Political Reform

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10 | Political reform

Robert H. Bates

This chapter describes the process of political reform in late twentieth-century Africa and explores its impact on the economic behavior of governments. When I speak of "political reform," I refer to the movement from no-party or one-party to multi-party political systems or from military to civilian regimes. Largely ignoring political liberties – freedom of association

and expression, for example – and political rights – such as the right to vote and campaign for office – I join with Ottaway (1997), Ihonovbere (1998), and others (e.g. Hutchful 1997)) in distinguishing between *democratization* and *reform*, and focus solely on the latter.[1]

To trace the trajectory of political reform, I turn to the standard chronicles[2] and for forty-six countries over a twenty-six year period (1970–95) I ask: did the head of state in place on December 31 of that year preside over:

- A no-party system – i.e. a political system in which parties were legally banned and effectively suppressed?
- A single-party system?
- Or a multi-party political system?[3]

I also ask whether the head of state was – or was not –a military official. Political reform involves the transition from a no- or single-party to a multi-party political system, or from a military to a civilian regime.

1   Background

In the course of their strategic retreat from the continent, imperial governments first granted power to local legislatures, then shared power with cabinets that included local politicians, and finally surrendered power to local executives. These executives then briefly governed their nations before the devolution of full sovereignty. The culmination of each step was the introduction of elections in which rival parties put forward competing candidates for office. In the last few years before independence, rather than being selected by a bureaucrat, the legislator or executive was instead chosen by a local electorate.

In a careful study of political change in twenty-six francophone and anglophone polities in Africa, Ruth Berns Collier (1982) reports that in this period of self-government, nine of these countries formed a single-party system. "In most," she writes, "the overwhelming electoral victory of a single party or the [voluntary] merger of two parties into one made it possible for that party effectively to eliminate all competition" (Collier 1982: 95). In these

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[1] This distinction also implies that the measure of political reform overlooks the quality of multi-party competition; that is, whether elections were free and fair.

[2] *Keesing's Contemporary Archives*, *Country Profiles* of the *Economist Intelligence Unit*, *Africa Research Bulletin*, *Africa Contemporary Record*, *Africa Confidential*, and *Africa South of the Sahara*.

[3] The category "competitive political system" includes both multi-party systems and systems where party competition was legal but did not take place. The latter category contained too few observations (twenty-one) to support meaningful analysis.

Table 10.1 *The sample set of forty-six countries.*

1. Angola	17. Gabon	33. Nigeria
2. Benin	18. The Gambia	34. Rwanda
3. Botswana	19. Ghana	35. São Tomé & Principe
4. Burkina Faso	20. Guinea	36. Senegal
5. Burundi	21. Guinea-Bissau	37. Seychelles
6. Cameroon	22. Kenya	38. Sierra Leone
7. Cape Verde	23. Lesotho	39. Somalia
8. CAR	24. Liberia	40. Sudan
9. Chad	25. Madagascar	41. Swaziland
10. Comoros	26. Malawi	42. Tanzania
11. Congo, Republic	27. Mali	43. Togo
12. Côte d'Ivoire	28. Mauritania	44. Uganda
13. Djibouti	29. Mauritius	45. Zambia
14. DRC	30. Mozambique	46. Zimbabwe
15. Equatorial Guinea	31. Namibia	
16. Ethiopia	32. Niger	

nine countries, then, multi-party competition came to an end even before independence.

In the post-independence period, seven more of Collier's sample of twenty-six states adopted single-party systems: "In most of these," she writes, "the one-party states did not result from electoral victory or merger but from the banning of all opposition parties or the outright rigging of elections" (Collier 1982: 95).[4]

Within three years after independence, a new form of authoritarianism emerged. In the early 1960s, the armies of Benin, Madagascar, Sudan, Togo, and Congo (Brazzaville) overthrew their civilian leaders. In the forty-six-country sample employed for the present study (see table 10.1), by 1970, only nine – or 25 percent of those that had achieved political independence – retained competitive systems.

Table 10.2 presents the distribution of the types of party systems that prevailed over the sample period (1970–95). Table 10.3 portrays the incidence of military rule. To be noted is that the two are correlated (see table 10.4), with the great majority of military rulers presiding over no-party systems.

The late 1970s marked the peak period of military rule (table 10.3); the late 1980s that of single-party systems (table 10.2). Overall, until the mid-1990s the majority of the African governments were authoritarian: on average, a

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[4] For an overview of the formation of single-party regimes, see Coleman and Rosberg (1964).

Table 10.2 *Nature of party system, 1970–1995.*

| Time period | Distribution of country-years | | | |
	No-party	One-party	Multi-party	Total
1970–4				
Number	70	83	28	181
%	38.67	45.86	15.47	100.00
1975–9				
Number	93	97	25	215
%	43.26	45.12	11.63	100.00
1980–4				
Number	75	111	36	222
%	33.78	50.00	16.22	100.00
1985–9				
Number	72	110	33	215
%	33.49	51.16	15.35	100.00
1990–5				
Number	64	68	127	259
%	24.71	26.25	49.03	100.00
All years				
Number	374	469	249	1,092
%	34.25	42.95	22.80	100.00

third of the heads of state came from the military and three-quarters presided over no-party or single-party systems.

The period of most rapid change came in the period of political reform: the late 1980s and early 1990s. In that era, the percent of heads of state who came from the military fell from 33 percent to 23 percent and the portion of the chief executives that presided over single-party regimes fell from one-half to one-quarter. For the first time in the sample period (1970–95), multi-party political systems became the modal form of government in SSA.

Throughout this book, we partition the cases into three "growth opportunity" categories: landlocked and resource-scarce, coastal and resource-scarce, and resource-rich (see table 10.5 and chapter 2). Doing so here, we find that throughout most of the sample period, no-party government provided the modal form of rule in the landlocked and resource-scarce regions of Africa; single-party systems held sway in the countries on the coast. Resource-rich nations proved more variable. When political reform took place, it struck with particular force in the latter two groups, where 60 percent or more of the sample set of countries adopted multi-party political regimes.

Table 10.3 *Military head of state, 1970–1995.*

| | Distribution of country-years | | |
| | Military head of state? | | |
Time period	No	Yes	Total
1970–4			
Number	129	63	192
%	67.19	32.81	
1975–9			
Number	141	79	220
%	64.09	35.91	
1980–4			
Number	146	74	220
%	66.36	33.64	
1985–9			
Number	149	71	220
%	67.73	32.27	
1990–5			
Number	164	49	213
%	77.00	23.00	
Total			
Number	729	336	1,065
%	68.45	31.55	

Table 10.4 *Military rule and the party system.*

| | | | Type of party system | | | |
Distribution of country-years			No-party	One-party	Multi-party	All
Chief executive in military?	No	Number	107	372	239	718
		% of systems	14.90	51.81	33.29	100.00
		% of execs	29.32	82.48	98.35	
	Yes	Number	258	79	4	341
		% of systems	75.66	23.17	1.17	100.00
		% of execs	70.68	17.52	1.65	
	Total	Number	365	451	243	1,059
		% of systems	34.47	42.59	22.95	100.00
		% of execs	100.00	100.00	100.00	

Table 10.5 *Party system, by opportunity group, 1970–1994*
A 1970–4 and 1975–9

| | Time period | | | | | | | |
| Distribution of country-years | 1970–4 | | | | 1975–9 | | | |
	No-party	Single-party	Multi-party	Total	No-party	Single-party	Multi-party	Total
Landlocked								
Number	36	23	1	60	45	14	2	51
%	60.0	38.33	1.67		73.8	23.0	3.28	
Coastal								
Number	27	45	19	91	32	68	17	117
%	29.7	49.5	20.9		27.35	58.1	14.5	
Resource-rich								
Number	7	15	8	30	16	15	6	37
%	23.3	50.0	26.67		43.2	40.5	16.2	
Total								
Number	70	83	28	181	93	97	25	215
%	38.7	45.9	15.47		43.3	45.1	11.6	

Notes: The classification by opportunity group applies to country-years and is time-varying. Here "landlocked" and "coastal" refer to country-years that are not only geographically either landlocked or coastal, but also resource-scarce by the criteria developed in chapter 2. Resource-rich country-years refer to geographically landlocked or coastal countries in which natural-resource exports pass various thresholds (see chapter 2).

B 1980–4 and 1985–9

| | Time period | | | | | | | |
| Distribution of country-years | 1980–4 | | | | 1985–9 | | | |
	No-party	Single-party	Multi-party	Total	No-party	Single-party	Multi-party	Total
Landlocked								
Number	34	21	10	65	33	27	5	65
%	52.3	32.1	15.4		50.8	41.5	7.69	
Coastal								
Number	25	70	17	112	15	67	23	105
%	22.3	62.5	15.2		14.3	63.8	21.9	
Resource-rich								
Number	16	20	9	45	24	16	5	45
%	35.6	44.4	20.0		53.3	35.6	11.1	
Total								
Number	75	111	36	272	72	110	33	215
%	33.8	50	16.2		33.5	51.2	15.4	

Notes: See table 10.5, panel A.

