector and from declining markets and prices. Food imports are still essential in most Sub-Saharan countries to maintain an adequate total food supply. However, sub-Saharan Africa's export level, in comparison to other developing countries in Asia, has declined since 1970. At the same time, "the continent's shares of developing country agricultural primary products and food exports has declined from 17% to 8% between 1970 and 1990" (Callaghy 1995:43).

Meanwhile, debt has mounted and pressures on resource use have increased. These stresses have been compounded by severe environmental difficulties relating to climatic change and associated in certain cases with drought and starvation, a deteriorating world market and world financial systems, pressures on international loan capital from non-African sources such as the former USSR and the countries of Eastern

Europe, declining international investment interest, changes in African societies and political relationships, and a number of civil wars. Some development theorists have argued that the Sub-Saharan countries will need greater self-reliance in the face of falling terms of trade, mounting debt, and low levels of investment. (E.U. Ikoku. 1980. *Self-Reliance: African Survival*. Enugu, Nigeria: Fourth Dimension Publishers.) Many social development theorists have also argued that greater self-reliance, with the implication of more independent policies and greater self-sufficiency, may be beneficial in some of the Sub-Saharan countries, but such a policy should still take into account comparative advantage in production and trade and the need to build a more productive export industry to fund the new inputs needed for sustainable development (Benneh, Morgan & Uitto 1996).

In addition to these economic indicators of persistent underdevelopment, social development researchers have found that Sub-Saharan Africa had the lowest percentages amongst the major global regions of the appropriate age group enrolled in primary, secondary, and tertiary education in 1990 and 1991. Primary enrolments are particularly low in Ethiopia, Niger, Burkina Faso, Mali, and Guinea. And, Senegal, Mauritania, Sudan, and Sierra Leone are below the Sub-Saharan average. In health care, too, Sub-Saharan Africa had the worst ratios of population per doctor or per physician in 1990. Infant mortality and under-five mortality rates were also the worst, and several African countries had high rates of malnutrition amongst children under 5 for 1987-1992. The data suggest that health-care problems are particularly severe in Burkina Faso, Malawi, Rwanda, Niger, and Ethiopia (Benneh, Morgan, & Uitto 1996). Overall, the lack of

public health services has allowed the spread of epidemics that kill people, including infants, in larger numbers than before. Thus, gains in reducing infant mortality and prolonged life expectancy are currently being threatened (Human Development Report 1995: 34-47).

Many African countries still insist that they can modernize their countries by simply inviting international investors into their country. This is frequently done on the assumption that technology and other methods of production can be transferred through these corporations; but, unfortunately, this has not been the case because there is no corporation that is willing to transfer technology and other methods of production while at the same time engaging in profit-making activities. The process of modernization one sees now in many developing countries is marginal and does not go beyond the specific limit of the so-called modernization – namely, to provide luxurious consumption goods to the local elites and expand infrastructures to facilitate access to the needed resources. As of now, there are no African countries, South Africa being the exception, that have benefited from the technological transfer or other technical know-how that is expected to occur with private overseas investment and multinational cooperation (Yafru 2000).

Although total debt service as percentage of exports has improved for some sub-Saharan African countries since 1980, repayment obligations are still beyond what most African governments can afford, which has effectively locked many countries out of participation with the international financial community. Sub-Saharan Africa has no way out of its estimated debt of almost $200 billion to the international financial institutions. In view of these facts, theoretical concepts such as the new political sociology for Africa

(Eyoh 1996), new political economy (Toye 1993), good governance or sustainable growth (IBRD 1997), development of free market economy, and democratic rule (Harbeson 1995, Callaghy 1995, Young 1995) are not going to help Africa because the accumulated debt subverts all other development factors. Many theorists now argue that the future of Africa lies in two spheres of economic arrangements: First, the international financial institutions graciously cancel all of Africa's debts; second, Africa must develop a paradigm inclusive of the social and political dynamics of its respective states – including the transformation of the rural community as part of the democratic force of the state (Yafru 2002).

I argue that as foreign investment and debt have increased during the last half-century, social development in sub-Saharan Africa has declined, as is reflected in public spending on education and health care. I argue that this decline is directly related to the core state's focus on economics in development policy and their lack of focus on social and cultural development considerations. I argue that the economic development policies implemented in order to transform the countries of sub-Saharan Africa into modern, industrial societies have failed and this failure may be directly linked to their primary focus on economic development programs and their lack of focus on social development programs.

Development is after all, about human beings. The present crisis faced by the majority of the people in sub-Saharan Africa cannot be reduced to a matter of economics; health, education, employment, poverty, standard of living, diet, politics, and the nature of society are all integral elements. Policy recommendations for developing countries

should focus on improving the investment climate for all kinds of capital, domestic as well as foreign. Economic based development policies generally deal very efficiently with encouraging markets for private goods and services, but under-value non-capital generating markets such as those that provide public goods like education and health services, sanitation, and clean air.