C 1990–4

Distribution of country-years	Time period			
	1990–4			
	No-party	Single-party	Multi-party	Total
Landlocked				
Number	30	24	24	78
%	38.5	36.8	30.8	
Coastal				
Number	19	38	61	118
%	16.1	32.2	51.7	
Resource-rich				
Number	15	6	42	63
%	23.8	9.52	66.67	
Total				
Number	64	68	127	259
%	24.7	26.3	49	

Notes: See table 10.5, panel A.

2   Explaining political reform

In their attempts to account for the change from authoritarian forms of government, scholars have advanced two major explanations. One emphasizes the role of global forces and in particular the role of donors and financial institutions. The second stresses the importance of political forces that operate within Africa.

2.1   The international path

As noted in Ndulu's chapter 9, by the end of the 1970s, the international community was fully aware of the failure of African development. Emboldened by the reformist mandate bestowed by its President, Robert McNamara, the World Bank had financed a dazzling array of small-farmer and community-level projects. As recounted in its official history, the World Bank's own evaluations revealed a distressingly low rate of return for its Africa projects: "More than any other task the Bank had undertaken, its engagement with Sub-Saharan Africa sapped the institution's … confidence," it reports (Kapur 1997: 720). When seeking reasons for the failure of its projects, the Bank found them in "the policy environment." As documented in its famed "Berg Report,"[5] Africa's economies were subject to a mix of policies that distorted

market prices and undermined economic incentives and so crippled growth and development.

In addition to being a financer of projects, the World Bank then became an advisor to governments. In pursuit of policy change, it drew upon two sources of strength. The first was expertise. Through publications, seminars, and the training of public servants, the Bank sought to expose the economic costs of prevailing policies and to offer alternatives. The second was capital. In any given country at any given time, the Bank would normally finance a multitude of projects, the cancellation of any one of which would go largely unnoticed by the national government. To gain the attention of policy-makers, Please (1984) writes, the Bank therefore began to bundle its projects into sectoral programs; more would then be at risk were the Bank to suspend its lending. Sectoral programs soon gave way to country programs and to conditionality, as the Bank sought to strengthen further its leverage over policy-makers in debtor nations and to sharpen the incentives for policy reform.

The World Bank was but one of several sources of finance, however; private banks, bilateral donors and increasingly the IMF also provided credit to African governments. In pursuit of power, the Bank therefore sought to build coalitions among creditors. Given international realities, however, a united front proved difficult to achieve. In the midst of the Cold War, the USA, for example, simply refused to join any coalition threatening to suspend aid to Mobutu, who was providing arms and bases to those fighting Marxists in Angola. And when the USA might pursue collective efforts to elicit changes in socialist countries, other nations – those in Scandinavia, for example – would then breach the creditors' alliance out of ideological sympathy or humanitarian concerns.

As donors focused on the behavior of African governments, they necessarily struggled with the question: why would these governments adopt policies that undermined economic prosperity? Over time, a consensus emerged: that the behavior of these governments reflected their lack of political accountability. Not being accountable, governments in Africa could adopt policies that conferred concentrated benefits on the elites while imposing widely distributed costs on those who generated the wealth of the nation. In its pursuit of ways to alter the economic environment faced by private agents in Africa's economies, the World Bank therefore began to focus not only on policy choices but also on institutional reform.[6]

In the late 1980s and early 1990s, changes at the global level strengthened the hand of Africa's creditors. Under the presidency of Ronald Reagan, the USA vigorously backstopped the efforts of international financial

[5] World Bank (1981).   [6] See, for example, World Bank (1989, 1991).

institutions to reduce the role of governments and to strengthen that of markets in the developing countries. The collapse of the Labour Party and the eleven-year rule of Margaret Thatcher aligned Britain's agenda with that of the USA. And after the fall of the Labor government in Norway in 1981 and the Social Democratic government a decade later, African governments seeking to resist reforms could no longer count on support from the Scandinavian countries.

The fundamental change came, however, with the collapse of communism. The new democracies in middle-income Europe now had a stronger claim on international assistance than did the impoverished authoritarian regimes of Africa. The ability of the international financial community to elicit institutional reform rose accordingly.

The "international" explanation of political reform thus focuses on the place of Africa within the global system and stresses the role of foreign creditors and international capital. There exists a second account, however, which I label the "domestic" narrative. By way of introduction, consider the words of Adu Boahen, a long-term challenger of Ghana's military regimes: "Adu Boahen [*sic*] was detained . . . for [my] role in . . . campaigns for the reintroduction of multiparty democracy in Ghana . . . long before anybody heard of Mikhail Gorbachev or of World Bank and IMF conditionalities" (Boahen 1997: 146). Boahen's indignation imparts weight to his claim that the source of political change lay in the townships of Africa rather than in the offices of the international financial community.

2.2   The domestic path

With the decline of Africa's economies in the 1970s came the erosion of government revenues and the quality of the services that they could provide. When Sahr Kpundeh examined the pay slip of Freetown's Commissioner of Taxes, for example, he noted a monthly salary of Le 13,941.00.[7] "If [the Commissioner] buys a bag of rice at Le 8,200 . . . every month to feed his family," Kpundeh wrote, "and pays Le 300 for transportation to and from work every day, . . . his expenses exceed his earnings" (Kpundeh 2004: 67). The Commissioner's response, Kpundeh reports, was to devote less time to collecting the public's revenues and to devote more to generating an income for himself and his family (2004: 67).

MacGaffey (1991: 14) finds similar patterns in the DRC. Drawing on a survey of household finances in Kinshasa, she notes that over two-thirds of the expenditures made by public employees went to the purchase of food and that the portion had increased in recent years while that spent on meat

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[7]   US $28 (!) at the time of writing.

and fish had declined. The first, she stresses, is the mark of poverty; the second, of immiseration.

In response to the erosion in their salaries, government workers exited the public domain and turned to private economic activity.[8] They also joined the ranks of those who opposed the governments that employed them.

Côte d'Ivoire offers an apt example. During the recession of the 1970s, its economy was fortuitously buoyed by favorable prices for coffee and cocoa, its principal exports. In 1978, however, these prices, too, declined – just as petroleum prices doubled. During the export boom, the government had launched massive development programs in the North, a region long disgruntled by its marginal position in the forest-based economy. The bills for this expansion came due just as the capacity to finance them declined and the government sought to retrench. As stated by Rapley (1993: 58–9), the

austerity program hit with particular force on the civil servants, who found their budgets frozen; their programs cut; and their salaries left unpaid. In response, public servants turned on the government that employed them: transport workers closed down bus lines, workers disrupted the supply of electricity to Abidjan, the national capital, and airport employees closed down the national airport (see also Faure 1989).

For public servants, the economic collapse of the state represented a threat to private incomes; for private citizens, it resulted in a loss of public services. Clinics were left without medicines, as governments could not afford to import them – or as the staff would sell them to supplement their meager wages. Schools were left without textbooks, and teachers often spent as much time in commerce as they did in instruction. Private traders faced increased costs from the decay of the roads, the inefficiency of the harbors, and the extraction of bribes. Telephone facilities decayed and postal workers trimmed their hours to fit their pay. Many in the private sector therefore turned from activities that made extensive use of public services to those that did not, shifting from production for exchange into self-sufficiency. Many also joined in demands for political reform (Bratton and van de Walle 1997).

Two accounts thus lead to the same end: protests against authoritarian rule. In several countries, the opposition organized national conferences that transformed military governments into civilian regimes and uncompetitive into competitive party systems. In 1990, Benin became the first to convene such a conference. Seeking to emulate Benin's achievements, reformers in

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[8] By the mid-1980s, MacGaffey (1991) notes, salaries constituted less than one-half of the
    incomes of those who worked in the public sector.

neighboring states then organized conferences of their own. A wave of political reform spread first through West Africa and then inland and to the south, encompassing both French- and English-speaking states.[9]

3   Empirics

To deepen our understanding of political reform, we turn from qualitative accounts to quantitative data drawn from forty-six countries over the period 1970–95 (see table 10.1).

The most straightforward way of exploring the patterns described in section 2 would be to estimate the entries in a transition matrix that would represent the probability of a political system enduring from one period to the next or of altering in form. The paucity of information confounds this approach, however. Given the high degree of persistence in the political systems of Africa, the number of informative observations is small. Even when applying techniques designed for the investigation of rare events (King and Zeng 2001), I have been unable to secure precise estimates of the impact of key variables upon the likelihood of such transitions.

Rather than employing Markov models to explore transitions, I therefore rely upon probit and logit estimation. Both treat the dependent variable as a binary variable. A country then is either reformed and thus 1, or authoritarian and thus 0.

I have offered two interpretations of the process of reform, one based on international forces and the other on those within Africa. To capture the first, I include a measure of AID, or more precisely, aid dependence; the variable represents the value of international grants measured as a percent of the central government's budget. Designating with a dummy variable all observations recorded after 1988, I distinguish the period after the Cold War; I call this variable POST-1988. The dependent variable is the likelihood of abandoning authoritarian forms of government. Insofar as international factors shaped the process of reform, the coefficients on these variables should be positive in sign and statistically significant.

It was by all accounts the literate, urban-based, middle class that provided the impetus for political reform. Insofar as reform stemmed from sources internal to Africa, then the likelihood of reform should be significantly and positively related to (the log of) *per capita* INCOME, to the percent of the adult population that could read or write (LITERACY), and to the percentage living in urban areas (URBAN POPULATION). The influence of local sources of reform should also become evident in the relationship between UNREST and reform. UNREST registers whether there were reports

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[9] It will be noticed that South Africa is excluded from this part of the analysis.

of mass demonstrations in any given year (1) and whether, if so, they became violent (2). It should also become evident in the relationship between the likelihood of reform in one country and the level of reform in its neighbors, with the latter being captured in a variable called NEIGHBORHOOD.

Both the "international" and "domestic" accounts of reform emphasize the role of economic decline, be it of the private economy or of public services; I therefore include GROWTH and public REVENUES in the equations. To control for the strong inertial property of political arrangements, I also include a measure of the "stock" of political institutions. The variable DURATION indicates the number of years in which the incumbent political system – be it no-party, one-party or multi-party – has been in place.

A major difficulty confronting these attempts at estimation is the prevalence of missing values in the data.[10] Resorting to case-wise deletion – that is, to dropping observations which lack data for key variables – decreases the efficiency and increases the potential for bias in the estimates. I therefore employ the methods developed by Rubin (1996) and Schafer (1997) to impute multiple estimates of the missing values and to calculate their distributions, and the techniques developed by the Harvard Data Center to estimate and to interpret the estimates derived from the resultant data.[11] Another difficulty is the possible significance of omitted variables, which could either cause spurious relationships or endogeneity. To counter those possibilities I introduce fixed effects and instrumental variables.

Table 10.6 provides a description of the variables, their distribution, and the sources from which they were taken. Table 10.7 contains the probit estimates drawn from pooled samples and table 10.8 conditional logit estimates that allow for country-specific effects. In each table, (2) and (4) employ the composite score, MODERNITY rather than INCOME, LITERACY AND URBAN POPULATION. The variable NEIGHBORHOOD registers the average level of political reform in the neighboring states.

In both tables 10.7 and 10.8, the coefficients relate the value of the independent variables to the likelihood of reform. In column (1) and (2), the dependent variable takes the value of 1 if the country possesses a multi-party political system and 0 otherwise. In column (3) and (4), the dependent variable takes the value 1 if the government is headed by a military official and 0 otherwise. In all equations, the standard errors are robust and clustered by country. The values of all right-hand-side variables are lagged by one year.

The estimates document the inertial property of political institutions and the tendency of institutions to persist; in so doing, they also highlight the magnitude of the challenge that faced the reformers. In column (1) and (2) in table 10.7, the coefficients on the duration indicators

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[10] This will come as no surprise to anyone who studies Africa. See Honaker (2000).
[11] King, Tomz, and Wittenberg (2000).

Table 10.6 *Description of variables used in tables* 10.7 *and* 10.9.

Variable name	Definition/Units	Mean	Standard error of mean
Dependent variables:			
MULTI-PARTY	1 if multi-party system, *de facto* or *de jure*; 0 otherwise	0.208	0.406
MILITARY	1 if chief executive a military official; 0 otherwise	0.441	0.479
Explanatory variables:			
INCOME	log of GDP *per capita* (PPP)	6.851	0.605
LITERACY	Percent of adult population literate	58.917	19.921
URBAN POPULATION	Percent of population living in cities	25.849	13.476
MODERNITY	Factor score derived from principal components factor analysis of INCOME, URBAN POPULATION, AND LITERACY	−1.6 E-02	0.024
GROWTH	Annual rate of growth of GDP	0.152	8.290
REVENUES	Central government revenues as percent of GDP	19.486	10.165
AID	International grants as percent of central government budget	53.643	68.934
OIL	Dollar value of oil exports *per capita*	86.071	473.730
DURATION:			
No-party	Length of time NO-PARTY system in place (see below)	2.405	4.685
Single-party	Length of time SINGLE-PARTY system in place (see below)	3.415	5.551
Multi-party	Length of time MULTI-PARTY system in place (see above)	1.271	3.934
NO-PARTY	1 if chief executive achieves power without an election; 0 otherwise	0.313	0.463
SINGLE PARTY	1 if chief executive elected to office but faced no opposition party	0.392	0.483
NEIGHBORHOOD	Average level of reform in neighboring states	2.741	1.112
POST-1988	1 if year 1988–95; 0 otherwise	0.269	0.444

Table 10.7 *Probit estimation of covariates of reform.*

	Dependent variable			
	MULTI-PARTY political system		MILITARY rule	
Variable	(1)	(2)	(3)	(4)
INCOME	0.287	–	−1.317	–
	(1.600)	–	(−7.176)***	–
LITERACY	0.011	–	−0.007	–
	(2.302)**	–	(−2.315)**	–
URBAN POPULATION	0.008	–	0.018	–
	(1.440)	–	(3.892)***	–
MODERNITY	–	0.440	–	−0.518
	–	(3.315)***	–	(−5.264)***
GROWTH	0.008	1.361	−0.002	−0.009
	(1.191)	(0.174)	(−0.257)	(−1.400)
REVENUES	−0.009	−0.007	−0.033	−0.042
	(−0.649)	(−0.532)	(−3.718)***	(−4.667)***
AID	−0.004	−0.005	−0.007	−0.005
	(−1.726)*	(−2.049)**	(−3.090)***	(−2.026)*
OIL	−0.001	0.001	0.001	0.001
	(−1.286)	(−1.682)*	(1.771)*	(0.180)
UNREST	−0.007	−0.001	0.007	0.028
	(−0.105)	(−0.022)	(0.139)	(0.556)
DURATION:				
No-party	−0.010	−0.099	0.103	0.101
	(−4.383)***	(−4.323)***	(6.571)***	(6.961)***
Single-party	−0.105	−0.103	−0.029	−0.014
	(−4.8)***	(−4.689)***	(−2.207)**	(−1.173)
Multi-party	0.243	0.245	−0.022	−0.060
	(2.006)**	(2.023)**	(−0.443)	(−1.172)
NEIGHBORHOOD	0.174	0.161	−0.216	−0.108
	(2.927)***	(2.728)***	(−3.768)***	(−2.079)**
POST-1988	1.132	1.185	−0.125	−0.016
	(7.452)***	(8.249)***	(−0.851)	(−0.120)
No. obs.	1,088	1,088	1,088	1,088

Note: *t*-statistic in parentheses. *=0.10 confidence level; ** =0.05 confidence level; ***=0.01 confidence level.

Table 10.8 *Conditional fixed-effects estimation of covariates of reform.*

	Dependent variable			
	MULTI-PARTY political system		MILITARY rule	
Variable	(1)	(2)	(3)	(4)
INCOME	1.139	–	−2.552	–
	(1.461)	–	(−3.815)***	–
LITERACY	0.024	–	0.013	–
	(0.963)	–	(0.599)	–
URBAN POPULATION	0.091	–	0.009	–
	(1.655)	–	(0.254)	–
MODERNITY	–	2.288	–	−1.266
	–	(3.117)***	–	(−1.958)*
GROWTH	0.017	0.013	−0.008	−0.022
	(0.982)	(0.777)	(−0.502)	(−1.556)
REVENUES	−0.009	−0.010	−0.004	−0.010
	(−0.279)	(−0.304)	(−0.158)	(−0.420)
AID	−0.008	−0.007	−0.004	−0.001
	(−1.216)	(−1.104)	(−0.803)	(−0.229)
OIL	0.001	0.001	0.001	0.001
	(0.326)	(0.293)	(0.306)	(0.213)
UNREST	−0.034	−0.029	0.140	0.165
	(−0.209)	(−0.178)	(0..967)	(1.225)
DURATION:				
No-party	−0.152	−0.151	0.298	0.317
	(−2.905)***	(−2.945)***	(6.011)***	(6.535)***
Single-party	−0.147	−0.146	−0.107	−0.082
	(−3.793)***	(−3.838)***	(−2.390)**	(−1.931)*
Multi-party	0.529	0.515	−0.031	−0.097
	(4.001)**	(3.925)***	(−0.246)	(−0.723)
NEIGHBORHOOD	0.366	0.384	−0.597	−0.454
	(2.017)**	(2.255)**	(−3.791)***	(−3.046)***
POST-1988	1.683	1.826	−0.977	−0.437
	(3.551)***	(4.146)***	(−2.255)**	(−1.210)
No. obs.	710	710	710	710

Note: *t*-statistic in parentheses. *= 0.10 confidence level; ** = 0.05 confidence level; ***= 0.01 confidence level.

for no- and single-party systems are highly significant;[12] as seen in table 10.8, they remain significant even after the introduction of fixed effects. Returning to table 10.7, notice, too, the coefficients on government REVENUES: all are negative and, for military governments, they are highly significant. Governments with higher revenues were more likely to be civilian than were those that lacked financial resources. As seen in table 10.8, the signs but not the significance levels persist in the fixed-effects, conditional logistic estimations.