In the following chapter I construct a model to test my hypothesis of the association between the current economic model for development and the present crisis of social development in sub-Saharan Africa. I discuss the results of the tests and the way those results fit into my critique of the current development policies being implemented in sub-Saharan Africa.

ANALYSES AND FINDINGS

At the inception of independence, the future of sub-Saharan Africa looked promising. Angus Maddison's 1995 study found that during the first half of the twentieth century Africa was growing more rapidly than Asia, and during the transition from colonialism to independence that growth rate continued to increase. However, during the 1970s both the political and economic situation in Africa began to deteriorate, and since 1980, the aggregate per capita GDP in sub-Saharan Africa has declined at almost one percent per fiscal year. Thirty-two countries are poorer now than they were twenty years ago, and sub-Saharan Africa is now the lowest-income region in the world despite the fact that during the last two decades Africa has attracted more aid per capita than other developing regions.

The current level of economic and social development in sub-Saharan Africa does not reflect the expected impact of the development policies implemented in African states since the 1950s, which have focused on development through economic growth, primarily through industrialization-focused investment by core states. My argument is that the lending and investing of foreign capital in developing states for the purpose of industrialization and liberalization of trade has taken precedence over all other forms of development assistance and undermined social development which in turn has prohibited sustainable economic growth.

I hypothesize that focusing primarily on economic growth as the primary means of development has undermined and deterred social development in sub-Saharan Africa. I argue that as foreign investment and debt increase, social development stagnates and

even declines. I also argue that because of the focus on economics and lack of focus on social and cultural considerations sustained economic growth is being devitalized. Current development policies, which focus primarily on economic growth without also focusing on equitable social development, cannot produce sustainable economic development because the societies where these policies are implemented are faced with subsistence level survival creating conditions for social volatility, insecurity and conflict resulting in unsustainable development at all levels; and economic growth alone cannot address these social issues. Development of social programs, such as education and health care, on the other hand, would help ensure social development, and sustainable economic development would follow.

I focus my research on the question: Is variation in foreign investment and debt associated with variation in social development? I argue that where decline is evident it is directly related to the core states' focus on economics in development policy and their lack of concern for social and cultural development issues. I contend that the economic development policies implemented in order to transform the countries of sub-Saharan Africa into modern, industrial societies have failed and this failure may be directly linked to their primary focus on economic development programs and their lack of focus on social development programs.

For the purpose of my research I define social development as the provision of social programs that make education and health care available to the public. I operationalize social development as the total percent of a country's GDP that is spent on education and health care. I also include public spending on education and public

spending on health care as alternate dependent variables in order to assess possible differences in the effects of the independent variables on the dependent variables. I expect to find that social development will be negatively affected by foreign debt and foreign investment, because as much of the development literature implies public spending on social services is often reduced in order to meet donor assistance committee conditionality for debt repayment.

I also expect to find that both public spending on education and public spending on health care will be negatively affected by the current economic development model; however, I do expect to find that public spending on health care is affected to a greater degree than is public spending on education because donor conditionality often includes increased literacy rates, which would result in increased or sustained public spending on education. However, because public health care services often focus on reproductive health and disease prevention, the status of women and children within a country's social structure may effect the budget for services directly related to them, and result in either low or decreased public spending on health care.

I define the current economic development model as international policies promoting economic development through foreign loans and foreign investment. I operationalize the current economic development model as external debt or long-term debt, short-term debt, current account balance, foreign direct investment, and IMF credit used. I expect to find that the current economic development model has a negative effect on social development; as foreign debt and foreign investment increase social

development decreases, partially because of the strain repayment places on the budget and partially because of donor conditionality.

Total external debt is measured in millions of U.S. dollars. It is defined as the sum of long-term external debt, the use of International Monetary Fund (IMF) credit, and short-term external debt. Long-term external debt is defined as debt that has an original or extended maturity of more than one year, that is owed to non-residents, and repayable in foreign currency, goods, or services. Long-term debt is comprised of three components: (1) public debt, (2) publicly guaranteed debt, and (3) private non-guaranteed debt.

Use of IMF credit denotes repurchase obligations to the IMF with respect to all uses of IMF resource, excluding those resulting from drawings in the reserve tranche. Use of IMF credit comprises purchases under the credit tranches, including enlarged access to resources and all special facilities, trust fund loans, and operations under the structural adjustment and enhanced structural adjustment facilities.

Short-term external debt is defined as debt that has an original maturity of one year or less. No distinction is made between public and private non-guaranteed short-term debt. The World Debt Tables include interest in arrears on long-term debt, on a cumulative basis, under short-term debt.

Current account balance is measured in millions of U.S. dollars. It is an economic indicator derived from five main elements; including balance of trade (imports and exports), balance of trade in services, net foreign investment income (interest payments, profits, and dividends), net transfers from foreign governments, and net private

remittances. The current account balance is a closely watched indicator of a country's economic performance in the international marketplace.