The estimates in tables 10.7 and 10.8 provide support for the "domestic" path toward political reform. In both, the greater the percent of the adult population who were literate (LITERACY) and the higher the average (log of) INCOME, the more likely were authoritarian regimes to fall. In the estimates that incorporate fixed effects (table 10.8), the coefficients on the individual components of modernity become insignificant; evidence for the broader argument nonetheless remains the coefficient on the aggregate measure, MODERNITY, which is statistically significant and of the expected sign.[13] The data also confirm the importance of political contagion within Africa. As seen in the coefficient on NEIGHBORHOOD, the higher the average level of political reform in surrounding countries, the greater the likelihood of reform in a given nation. Unexpectedly, the level of domestic UNREST bears little relationship to the outcome of the struggle for reform. Inspection of the data indicates that the level of unrest was high in countries where reform triumphed (e.g. Benin) as well as in countries where it failed (e.g. Togo). Authoritarian governments appear to have fallen not because they faced more unrest but because they were unable to respond to it

Turning to the indicators of international forces, interesting differences emerge between the two kinds of reform: the movement to MULTI-PARTY political systems and from MILITARY to civilian government. In tables 10.7 and 10.8, the coefficient on POST-1988, the dummy variable marking the post-Cold War period, shifts positively and significantly for the movement to a competitive political system (table 10.7). In the case of military regimes, the coefficient on POST-1988 is insignificant in three of the four equations: the toppling of military governments failed to accelerate after the Cold War. The late-century increase in the number of competitive regimes resulted more from the fall of single-party systems than it did from the fall of no-party (and therefore largely military) systems.[14]

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[12] That the coefficients on no-party systems are positive in (3) and (4) merely re-confirms that military governments tend to form no-party regimes.

[13] Recall that the variable MODERNITY is derived from a principle components analysis of INCOME, LITERACY, and URBAN POPULATION.

[14] Interacting the period dummy with the "stock" of different kinds of governments confirms that it was the no-party systems that tended to become competitive in the post-war period; the no-party systems – the regimes of choice for military governments – behaved no differently in this respect in the periods before and after 1988.

The data suggest that AID dependence played a different role in the two kinds of transitions. The probit estimates computed from the pooled sample (column (1) and (2) in table 10.7) suggest that higher levels of aid dependence rendered no- and single-party governments *less* likely to transition to multi-party political regimes. The signs but not the significance levels persist in the conditional logit (fixed effects) estimates (column (1) and (2) in table 10.8). By contrast, in *all* models, higher levels of aid dependence rendered the transition from military rule *more* likely (column (3) and (4) in tables 10.7 and 10.8). Aid dependence thus appears to have played a greater role in the transition from military government to civilian rule than it did in the transition from no- or single- to multi-party systems.

Note the coefficients on OIL in column (2) and (3) in table 10.7. In keeping with the literature on the "resource curse" (Ross 1999; Sachs and Warner 1999), the coefficient suggests that governments blessed with an abundance of natural resources may be more likely to be authoritarian. But note also the coefficient in column (3) and (4): the greater the access to oil revenues, the less likely the government is military.

A problem confronting the estimates reported in tables 10.7 and 10.8 is the possible impact of reciprocal causation: GROWTH or REVENUES could be affected by changes in political regime, for example, and the estimates therefore need to be corrected for the impact of endogeneity. Particularly when estimating equations that include qualitative dependent variables and multiple data sets, it proves difficult to correct for this source of bias. Suitable techniques[15] exist only for probit estimation. When addressing the problem of endogeneity, I used for instruments lagged values of the endogenous variables, the rate of growth of the OECD economies, the percent of exports comprising primary products, and the percent of tax revenues derived from international trade. The coefficients on most variables remained virtually unchanged. Not surprisingly, given the volatility of short-run growth rates, the coefficients for the instrumented values of GROWTH were poorly estimated. Those for REVENUES were more precise and suggest that the uncorrected estimates understate the impact of government revenues on political stability by roughly 50 percent.

It is useful to shift our focus from the sign and significance of the coefficients to an assessment of their magnitude. The data in table 10.9 provide estimates of the magnitude of the change in the likelihood of reform that is associated with a change in the magnitude of a given independent variable, while the other such variables are held at their median values. Recall that "reform" refers to the movement *to* a competitive party system and *away*

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[15] "Suitable" implies, among other things, that the technique can be applied to multiple imputed data sets.

Table 10.9 *Political reform (first differences).*

Variable	Multi-party rule (1)	Multi-party rule (2)	Military rule (3)	Military rule (4)
	Dependent variable			
INCOME	0.045	–	−0.275	–
Lowest → highest	(−0.008 0.110)	–	(−0.348 −0.202)	–
LITERACY	0.080	–	−0.073	–
Lowest → highest	(0.017 0.171)	–	(−0.131 −0.002)	–
URBAN POPULATION	0.033	–	0.101	–
Lowest → highest	(−0.01 0.086)	–	(0.051 0.152)	–
MODERNIZATION	–	0.105	–	−0.162
Lowest → highest	–	(0.04 0.187)	–	(−0.223 −0.106)
GROWTH	0.016	0.017	−0.005	−0.024
Lowest → highest	(−0.01 0.043)	(−0.007 0.044)	(−0.038 0.032)	(−0.507 0.10)
REVENUES	−0.024	0.018	−0.121	−0.147
Lowest → highest	(−0.008 0.044)	(−0.007 0.048)	(−0.179 −0.061)	(−0.202 −0.091)
AID	−0.045	−0.051	−0.105	−0.071
Lowest → highest	(−0.103 0.003)	(−0.106 −0.044)	(−0.181 −0.046)	(−0.148 −0.015)
OIL	0.0	0	0	0
Lowest → highest	(0.0 0.0)	(0.0 0.0)	(0.0 0.0)	(0.0 0.0)
UNREST	−0.002	0.001	0.006	0.019
0 → 1	(−0.060 0.065)	(−0.054 0.069)	(−0.060 0.076)	(−0.044 0.085)
DURATION:				
NO-PARTY	−0.023	−0.022	0.035	0.033
0 → 1	(−0.042 −0.009)	(−0.04 −0.09)	(0.026 0.043)	(0.025 0.040)
SINGLE-PARTY	−0.024	−0.023	−0.009	−0.005
0 → 1	(−0.044 −0.010)	(−0.042 −0.009)	(−0.019 −0.001)	(−0.012 0.002)
COMPETITIVE	0.062	0.061	−0.008	−0.019
0 → 1	(0.001 0.111)	(0.003 0.109)	(−0.041 0.024)	(−0.052 0.012)
NEIGHBORHOOD	0.050	0.045	−0.083	−0.041
Lowest → highest	(0.018 0.086)	(0.015 0.078)	(−0.127 −0.041)	(−0.08 −0.002)
POST-1988	0.386	0.402	−0.037	−0.004
0 → 1	(0.278 0.492)	(0.294 0.503)	(−0.117 0.053)	(−0.082 0.089)

Note: "Lowest → highest" indicates a movement from the lowest to the highest quartile, i.e. over the interquartile range. In the case of POST-1998, 0 → 1 indicates a movement from before to after. In the case of the DURATION variables, 0 → 1 represents an increase of an additional year. The values in parentheses define the 95% confidence interval of the estimate.

from a military regime. For the DURATION variables, the estimates indicate the impact of an additional year of a no- or single-party system or a multi-party political regime. For the POST-1988 dummy, the change ranges from 0 to 1 – i.e. from before to after the Cold War. For the other variables, the value is changed from the 25th to the 75th percentile of the sample values.

The results in column (1) suggest that if a country like Liberia (which is in the lowest quartile) could increase its literacy rate to that of Zimbabwe (which is in the highest), then the likelihood of adopting a competitive political system would increase by 8 percentage points (with the 5 percent confidence interval of 0.017 to 0.171 percent). Those in column (3) suggest that had the central government of Chad (which in 1974 occupied the 75th percentile) derived as small a percent of its revenues from international grants as did Mauritius (which occupied the 25th), then the likelihood of Chad adopting a civilian regime would have increased by 11 percentage points (with the 5 percent confidence interval of 4.6 to 18.1 percent). Interestingly, it is the end of the Cold War that appears to have had the greatest effect upon the change to a competitive political system. For the change from military to civilian regimes, the major force appears to have been internal rather than global in origin, with the so-called "modernization" variables having the greatest effect. In both cases, AID dependency appears, however, to have accelerated the reform of military regimes.