Foreign direct investment (FDI) is measured in millions of U.S. dollars. FDI is a category of investment in a country's business sector by foreign multinational companies, usually on a long-term basis. For some emerging markets, FDI is more important than loans and credits from multinational organizations, such as the IMF and the World Bank, and portfolio investment by institutional and individual investors.

I also included the following control variables in the model: gross national income per capita, the gross domestic product, population, conflict, and freedom house ratings.

Gross domestic product (GDP) is measured on a scale where 100=1995. GDP is a statistic showing the amount of goods and services produced by all workers (citizens and non-citizens) in a specific country, not including what that country produces in other countries. Tracking the figure on a quarterly or annual basis gives a relative indication of the strength of a country's economy in key economic areas including personal consumption, investment, government spending, and exports. However, the GDP measurement does fail to account for non-market economic transitions and considers every monetary exchange as beneficial to the economy, even disaster relief, family aid, and crime prevention are counted as positive economic indicators in this assessment. I expect to find that as the gross domestic product of a country increases public spending increases; therefore a rising GDP should have a positive correlation with social development where the profits of foreign business is reinvested in the country it is produced, and a negative where the "capital flight" is occurring.

Gross National Income (GNI), also known as the gross national product, is measured in millions of U.S. dollars. GNI per capita is the dollar value of a country's final output of goods and services in a year, divided by its population. It reflects the average income of a country's citizens. Knowing a country's GNI per capita is a good first step toward understanding the country's economic and social circumstances. I expect to find that as gross national income per capita increases public spending also increases; therefore a rising GNI should have a positive correlation with social development.

Freedom House's country ratings are derived from a compilation of political rights indicators and civil liberties indicators assigning each country the status of "free", "partly free", or "not free". Those whose ratings average 1-2.5 are rated as "free", 2.5-5 "partly free", and 5.5-7 "not free". I expect to find that as the level of freedom in a country increases public spending also increases. This expectation is based on the common assumption that the more democratic a country is, the more responsive it is to public demands.

Population is measured in thousands and is collected by the reporting countries in census reports every ten years. Estimates of population are calculated on an annual basis using birth and death rates to approximate the population growth rate. I expect to find that for population, rising population must be directly correlated with rising economic levels within a country for it to have a positive correlation with public spending on education and health care.

Conflict is measured as a present or absent variable. 0 is the absence of conflict and 1 is the presence of conflict. I expect to find that a country that has experienced

conflict is likely to experience reductions in debt and investment and also reductions in social development because the international financial community will withdraw development support, NGOs will withdraw program support, and the people, without this support, will be unable to maintain or build a sustainable infrastructure; therefore conflict should have a negative correlation with social development.

I employed a time-series, cross-sectional GLS regression analysis to test my hypothesis. Time-series, cross-sectional data are characterized by having repeated observations on fixed units, usually states or nations. The number of units analyzed typically ranges from 10 to 100, with each unit observed over a relatively long period of time, usually 20 to 50 years. According to statistical analysis research conducted by Beck and Katz (1995), both the temporal and spatial properties of TSCS data make the use of ordinary least squares problematic, due to increased probability of underestimates of parameter variability in common research situations. By replacing the OLS standard errors with panel-corrected standard errors, and using the generalized least squares in place of the OLS, I should be able to avoid this problem and produce estimates of sampling variability that are reasonably accurate, even in the presence of complicated panel error structures such as those expected in this research due to the number of cases and kinds of data involved in my research (Beck & Katz 1995).

Case Selection and Data

I focus my research on the forty-eight countries in Africa commonly defined as sub-Saharan Africa, a complete list of countries is included in Appendix A, because by narrowing the study to one specific region, rather than including all developing regions or a sample of countries from each region, I was able to control for a number of regional differences including geographic, historical, and socio-cultural. The countries of Africa not included in this study where Algeria, Egypt, Libya, Morocco, Tunisia, and Mayotte. The first five countries mentioned where not included because they have experienced a diverse historical and development circumstance than the rest of Africa. Also, because the World Bank, IMF, and the majority of other international institutions label them as part of the Middle East and North Africa region, they are treated differently than the countries that compose the region labeled as sub-Saharan Africa. Mayotte was not included because it remains a province of France and does not have political or economic sovereignty.

I collected the data for the following variables from the 2002 World Development Indicators CD-ROM published by the World Bank: public spending on education, public spending on health care, gross national income per capita, gross domestic product, external debt, IMF credit, short-term debt, foreign direct investment and population. I collected the data for the variable representing the presence of conflict from *The World Political Almanac 2001*. I collected the annual country freedom ratings data from the Freedom House, Freedom in the World Country Ratings 2003 data set.

I also collected data from *The Political Handbook of the World: 2000-2002*, for a political party variable that was to be included as a means of evaluating the effect of the current political administration's policy agenda as it applies to social development, but was left out of the final analysis due to lack of consistency and availability of data (see Appendix B).

Model and Estimation

Social development is modeled as follows:

SOCDEV = *f* (GDP, GNI, FDI, EXT-DBT, IMF, CRNT-ACCT, SHRT-DBT, POP, FREEDOM, CONFLICT)

PBSPEDU= *f* (GDP, GNI, FDI, EXT-DBT, IMF, CRNT-ACCT, SHRT-DBT, POP, FREEDOM, CONFLICT)

PBSPHLTH= *f* (GDP, GNI, FDI, EXT-DBT, IMF, CRNT-ACCT, SHRT-DBT, POP, FREEDOM, CONFLICT)

where, social development (SOCDEV) is the aggregate of the percent of the GDP applied to public spending on education (PBSPEDU) and public spending on health care (PBSPHLTH); and it is analyzed as a function of gross domestic product (GDP), gross national income per capita (GNI), foreign direct investment (FDI), external debt (EXT-DBT), IMF credit used (IMF), current account balance (CRNT-ACCT), short-term debt (SHRT-DEBT), population (POP), freedom house rating (FREEDOM), and the level of conflict (CONFLICT). I also ran this model using long-term debt (LNG-DEBT) in place of external debt to avoid problems of multicollinearity as the two variables are highly correlated. I used a cross sectional, time-series GLS model to estimate the coefficients.

As is common in studies using models similar to the one described above, I regressed the dependent variables (SOCDEV, PBSPEDU, PBSPHLTH) at time *t* on the independent and control variables (GDP, GNI, FDI, EXT-DBT, LNG-DBT, IMF, CRNT-

ACCT, SHRT-DBT, POP, FREEDOM, CONFLICT) at time $t-1$. I expect to find that public spending for social development at t is affected by foreign debt and investment at t-1. Also, according to Jackman's 1980 study, using a lagged dependent variable allows the researcher to avoid any false inferences due to reciprocal causation (Pattnayak 1996).

Results

For this research I employ time-series, cross-sectional regression analysis to test the relative importance of the economic development model, as defined previously, on social development in sub-Saharan Africa. My analysis of the forty-eight countries over thirty years gives leverage to the critique of economic growth centered development policies and the importance of social development as a factor in development policy formation.

According to Table 1, only the GNI per capita is a significant factor affecting social development; and the effect is positive.

Table 1.
The effect of increases in the Gross Domestic Product, the Gross National Income per Capita, Foreign Direct Investment, External Debt, IMF Credit Used, Current Account Balance, Short-Term Debt, Population, Freedom House Rating of Democracy, and Conflict on Social Development in Sub-Saharan Africa, 1970-2000. (N=472)

Variable	Coefficient (SE)
Gross Domestic Product	-.0076 (.0058)
Gross National Income Per Capita	.0009 * (.0001)
Foreign Direct Investment	-.0000 (.0005)
External Debt	-.0000 (.0000)
IMF Credit Used	.0006 (.0007)
Current Account Balance	-.0002 (.0002)
Short-Term Debt	.0001 (.0001)
Population	-9.98e (.0000)
Freedom House Rating of Democracy	-.0544 (.0825)
Conflict	-.3756 (.4492)
Log likelihood	-1098.282
Wald Chi-square	129.07
Prob > Chi-square	0.0000

The model is estimated using a cross sectional time series model with first order autocorrelated errors. Sources: data for public spending on education, public spending on health care, gross national income per capita, gross domestic product, external debt, IMF credit, short-term debt, foreign direct investment and population, 1970-2000 was reported in the 2002 World Development Indicators CD-ROM published by the World Bank. Data for the variable representing the presence of conflict was reported in *The World Political Almanac 2001*. Annual country freedom ratings data was reported in the Freedom House, Freedom in the World Country Ratings 2003 data set.
* indicates statistical significance

GDP is significant at .188; and its effect on social development is negative. In addition, FDI, external debt, current account balance, population, conflict and lack of freedom all have a negative relationship with social development. IMF credit used, however, shows a positive relationship with social development. When this same model was run including long-term debt, instead of external debt, the outcome was virtually the same.

According to Table 2, the GDP, the GNI per capita, and population are significant factors affecting public spending on education; however, while the GDP and population have a negative effect on social development, the GNI per capita has a positive effect on social development.