4   The impact of political reform

While champions of political reform viewed it as good in itself, they also viewed it as a means for securing economic reform. Being unconstrained by the need to compete for popular support, it was argued, authoritarian governments were more likely to engage in economic predation. They were less likely to govern with economic restraint and therefore prone to distort key prices in the macroeconomy: the exchange rate, the interest rate, the aggregate price level. Such arguments were championed both by African intellectuals who posited a link between poor governance and poverty (Ake 1990) and by international donors who increasingly viewed political accountability as a necessary precondition for economic reform (World Bank 1994).

In this section, I explore and evaluate the logic of this argument.[16] In doing so, I find that while political accountability appears to relate to reduced opportunism by governments, it fails to relate to our (less than perfect!) measure of macroeconomic restraint. In subsequent sections, I therefore explore the possibility that political accountability fails because political competition creates incentives for governments to manipulate the macroeconomy for short-term political advantage.

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[16] More accurately, Macartan Humphreys and I: see Humphreys and Bates (2005).

4.1   Political accountability

Using a principal–agent framework, Barro (1973), Ferejohn (1986), Persson and Tabellini (2000), and others (see Besley 2006) have crafted models of political accountability and derived from them the equilibrium behavior of governments. In this section, I employ such a model in order to explore the link between political reform in Africa and the policy choices of its governments.

In models of political accountability, the citizens move first, choosing a minimum level of acceptable performance by their government. Knowing how the citizens have chosen, the government then chooses public policies, seeking to offer sufficient benefits to win renewal in power and to secure private benefits from office that are consistent with its retention of office. After its term has been completed, the citizens evaluate the government's performance. If some decisive group of citizens approves – a group that we call the selectorate – the citizenry may choose to renew the government's contract. If the selectorate fails to do so, the government departs from office and another is installed in its place. The game between the citizens and their government is played over an infinite number of periods of fixed length; each player's valuation of utility is given by the sum of welfare in each period, discounted for risk and time.

One way of securing greater accountability is to compel those who seek office to compete for the votes of the electorate. One step toward reform, then, is the change from a military to a civilian regime. Another is introducing multi-party systems where single- and no-party (i.e. nakedly authoritarian) systems had hitherto held sway. As we shall see, there exists an equilibrium for this game in which the strategy followed by citizens compels the government to produce more public goods and fewer private benefits than it might otherwise desire, and in which a wider selectorate (a larger M) increases the quality of policy on the margin. The model thus demonstrates that institutions of accountability – arrangements that allow the popular replacement of executives based on performance, or that widen the selectorate – *can* generate incentives that influence economic policy in the ways claimed by political reformers. I explore later why they fail in important respects to do so.

4.2   The economy

In this model, we think of an economy containing N individuals, indexed by $i \in \{1, 2, \ldots, N\}$ in which production is governed by an agent – the government – that manages the transformation between public goods – denoted by π – and private goods – denoted by ϕ – subject to the constraints that $f(\pi, \phi) \leq 1$ and $\pi, \phi \geq 0$. The function $f(\pi, \phi)$ captures the ease with which the agent can transform public into private goods. The income of

each player – the government and all others – is written as $y_i = \pi + \phi_i$, where ϕ_i denotes individual i's allocation of the private good and where $\Sigma_i \phi_i = \phi$. The total income of the economy is $\Sigma_i y_i = N \cdot \pi(\phi) + \phi$.

Along the frontier defined by $f(\pi, \phi) = 1$, the supply of private goods is implicitly a function of the supply of private goods: $\phi = \phi(\pi)$. We assume that production sets are convex, so that $\phi_\pi \leq 0$ and $\phi_{\pi\pi}, \pi_{\phi\phi} < 0$. We also assume that $\phi_\pi(0) = 0$ and that $\pi_\phi < -1/N$, so that even the smallest transformation of public into private goods reduces total income. Under these conditions, the economy's income is maximized when the government refrains completely from transforming public into private goods. Put another way, rent-seeking is inefficient.

4.3   The polity

The government, acting as an agent, implements a set of policies that apportions resources between public and private goods. It can retain some of the private goods for its own consumption (i.e. generate and consume political rents). Alternatively, it can distribute such goods to influential followers.

The government is forward-looking and confronts two streams of future benefits. One is the reward of holding office, which it discounts for political risk and time at rate $\delta \in [0, 1]$. The other is the most rewarding alternative offered in the private sector, the per-period value of which is given by v, also discounted for time.[17] So long as the rewards from holding office exceed those from alternative employment, the government seeks to retain office.

Call the set of principals whose support is sufficient to return the government to office the selectorate; the selectorate is a strict sub-set of the principals and is of fixed size M. I assume that the government is incapable of credibly committing to honor its promises. It is the power of the selectorate to reward (or to punish) the government for meeting (or failing to meet) its expectations that generates incentives for it to adopt particular policies. If a sufficient number, M, of principals chooses not to re-select the government – alternatively, if the government fails to satisfy the demands of M principals – then the government is dismissed with some positive probability.

4.4   The game

In each period, there are three phases of play. In the first, each citizen has the option unilaterally to select a minimum satisfaction level, $y_i = \pi + \phi_i$,

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[17] We treat v as exogenous and time-invariant and we assume that it is of less value to the government than the most attractive gains that can be made from the unconstrained use of office.

that represents the lowest level of performance that she will tolerate before seeking to dismiss the government. In the second, the government chooses a mixture of public and private goods and an allocation of the latter between itself and selected principals. In the third, the principals choose non-cooperatively whether to take some costless action to return the government to office.

Because the government cannot commit, the citizens "vote" retrospectively. Observing the government's performance in office and applying their performance standards, they express or withhold their approval of the government. If the members of the selectorate choose to return the government to office, they succeed in doing so. Should the government fail to satisfy the selectorate, it remains in power with probability $q \in (0, 1)$; otherwise, with probability $1 - q$, the government is dismissed and a new one is installed. In either case, play returns to the first phase in which principals can again choose performance criteria for the new term of office.

Within this framework, I look for an equilibrium in which principals employ a retrospective voting rule with cutoff points $\{y_i\}$ and the government undertakes actions that are feasible; that meet the demands of some set of M principals; and that leave no reason for any principal to alter her threshold in an effort to increase her well-being.

4.5   The impact of accountability

In what follows I denote possible allocations of public and private goods by $(\pi, \{\phi_{gov}, \phi_{pri}\})$ where $\{\phi_{gov}, \phi_{pri}\}$ describes the distribution of private goods between the government and private citizens. Note three benchmark values for public goods provision π.

4.5.1   The government's ideal

Like all actors in the model, the government seeks to maximize its income defined over private and public goods. If unconstrained, the government would appropriate all of the private goods and produce a level $\pi_{\min}$ of the public good satisfying $\phi_\pi = -1$.[18] The government's ideal allocation is therefore

$$(\pi_{\min}, \{\phi(\pi_{\min}), 0\}).$$

4.5.2   Participation constraint

A second benchmark value for π, which I label $\pi_{\max}$, is the maximum value of π (and thus the minimum value of ϕ) that yields benefits to the

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[18] Note that $\pi_{\min}$ will always exceed zero because of the properties of the transformation function, which render it increasingly costly to transform public into private goods.

government that are at least as valuable as those it could gain were it to choose opportunistically and suffer dismissal. $\pi_{\max}$ sets an upper bound on the level of collective goods that a government is willing to produce while seeking to remain in office. Assuming that the government consumes all private goods, this upper bound is given by the largest feasible value of π that satisfies:

$$\pi + \phi(\pi) \geq \left[\pi_{\min} + \phi(\pi_{\min}) + \nu \frac{\delta - \delta_q}{1 - \delta} \right] \frac{1 - \delta}{1 - \delta_q},$$

where δ_q is the component of the government's overall discount rate δ that is attributable to the probability of losing office.

The proof for this claim is given as Lemma 1 in the published article, where it is also demonstrated that $\pi_{\max} < \pi_{\min}$ and that $\pi_{\max}$ always exist.[19]

4.5.3   Feasibility constraint

The government manages the transformation of private into public goods. Should the government seek to secure office by generating private benefits for the selectorate, it would then have to produce less π and so would impose losses upon the economy. A third benchmark, then, is the value of π below which the costs that result from the distortion that arises from the transformation of public benefits into private goods become too great to allow the government to compensate the politically decisive set of M players through private transfers. It is given by the value of π for which the slope of $\phi(\pi)$ is $-(M+1)$ – or, if no such point exists, by the maximal feasible supply of public goods, which satisfies $f(\pi, 0) = 1$. We call this value π_*, the corresponding value of private goods production is $\phi_* = \phi(\pi_*)$. Note that since $\pi_{\phi\phi} < 0$, $\pi_* > \pi_{\min}$.