Table 2.
The effect of increases in the Gross Domestic Product, the Gross National Income per Capita, Foreign Direct Investment, External Debt, IMF Credit Used, Current Account Balance, Short-Term Debt, Population, Freedom House Rating of Democracy, and Conflict on Public Spending on Education in Sub-Saharan Africa, 1970-2000. (N=344)

Variable	Coefficient
Gross Domestic Product	-.0221 * (.0047)
Gross National Income Per Capita	.0005 * (.0000)
Foreign Direct Investment	-.0004 (.0004)
External Debt	9.71e (.0000)
IMF Credit Used	.0002 (.0005)
Current Account Balance	-.0002 (.0001)
Short-Term Debt	.0001 (.0001)
Population	-.0000 * (.0000)
Freedom House Rating of Democracy	-.0763 (.0706)
Conflict	-.1380 (.4183)
Log likelihood	-685.894
Wald Chi-square	135.67
Prob > Chi-square	0.0000

The model is estimated using a cross sectional time series model with first order autocorrelated errors.
Sources: data for public spending on education, public spending on health care, gross national income per capita, gross domestic product, external debt, IMF credit, short-term debt, foreign direct investment and population, 1970-2000 was reported in the 2002 World Development Indicators CD-ROM published by the World Bank. Data for the variable representing the presence of conflict was reported in *The World Political Almanac 2001*. Annual country freedom ratings data was reported in the Freedom House, Freedom in the World Country Ratings 2003 data set.
* indicates statistical significance

Current account balance is significant at .141 and its effect on public spending on education is negative. Short-term debt is significant at .102 and its effect is positive. In addition, as in Tables 1, FDI and conflict have a negative relationship with public spending on education and IMF credit used has a positive relationship. Interestingly however, in this table, external debt and freedom rating have a positive effect, rather than a negative effect. When this same model was run including long-term debt, instead of external debt, the outcome was virtually the same.

According to Table 3, the GDP, GNI per capita, external debt, and freedom rating are all significant factors affecting public spending on health.

Table 3.
The effect of increases in the Gross Domestic Product, the Gross National Income per Capita, Foreign Direct Investment, External Debt, IMF Credit Used, Current Account Balance, Short-Term Debt, Population, Freedom House Rating of Democracy, and Conflict on Public Spending on Health Care in Sub-Saharan Africa, 1970-2000. (N=308)

Variable	Coefficient
Gross Domestic Product	.0113 * (.0033)
Gross National Income Per Capita	.0002 * (.0000)
Foreign Direct Investment	-.0000 (.0002)
External Debt	-.0000 * (.0000)
IMF Credit Used	.0000 (.0003)
Current Account Balance	-.0000 (.0000)
Short-Term Debt	.0000 (.0000)
Population	3.02e (5.16e)
Freedom House Rating of Democracy	-.0788 * (.0338)
Conflict	.1204 (.1898)
Log likelihood	-383.3113
Wald Chi-square	97.84
Prob > Chi-square	0.0000

The model is estimated using a cross sectional time series model with first order autocorrelated errors. Sources: data for public spending on education, public spending on health care, gross national income per capita, gross domestic product, external debt, IMF credit, short-term debt, foreign direct investment and population, 1970-2000 was reported in the 2002 World Development Indicators CD-ROM published by the World Bank. Data for the variable representing the presence of conflict was reported in *The World Political Almanac 2001*. Annual country freedom ratings data was reported in the Freedom House, Freedom in the World Country Ratings 2003 data set.
* indicates statistical significance

Interestingly, GDP and GNI per capita both have positive effects, while external debt and freedom rating both have negative effects on public spending on health care. As in the other tables, FDI and current account balance have negative effects, and IMF credit used and short-term debt have positive effects on public spending on health care. Interestingly, in this table, population and conflict also have a positive relationship with public spending on health care. When this same model was run including long-term debt, instead of external debt, the outcome was virtually the same.

In the following chapter, I conclude my research with a discussion of my findings, the possible implications these findings could have for emergent development policy, and suggestions for further research that could build my hypothesis into a development model for generating sustainable economic and social development in sub-Saharan Africa.

CONCLUSION

Early development theory, rising out of the decolonization process of the 1960s and 1970s, equated “development” with economic growth and industrialization and focused on the analysis of economic growth and the institutions that could induce, sustain, and accelerate economic growth. As a result, Latin American, Asian, and African countries were seen mostly as “underdeveloped” countries, i.e. “primitive” versions of European nations; whose primary goal should be to “develop” the institutions and standards of living of Europe and North America.

Development economists took on the role of suggesting economic policies that would create “short-cuts” that would create the conditions thought necessary for the underdeveloped countries to “catch-up” with the more developed countries. Theorists who equated development with output growth, such as Ragnar Nurkse (1952) identified capital formation as the crucial component for accelerated development. Other theorists suggested government-directed trade (Rosenstein-Rodan 1943), socio-economic engineering (Hans W. Singer and Gunnar Myrdal), and international trade (Hla Myint, Gottfried Haberler, and Jacob Viner) as the catalysts for growth. Some theorists, such as T. W. Schultz (1979) emphasized the need for “human capital” formation, as opposed to physical capital accumulation and focused on education and occupational training as pre-requisites for growth. W. Arthur Lewis and Hans W. Singer (1975) argued that social development as a whole, notably health and education services, that is improving human capital, was also a necessary pre-requisite for growth. According to these theorists

industrialization, if it came at the cost of social development, could never reach a sustainable level. Dudley Seers (1969) argued that development was a social phenomenon that involved more than increasing per capita output.

My argument is that the lending and investing of foreign capital in developing nations for the purpose of industrialization and liberalization of trade has taken precedence over all other forms of development assistance and undermined social development which in turn has prohibited sustainable economic growth.

For my research I employed time-series, cross-sectional regression analysis to test the relative importance of the economic development model on social development in sub-Saharan Africa. I expected to find that the current economic development model negatively affects social development, measured as public spending on education and public spending on health care. I also expected to find that public spending on health care is affected to a greater degree than is public spending on education because donor conditionality often includes increased literacy rates, which would result in increased or sustained public spending on education. However, because public health care services often focus on reproductive health and disease prevention, the status of women and children within a country's social structure may effect the budget for services directly related to them, and result in either low or decreased public spending on health care.

I found that the performance of the current economic development model, measured as external debt or long-term debt, is not a significant factor affecting social development or public spending on education. Interestingly, the current economic model appears to have a negative effect on social development and a positive effect on public

spending on education. I did find, however, that the current economic model is a significant factor affecting public spending on health care and the effect is negative. Perhaps, donor conditionality interest in literacy and education is the reason for the positive relationship between the current economic model and public spending on education.

I found that social development in sub-Saharan Africa, when defined as public spending on education and health care, is significantly affected by gross national income per capita. I also found that for sub-Saharan countries, gross domestic product, gross national income per capita, and population significantly affect public spending on education. Further more, I found that in sub-Saharan Africa public spending on health care is significantly affected by a country's gross domestic product, gross national income per capita, and level of civil and political freedom. I contend that my analysis of the forty-eight countries over thirty years gives leverage to the critique of economic growth centered development policies.

In future research I would like to test the relationships between the independent variables to find to what extent they are interrelated. I would also like to evaluate the effect of the current economic model on other variables, such as the human development index, literacy rates by age group and gender, employment rates and employment sectors, level of urbanization, and also, type of government in place, and policy regime. Another way to expand this research would be to run this same study and compare social development in sub-Saharan Africa regionally and perhaps even expand further to do cross-regional comparisons with Asia and Latin America. I would also like to conduct a

qualitative analysis of the most economically developed and the most socially developed sub-Saharan countries. I believe that this is important in order to understand the current level of development and the probable sustainability of this development. It is also necessary if we are to alter emergent development policy in such a way that it generates sustainable economic and social development in sub-Saharan Africa. I also believe this research is necessary in order to demonstrate that for economic, political, and social development to reach a sustainable level in sub-Saharan Africa, a new development theory must be comprised - one formed from the most generalizable aspects of modernization, dependency, and world systems theories, which also takes into account recent sub-Saharan history and past development policy failures.

APPENDIX A

SUB-SAHARAN AFRICA BY DATE OF INDEPENDENCE AND REGION

Country Name	Date of Independence	Region
Angola	November 10, 1975	South
Benin	August 1, 1960	West
Botswana	September 30, 1966	South
Burkina Faso	August 5, 1960	West
Burundi	July 1, 1962	East
Cameroon	1960	Central
Cape Verde	July 5, 1975	West
Central African Republic	August 13, 1960	Central
Chad	August 11, 1960	Central
Comoros	July 6, 1975	East
Congo, Dem. Rep.	June 30, 1960	East
Congo, Republic of	August 15, 1960	Central
Cote d'Ivoire	August 7, 1960	West
Djibouti	June 27, 1977	East
Equatorial Guinea	October 12, 1968	Central
Eritrea	1993	East
Ethiopia	September 12, 1974	East
Gabon	August 17, 1960	Central
Gambia	February 18, 1965	West
Ghana	March 6, 1957	West
Guinea	October 2, 1958	West
Guinea-Bissou	September 10, 1974	West
Kenya	December 12, 1963	East
Lesotho	October 4, 1966	South
Liberia	1847	West
Madagascar	June 30, 1960	South
Malawi	1964	South
Mali	September 22, 1960	West
Mauritania	November 28, 1960	West
Mauritius	March 12, 1968	South
Mozambique	June 25, 1975	South
Namibia	March 21, 1990	South
Niger	August 3, 1960	West
Nigeria	1960	West
Rwanda	July 1, 1962	East
Sao Tome & Principe	July 12, 1975	Central
Senegal	August 20, 1960	West
Seychelles	June 29, 1976	South
Sierra Leone	April 27, 1961	South
Somalia	July 1, 1960	East
South Africa	1934	South

Sudan	1956	Central
Swaziland	September 6, 1968	South
Tanzania	April 26, 1964	East
Togo	1960	West
Uganda	October 9, 1962	East
Zambia	October 24, 1964	South
Zimbabwe	November 11, 1965	South

APPENDIX B

SUB-SAHARAN AFRICA BY COUNTRY NAME AND POLITICAL STATUS

Angola constitutionally approved a multiparty system in August 1992. The current president, dos Santos, has been in power since 1979. He holds office as both president and prime minister.