When π is greater than π_*, then, the government can find M players that will be willing to accept a reduction in π in exchange for some increase in ϕ – an increase which the government can feasibly supply.

4.6   Equilibrium

These benchmark values of π help us to portray the equilibrium of this game.

Claim: It is a sub-game perfect stationary equilibrium for each principal, i, to demand $y_i^* = \pi^*$ in each period; for the government to produce $(\pi^*, \{\phi(\pi^*, 0\})$ in each period, where $\pi^* = \min(\pi_*, \pi_{\max})$; and for the selectorate to re-select the government.

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[19] Humphreys and Bates (2005).

In equilibrium therefore, an accountable government satisfies its selectorate by supplying *public* goods. In addition, it shirks, producing positive amounts of private goods and consuming them itself.[20] But it consumes fewer private goods and produces more public goods than it would do were it left unaccountable. Moreover, the quality of policy is an increasing function of the size of the selectorate. A larger M means more public goods and less diversion of the economy's resources into the hands of political incumbents.

The logic of the model thus confirms the intuition of those who advocate greater levels of accountability for governments in Africa.

4.7   Testing the model[21]

The question remains: does accountability work in practice? Has *political* reform led to *economic* reform in Africa? Two measures can be employed to address this question. Both reflect the assessments of informed observers and both offer insight into the policy choices of governments. The first comes from the *International Country Risk Guide (ICRG)* and is produced by Political Risk Services (PRS).[22] Each year, the PRS convenes a panel of international investors to rate governments on a series of dimensions, each relevant to the political, economic, and financial risks faced by investors. For each country, our measure, OPPORTUNISM, combines ratings of the government's propensity to repudiate its financial obligations and its likelihood of expropriating private investments. To produce the measure, the two ratings are weighted by the loadings derived from principal components estimation. The resulting score provides a measure of the tendency to make opportunistic use of public power.

The World Bank's Country Policy and Institutional Assessment (CPIA) provides a second measure. The CPIA provides an annual evaluation of the conduct of governments that have loans outstanding with the Bank. The Bank's rating covers the policy performance of the government in twenty specific areas, grouped into four major categories (see table 10.10 Scoring the country's performance in each area from 1, for low, to 5, for high, the Bank calculates an aggregate score, or CPIA, which is the un-weighted average of the rating in each of the twenty areas.

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[20] The proof is reported in Humphreys and Bates (2002). The logic derives from Adam and O'Connell (1999). Note that while formally this equilibrium is not unique, most of the other stationary sub-game perfect equilibria that we have identified are similar to that stated.

[21] For additional evidence, see Kanz (2005) and Stasavage (2005).

[22] http://www.countrydata.com/wizard/.

Table 10.10 *Country Policy and Institutional Assessments (CPIA).*

Disaggregated Elements of CPIA Index

  I. Macroeconomic management
  1. General macroeconomic performance
  2. Fiscal policy
  3. Management of external debt
  4. Macroeconomic management capacity
  5. Sustainability of structural reforms

 II. Public sector management
  1. Quality of budget and public investment process
  2. Efficiency and equity of resource mobilization
  3. Efficiency and equity of public expenditures
  4. Accountability of the public service

III. Policies for sustainable and equitable growth
  1. Trade policy
  2. Foreign exchange regime
  3. Financial stability and depth
  4. Banking sector efficiency and resource mobilization
  5. Property rights and rule-based governance
  6. Competitive environment for the private sector
  7. Factor and product markets
  8. Environmental policies and regulations

IV. Policies for reducing inequalities
  1. Poverty monitoring and analysis
  2. Pro-poor targeting of programs
  3. Safety nets

Rating scale: 1 = low; 5 = high

Source: Country Policy and Institutional Assessments, *Report on 1998 Ratings*. Washington, DC: The World Bank.

In essence, the CPIA provides a measure of the government's adherence to the so-called "Washington Consensus" (Williamson 1990, 1994). While the measure contains several flaws,[23] it provides an informed assessment of the

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[23] Regressing the aggregate score against measures of macroeconomic balances – levels of government consumption, fiscal deficits, inflation, and so on – shows the measure to yield highly significant relationships with objective measures of policy choices and enhances our confidence in it. There are however some significant limitations. The measure mixes assessments of policies with outcomes; it assigns equal weights to each policy; and the policies in Category IV are largely irrelevant to the arguments of this chapter. Furthermore, there is evidence that the criteria for determining the score have varied over time. Note that while the CPIA index is based in part on assessments of institutions, (a) these assessments constitute only a minor portion of the total rating and

government's efforts to generate a sustainable macroeconomic environment, free of major policy distortions.

4.7.1   Independent variables

Table 10.11 reports the definitions and distributions of the independent variables and the sources from which they were drawn.

4.7.2   Institutions

According to the logic of accountability, the incentives that drive government responses bite because the government wants to return to office but faces the prospects of the loss of power. A measure of COMPETITION captures these incentives. By the rules governing the creation of this measure, a polity receives a score of 1 if there is no executive in place; 2 if there is a non-elected executive; 3 if there is an elected executive but no electoral competition; 4 if there is an elected executive, and competition between candidates but not between parties (because opposition parties are banned); 5 if there is an elected executive and competition between candidates but not between parties (even though opposition parties are legal); and 6 if there is an elected executive, with competition between candidates backed by opposing parties taking place during the electoral campaign. A score of 7 is assigned if the executive's vote share is less than 75 percent (Beck *et al.* 2001).[24]

4.7.3   Discount rate

In the model, the government is forward-looking: it compares the short-term benefits from adopting self-interested policies with the longer-term costs of the loss of office. The power of the incentives to which institutions of accountability give rise thus depends upon the government's rate of discount. Affecting the value the government places upon future benefits from office is its assessment of political risk.

The State Failure Task Force (Goldstone *et al.* 2003) offers a suitable measure. This measure – labeled PROBLEM – indicates whether each country was a part of the State Failure Task Force's "problem set" in the previous year

(b) were the Bank raters inclined to give higher ratings to countries that exhibited higher levels of political accountability, then this would bias us towards finding such a positive correlation in the data, contrary to what we in fact find (see below).

[24] The variable MULTI-PARTY, employed earlier, is a proper sub-set of this scale. It possesses fewer categories than COMPETITION simply because Africa contains no countries that exhibit the requisite characteristics for some of them. Here we employ global samples and therefore use the fully articulated scale.

Table 10.11 *Definitions, sources, and descriptions for tables 10.12 and 10.13.*

Variable	Definition	Source	Units	Range	Mean
QUALITY	See text	PRS, ICRG data	Index	−2.3–1.73	0
CPIA	See text	World Bank	Index	1–5	2.86
COMPETITION (Executive scales)	See text	Beck et al. (2001); Ferree and Singh (2002)	Categorical	1–7	4.56
RISK	Is there a finite term of office? If so are multiple terms in office allowed?	Constructed from data in Beck et al. (2001)	Dummy	0–1	0.63
PROSPECTS	Expectation of regime collapse: see text	Calculated using Przeworski et al. (1990), ACLP regime data	Probability	0–0.86	0.024
REGIONAL (EXECREG)	Does the executive draw its support from a regional base?	Beck et al. (2001); (EXECREG)	Dummy	0–1	0.025
CHECKS	Number of veto players + 1 for each veto player whose orientation is closer to the opposition than to the government	Beck et al. (1997); (CHECKS2)	Count	1–14	2.55

Variable	Description	Source	Units	Range	Value
PROBLEM	See text	Goldstone et al. (2003)	Dummy	0.1	0.18
AGRIPOP	See text	World Bank: WDI 2000	Percent	0.1	0.47
OIL	See text	World Bank: WDI 2000	Percent	0.1	0.05
Per capita GDP	Real GDP per worker at 1995 prices	Penn World Tables	Constant 1985 dollars	480–37,089	8,822
Growth of GDP	Percent change in GDP	Penn World Tables	Percent	−50–85	3.69

by virtue of being embroiled in a civil conflict, undergoing extreme levels of violence, or experiencing an adverse regime change.[25]

4.7.4   Properties of the selectorate

According to the logic of the model, the degree to which a government will employ political power to produce collective benefits depends upon the size of the selectorate. The larger the number of veto points within the institutions of government, the more inclusive must be the government's core coalition. The logic of the model therefore suggests that the larger the number of veto points in the institutions of government, the more likely will policy-makers be to promote the creation of collective goods. The variable, CHECKS, is based upon the number of independent parts of the political process. It uses information regarding the number of different parties in a governing coalition and the extent to which there is a competitive legislature independent of the President or Prime Minister's party.[26]

4.7.5   Economic structures

Policy-makers are constrained by the types of economies in which they function. In particular, if economic agents are able to protect themselves from predation by reducing production or by moving their assets, then extractive policies will yield fewer benefits to government and governments will possess stronger incentives to refrain from them. Two variables capture the ease with which rents can be extracted. The first, AGRICPOP, measures the share of the population that is dependent upon agricultural production. The second, OIL, measures the value of oil production as a share of GDP. In each case, we expect negative relations between these measures of economic structure and the government's policy choices.

4.7.6   Control variables

A small set of variables provides information on the wealth of the country, GDP growth rates, and time. The Africa dummy in the pooled regressions that employ the global dataset provides an important check on our argument. For if the reasoning provides an adequate theory of the policy preferences of Africa's governments, then the coefficient on the African dummy should fail to attain statistical significance, when included in models that contain the variables that capture the logic of accountability.[27]

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[25] More information on this measure can be found on the homepage of the State Failure Task Force, http://www.cidcm.umd.edu/inscr/stfail/sfcodebk.htm.

[26] Each of the DPI variables, CHECKS1 and CHECKS2 were used in the analysis.

[27] We stress that the results presented here do not take account of the possible impact of policy on the supposedly independent variables. Our results are robust to the replacement of independent variables with their lags. We have yet to model these endogenous

4.8   Estimation

I first estimate our statistical models using a pooled sample of observations. I then re-estimate each model introducing country-specific effects and the lag of the dependent variable. Since a fixed-effects model that includes a lagged dependent variable may introduce bias in finite samples (Wooldridge 2002), I report one version of each model that employs the Arrelano and Bond Generalized Method of Moments (GMM) estimator and a second that employs systems GMM.[28]

Table 10.12 presents results for OPPORTUNISM for both an African and a world sample. Table 10.13 presents similar results for CPIA. In the case of OPPORTUNISM, the analysis is based upon data from 103–104 nations, of which 28–29 are from Africa, depending on-data availability; the samples cover the period 1985–95. In the case of CPIA, the global sample includes 95–96 nations and the African sample 36–37 and covers the period 1975–90.

Positive coefficients for the variables relating to OPPORTUNISM indicate that higher levels of the variable yield a lower tendency for the government to employ public powers to extract private benefits from the economy. In the case of CPIA, positive coefficients suggest that higher levels of the independent variable yield a stronger tendency on the part of governments to use public policy to generate a stable macroeconomic environment.

4.8.1   Control variables

Turning first to the control variables, note the pronounced tendency for hysteresis in public policy: the magnitude and significance of the coefficients on the lagged dependent variables indicate that policies, once chosen, tend to persist. As expected, wealth and GDP growth are associated with more favorable policy ratings.

4.8.2   The Nature of the economy

When corrected for bias arising from the incidence of a lagged dependent variable, there is scattered evidence in the Africa sample that increases in the importance of primary products in the private economy lead to the adoption of self-interested policies. When OIL is employed as a measure of resource appropriability, the results for the pooled regressions support the

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relationships directly, but we note that insofar as public goods provision, as recorded by the World Bank, may increase the competitiveness of institutions, this should lead to an *upward* bias in the estimated correlation, and hence, a bias *against* our result.

[28] Arellano and Bond (1991). The results reported do not take account of the categorical and censored nature of the dependent variable. While formally categorical, the dependent variables in fact contain as many as thirty values. And although formally bounded, there is little clustering of data on the boundaries. We therefore find that employing Tobit models made little impact on our estimates.

Table 10.12 *OPPORTUNISM as dependent variable.*

Sample method	Africa			World		
	Pooled[a]	FE	AB[a]	Pooled[a]	FE	AB[a]
Model	(I)	(II)	(III)	(IV)	(V)	(VI)
Theoretic variables						
COMPETITION	0.01	0.032	0.027	0.049	0.019	0.023
	0.67	3.62***	2.14**	5.05***	2.71***	2.07**
CHECKS	0.079	−0.021	−0.029	0.045	−0.003	0.016
	3.08***	1.23	1.05	3.95***	0.28	1.25
PROBLEM (lag)	−0.225	−0.09	−0.013	−0.243	−0.079	−0.012
	4.16***	2.33**	0.30	5.75***	2.60***	0.16
AGRIPOP (Lag)	−0.524	−1.136	−1.768	−0.521	−1.184	−1.294
	2.90***	1.60	1.27	3.87***	2.58**	1.47
OIL (lag)	−0.372	0.287	0.141	−0.785	0.346	1.016
	2.62***	1.34	0.54	6.27***	1.76*	2.71***
Control variables						
GDP (lag)	0.134	0.037	0.025	0.076	−0.015	−0.025
	7.40***	0.87	0.23	12.75***	1.71*	1.27
GROWTH (lag)	0.002	0	−0.001	0.023	0.003	−0.002
	0.53	0.12	0.40	6.09***	2.33**	0.93
YEAR	0.027	0.01	0.014	0.075	0.028	0.023
	4.03***	1.96*	1.33	18.02***	7.53***	2.66***
Lag of the dependent variable	–	0.789	0.521	–	0.772	0.812
	–	19.02***	4.52***	–	40.62***	16.58***
Dummy variable for SSA	–	–	–	0.024	–	–
	–	–	–	0.43	–	–
Constant	−53.39	−19.2	–	−150.238	−54.971	–
	4.07***	1.83*	–	18.10***	7.36***	–
N	338	314	285	1,273	1,180	1,074
R^2	0.37	0.74		0.65	0.82	
No. cross-sectional units			29	28	104	103
Arellano–Bond test that average autocovariance in residuals of order 2 is 0: (*z*-statistic)			1.06			−1.49

Notes: Absolute value of *t*-statistics listed below coefficients.
[a] Robust *t*-statistics reported, * significant at 10%; ** significant at 5%; *** significant at 1%.

Table 10.13 CPIA *as dependent variable.*

Sample	Africa			World		
method	Pooled[a]	FE	AB[a]	Pooled[a]	FE	AB[a]
Model	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
Theoretic variables						
COMPETITION	0.011	0.001	−0.004	−0.015	0.012	0.004
	0.71	0.05	0.15	1.32	1.24	0.17
CHECKS	0.11	−0.001	−0.026	0.056	−0.005	−0.01
	3.55***	0.02	0.55	3.31***	0.32	0.41
PROBLEM (lag)	−0.091	0.034	−0.015	−0.093	−0.065	−0.147
	1.25	0.48	0.16	1.96*	1.55	1.90*
AGRIPOP (Lag)	−0.33	−1.72	−3.344	−0.155	−1.033	−1.89
	1.72*	1.71*	1.41	1.13	1.63	1.56
OIL (lag)	−1.505	−0.068	−0.439	−1.346	−0.303	−0.127
	7.74***	0.13	0.72	9.31***	0.90	0.34
Control variables						
Per capita GDP (lag)	0.127	0.022	−0.179	0.107	−0.038	−0.16
	4.90***	0.39	1.38	7.17***	1.50	3.17***
Growth of GDP (lag)	0.023	0.008	0.005	0.031	0.009	0.004
	6.02***	2.75***	1.32	8.23***	3.88***	1.45
Year	0.01	−0.005	−0.009	0.019	0	−0.001
	1.75*	0.71	0.81	4.84***	0.05	0.08
Lag of the dependent	–	0.635	0.641	–	0.664	0.687
variable	–	17.15***	10.42***	–	29.14***	16.11***
Dummy variable for SSA	–	–	–	−0.032	–	–
	–	–	–	0.63	–	–
Constant	−16.896	12.093	–	−35.919	2.038	–
	1.51	0.83	–	4.50***	0.21	–
N	507	501	463	1227	1198	1099
R^2	0.27	0.46		0.24	0.49	
No. cross-sectional units		37	36		96	95
Arellano–Bond test that average autocovariance in residuals of order 2 is 0: (*z*-statistic)			−0.97			0.10

Notes: Absolute value of *t*-statistics listed below coefficients.
[a] Robust *t*-statistics reported, * significant at 10%; ** significant at 5%; *** significant at 1%.

hypothesized relationship between the costs of private goods extraction for the choices of governments. Higher values of oil production correlate with higher levels of OPPORTUNISM. The results for the equations that employ differenced data do not behave in a similar manner, however; in addition, three of the coefficients derived from the global sample yield evidence *against* this argument.

More consistent is the evidence of the impact of agriculturally dependent economies. In the case of both dependent variables – OPPORTUNISM and CPIA – and both samples, the pooled regressions drawn from African data suggest that the greater the weight of the agricultural sector, the more opportunistic a government's policy choices. Fixed-effects estimates from the global sample yield further support for the argument, when ratings from private investors are employed. The sign on this measure of the importance of agriculture is negative for both samples. It fails to attain significance, however.

4.8.3   The selectorate

The model underscores the importance of a third set of variables: those relating to the size of the selectorate. The larger the size of the selectorate, the logic suggests, the stronger the incentives for the government to reward its supporters by producing public goods.