Benin, which has been a military regime since 1972, constitutionally adopted a multiparty system December 1990. The current president, Kerekou was in power 1972-1991 and 1996 to present.

Botswana has implemented a multiparty system since 1966. An independent electoral commission was created in 1996.

Burkina Faso, which was a military regime 1966-1978, has experienced two major coups since the creation of their first civilian government, one in 1980 and the last in 1987. They constitutionally adopted a multiparty system in 1991. The current president, Compaore, has been in power since he led the coup of 1987.

Burundi was a military regime 1966-1981. They constitutionally adopted a one-party system in 1981. A military coup overthrew the last one in 1987. They constitutionally adopted a multiparty system in 1992. A military coup overthrew that government in 1996. They currently have a transitional constitution and are a de facto one-party state.

Cameroon was constitutionally a one-party state 1972-1990. They constitutionally approved a multiparty system in December 1990. The current president, Biya, was the prime minister 1975-1982 and has been the president since 1982.

Cape Verde constitutionally adopted a multiparty system in 1991 and conducted their first direct presidential election in 1992.

Central African Republic was a one-party military regime 1966-1979. They established a “republic” in 1979, but military rule was imposed again in 1981. They approved a multiparty system in 1992.

Chad was a military regime 1975-1990, which declared itself a one-party state in 1984. A military coup in 1990 replaced one military regime with another, and they adopted a multiparty system in 1992, but the constitution was not implemented until 1996. The current president, Deby, has been in power since the military coup of 1990.

Comoros was declared a republic in 1978. They adopted a multiparty system in 1990. A military coup in 1999 overthrew the current political system and adopted a new constitution in 2001.

Congo, the Democratic Republic of, adopted a multiparty system in 1990. A rebel takeover in 1997 overthrew this political system. The current president, Kabila, has been in power since the coup of 1997.

Congo, Republic of, adopted a multiparty system in 1992. The republic was overthrown in a military coup in 1997.

Cote d'Ivoire legalized opposition parties in 1990. The political system was overthrown in a military coup in 1999. They returned to civilian government in 2000.

Djibouti held limited multiparty elections in 1992.

Equatorial Guinea has been a military regime since 1979. They adopted a multiparty system in 1992. The current president, Gen. Obiang Nguema Mbasogo, has been in power since the military coup of 1979.

Eritrea adopted a multiparty constitution in 1997, but as of 2001 it was still unimplemented.

Ethiopia was a one-party, military regime 1974-1991. A rebel coalition took over in 1991. A federal democratic republic form of government with a multiparty system was implemented in 1995.

Gabon adopted a semi-presidential regime in 1991 and began to recognized political parties.

Gambia was a republican regime 1970-1982. From 198201989 they were a confederation with Senegal (Senegambia confederation). They remained a multiparty system until the military coup of 1994. Most parties were reestablished immediately, but three parties were banned until 2001.

Ghana was a military regime 1966-1969 and 1972-1979. They experienced a military coup in 1981. A republic was formed in 1992-1993. A multiparty constitution was adopted in 1992, but twenty-one parties remain banned.

Guinea was a one-party presidential regime 1958-1984. A multiparty constitution was adopted in 1990, allowing for a five-year transition period. Between 1990 and 1992 several parties were legalized.

Guinea-Bissou experienced a military coup in 1980 putting the Revolutionary Council in power. They accepted a multi-party system in 1993. A military coup in 1999 overthrew the political system and placed the country under military junta control.

Kenya had a one-party system 1969-1991. They adopted a multi-party constitution in 1991. The current president, Teroitich arap Moi, has been in power since 1978.

Lesotho has been a monarchy since 1966. Political parties were banned after the coup of 1986. General elections and parties were authorized again 1991-1993.

Liberia had a one-party system 1978-1980. Military law was implemented following the coup of 1980. Rebel action and reoccurring outbreaks of violence continued 1990-1995. Presidential and legislative balloting was authorized in 1997.

Madagascar was a one-party military regime until a multiparty system was approved in 1992. This system has been the subject of political conflict ever since.

Malawi has been a one-party presidential system since 1966. A multiparty constitution was adopted in 1995.

Mali was a military regime 1968-1974. They adopted a civilian rule constitution in 1974. It was suspended during the 1991 coup, but a multiparty system was proclaimed in 1992.

Mauritania was ruled by a military committee1978-1984. This system was overthrown by a military coup in 1984. A multiparty system was approved in 1991. The current president, Sid-Ahmed Taya, has been in power since the military coup of 1984.

Mauritius has had a multiparty parliament system since 1968. It became a republic in 1992, and currently, there are 40, mostly left, parties active politically.

Mozambique is a republic. A multiparty system was sanctioned in 1991. The current president, Chissano, was elected by central committee in 1986 and has remained in power ever since.

Namibia has had a multiparty system, supported and influenced by South Africa, since independence.

Niger was a military regime 1974-1989. A one-party military/civilian government was established in 1989. A civil coup set up a civilian government in 1991 and adopted a multiparty system in 1992. A military coup suspended the system in 1996 and set up a military council led multiparty civilian government in 1999.

Nigeria was a republic 1963-1966. Two military coups in 1966 overthrew the republic. An executive presidential system was adopted in 1979. Military coups, 1983 and 1985 overthrew the presidential system. Another military takeover took place in 1993. A return to civil government was experienced in 1999.

Rwanda adopted a multiparty constitution in 1991. Ethnic fighting has since blocked the implementation of this constitution. Various transitional governments have been in power since 1993.

Sao Tome and Principe legalized a multiparty system in 1991. The current president, da Costa, assumed power at independence in 1975 and remained in power until 1988.

Senegal adopted a presidential system in 1963 and a multiparty system in 1976.

Seychelles adopted a multiparty system in 1991. The current president, Rene, was prime minister at independence in 1976 and became president in 1977 through a coup. He has been in power ever since.

Sierra Leone was a republic with a one-party constitution 1971-1991. A multiparty system was implemented in 1991. A military coup took place in 1992 and a military council took over in 1996. A presidential election was held in 1996, but another military coup took place in 1997. An elected government was installed following yet another military coup in 1998.

Somalia was a military regime 1969-1991. A one-party system was adopted in 1976. A multiparty system was adopted in 1990. A rebel overthrow took place in 1991. A transitional government was set up in 2000.

South Africa became an apartheid republican regime in 1961. In 1990, the apartheid ban on multi-racial political parties was lifted. Apartheid was abolished in 1991. A transitional government, following thirty years of civil war, was set up in 1994. Political conflict continued 1994-1999. The presidential election of Mbeki in 1998 was the first unopposed election held there.

Sudan was a military regime 1969-1971. A one-party system was adopted in 1971. A military coup took place in 1985. A military regime was reinstituted in 1989. Civil government was established again in 1993. Non-party elections were held in 1996, and a limited multiparty system was legalized in 1998.

Swaziland has been a monarchy since 1968. A multiparty charter was written up in 1992, but as of 1999 it was still not fully implemented. Non-party elections for local government are standard. A call to lift the ban on parties took place in 2000.

Tanzania adopted a one-party constitution in 1977. A multiparty system was legalized in 1992.

Togo was under personal military rule 1967-1969. It became a one-party state in 1969. A republic was established 1980, but was suspended in 1991. A multiparty system was adopted in 1992. The current president, Eyadema, has been in power since the coup d'etat of 1967.

Uganda adopted a republican constitution in 1967. A personal military system took over in 1971. A provisional government was established by a coup in 1979. A military regime

took over again in 1986. The current president, Museveni, has been in power since the coup of 1986. Political parties remain banned.

Zambia adopted a one-party presidential/parliamentary system in 1972. A multiparty system was set up in 1991.

Zimbabwe was established as a white dominated republican regime in 1970. A biracial executive transitional government was set up in 1978. It returned to British interim rule in 1979. An independent republic with a multiparty system was established in 1980. The current president, Mugabe, has been in power since 1980.

APPENDIX C

CODE BOOK

CONFLICT: internationally acknowledged conflict as reported in the World Political Almanac by Chris Cook. Coded as 0 being no conflict and 1 the presence of conflict.

CRNT-ACCT: current account balance; exports – goods, services, income - plus net current transfers – workers' remittances and receipts – minus imports – goods, services, income. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

EXT-DBT: total external debt including long-term debt, IMF credit used, and short-term debt, in millions of US dollars. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

FDI: foreign direct investment, in millions of US dollars. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

FREEDOM: Freedom House ratings, aggregate of civil liberties and political rights ratings on a scale of 1 to 7 with 1 being most free and 7 being least free, 1972-2000. Data collected from FreedomHouse.com.

GNI: gross national income per capita, in current US dollars. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

GDP: gross domestic product, index 1995=100. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

IMF: the use of IMF credit, in millions of US dollars. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

LNG-DBT: long-term debt in millions of US dollars; combination of public and publicly guaranteed and private non-guaranteed debt. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

PBSPEDU: the percent of GDP spent on public education. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

PBSPHLTH: the percent of GDP spent on public health care. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

POP: population, in thousands. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

SHT-DBT: short-term debt in millions of US dollars. Data collected from the 2002 World Development Indicator CD-ROM published by the World Bank.

SOCDEV: social development, a combination of the percent of GDP spent on health care and education

SOCDEVYR: the year of social development being analyzed

SSACASES: sub-Saharan African countries, identified by an abbreviation of their name and the year of social development being analyze

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