One indicator of the size of the selectorate is the number of veto points in the institutions of government, and thus the number of points of entry for political interests; the greater the number of veto points, the larger the effective selectorate. The pooled regressions suggest that governments that are constrained by checks and balances, and so face multiple veto points, adopt policies that elicit higher investor ratings. This is true for both dependent variables and for both samples in the pooled regressions. These institutional features are "slow moving," however. Possibly for this reason, measures of their impact fail to emerge in the equations that use differenced values of the variables.

4.8.4   Discount rate

The data provide evidence of the impact of discounting. If a government is sufficiently unstable to fall into the State Failure Task Force's problem set (i.e. PROBLEM = 1), the policy environment deteriorates for private investors, as measured by OPPORTUNISM. The same relationship holds for the World Bank ratings of government policies in the pooled global sample. The magnitudes in regressions (I), (II), (IV), and (V) associate a change in PROBLEM from 1 to 0 with a fall in OPPORTUNISM of between one-tenth and one-fifth of a standard deviation.

4.8.5 Institutions

Of greatest interest, however, are our results regarding political institutions. Both the African and global samples offer evidence of a relationship between electoral competition and OPPORTUNISM. The results are strongly significant in all but one specification. The magnitudes of the coefficients suggest that an increase in COMPETITION from its lowest to its highest value is associated with an increase in the OPPORTUNISM score of approximately one-fifth of a standard deviation; as noted above, this increase in turn associates with an increase in growth rates of approximately one-quarter of a percentage point.

Note, however, that when CPIA is used as a measure of policy choice, then there is *no* evidence for a relation between institutions and public policy, once other determinants of policy choice are taken into account. Indeed in some models there is evidence that when governments face risks from electoral competition, they then choose policies that distort the macroeconomy ((IX) and (X)) and so receive lower ratings from the World Bank.

Note the African dummy in the global sample in tables 10.2 and 10.3. In both cases, the coefficients are insignificant. Within the context of the model, African governments behave in ways that are indistinguishable from governments elsewhere.

4.9 *Political business cycle*

The evidence thus suggests that introducing political competition stays the hand of predatory governments but fails to inspire them to manage better the macroeconomy. Indeed, the evidence suggests the opposite may be true: that governments subject to electoral risk are less willing to adhere to the Washington consensus.

To aid in interpreting these findings, I turn to the work of Block (2002) and of Block, Ferree, and Singh (2003). Employing data from forty-seven African states over the period of political reform, 1980–94, Block (2002) sought to determine whether the introduction of elections affected the policy choices of governments; Block, Ferree, and Singh (2003) narrowed the focus to elections in which opposition parties could challenge incumbent regimes.

In exploring the link between elections and policy choice, Block (2002) draws on the so-called "naïve" and "rational" models of politically induced business cycles.[29] In both, politicians seek office and are fully informed; the citizens prefer better economic conditions to worse and lack full information. In the "naïve" models, citizens can observe aggregate features of the macroeconomy: inflation and unemployment. Being unsophisticated, they

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[29] See Nordhaus (1975), Rogoff (1990), and also Lindbeck (1976).

react only to present information: if the present level of inflation is low and employment high, then they are more likely to vote for the incumbent, even if neither level is sustainable. Their naïveté leaves them open to manipulation. Given the citizens' decision rule, the government retains office by producing unsustainable economic booms in election years followed by contractions in the post-election period. The failure to smooth intertemporal consumption imposes welfare losses on the economy, even while the politicians reap the political benefits.

In the second version of the model, the voters prefer politicians who can competently manage the economy. To signal their competence, the politicians generate public services, and the more competent they are the greater the amounts of such services they can generate for any given level of revenues. Because citizens are sophisticated, political competition offers competent incumbents the opportunity to reveal their type: they signal their type by financing public services even in bad times. Divisible goods can be consumed immediately while the benefits of capital goods accrue with a lag: not only greater expenditure but also the displacement of capital formation by public consumption thus result in equilibrium. Political competition thus leads not only to the failure to smooth intertemporal consumption but also to the failure to achieve high levels of growth.[30]

In testing the first of these models, Block finds significant evidence of pre-election increases in the growth of money supply and decreases in the nominal rate of interest and the exchange rate in non-CFA countries. The pro-cyclical impact of these changes emerges in the post-election period, when the rate of money growth turns negative and the interest and exchange rates rise. While the rates of inflation in pre-election periods remain higher than expected, given the logic of the model, they rise significantly in the post-election period, thus lending additional support to the theory. Block also finds evidence in support of the political competence model, with public expenditures and government consumption rising significantly in the pre-election periods, along with the level of government debt.

Block, Ferree, and Singh (2003) restrict their attention to presidential elections in which there was competition for office. In years in which there are competitive elections, they find, the share of government consumption in GDP increases on the order of 1.5 percentage points, which is significantly greater than that for non-competitive elections (Block, Ferree, and Singh

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[30] As noted in Block (2001) and Block, Ferree, and Singh (2003). See also Drazan (2000). The absence of strong and independent monetary institutions in Africa removes a basic objection to the application of models of the political business cycle. In addition, African governments tend to be presidential and with fixed-term limits, thus limiting the possibility of endogeneity. To be noted is that struggles between capital and labor rarely follow the lines of partisan cleavage in Africa, thus diminishing the value of the standard partisan models of the political business cycle (e.g. Hibbs 1977).

2003: 460). Competitive elections are "associated with a nearly 13 percentage point increase in the rate of real money growth over that observed in non-competitive election years" (2003: 461). And "competitive elections are typically followed by devaluations on the order of 20 percentage points greater than [for] non-competitive elections" (2003: 462) – an adjustment made necessary by the imbalances introduced by the changes in fiscal and monetary policy and by the postponements of adjustments in the pre-election periods. In no case do they find non-competitive elections yielding evidence of politically induced business cycles; evidence of political shocks is confined to elections in which there is political competition.

In absorbing these findings, it is important to stress the second major finding reported by Brock, Ferree, and Singh (2003): that the relationship between electoral competition and macroeconomic distortions peaks with the so-called "founding election" – the election that occurred at the time of the transition from authoritarian rule. Thereafter, the relationship attenuates. This finding may suggest a growing sophistication on the part of the electorate and an increased conviction on the part of those in power that the electorate may punish rather than reward incumbents who manipulate the macroeconomy in search of political advantage.

4.10   Discussion

Why does accountability fail to induce monetary restraint? Addressing once again the logic of political accountability, I search for answers to this question by focusing on several key assumptions of the model.

4.10.1   Candidates

According to the model, if the incumbent fails to meet the performance criterion set by the selectorate, then she is replaced by another randomly selected from a pool of identical candidates. But what if the candidates are heterogenous? Might not the selectorate then be tempted to reinstate an incumbent who possessed qualities that it admired, even were she to fail to deliver decent economic performance? And, anticipating that behavior, might the incumbent not then find the performance criteria incredible and therefore ignore them?

Addressing this possibility compels us to realize that party competition and competitive elections are not themselves sufficient to ensure accountability. Phrased differently, buried in the accountability model lies an assumption of political convergence: it is convergence that renders the selectorate willing to accept a random draw in place of an incumbent who has failed to meet their performance standards. Convergence results when parties and candidates cater to the tastes of the median voter in order to win elections. Such behavior is most likely when there are two parties and

plurality voting. But, in Africa, virtually all of the French-speaking, states and several of the anglophone ones employ proportional representation.[31] And even where plurality voting is employed, regional, religious, and ethnic differences make it difficult to reduce the number of parties such that the centripetal incentives created by plurality voting override the centrifugal forces arising from substantive differences (Cox 1997).

To illustrate, consider the case of Kenya. When in 1991 the Kenya African National Union (KANU) government of Daniel Arap Moi legalized the formation of other parties, leading dissidents formed the Forum for the Restoration of Democracy (FORD). But in 1992, FORD split, with leaders from the Central Province forming FORD-Asili (or "original") while Western Province, especially Luo-speaking leaders, formed FORD-Kenya. Further clouding the picture was the formation of the Democratic Party by Mwai Kibaki, former Vice President, and yet a third unit of FORD by Simeon Nyachae, a prominent advisor to previous presidents. Given that a plurality of votes was sufficient to win, the number of opposition parties made it possible for Moi to remain in office, even when opposed by 60 percent of the electorate in the 1992 election (Throup and Hornsby 1998). Behaving in a sophisticated fashion, party leaders responded as theory would predict (Cox 1997; Magaloni 2004): they sought alliances and mergers. This strategy offered the benefits of defeating their least preferred candidate (the incumbent, President Moi) but at the cost of the possible loss of their most preferred (themselves). It was not until the twenty-first century that the opposition parties agree to merge. When they did, KANU was swept from power. That it had remained in power for over a decade while facing competitive elections and exhibiting extraordinary incompetence in its management of the Kenyan economy underscores the power of the assumption of convergence underlying the accountability model, and how this assumption may limit its applicability in contemporary Africa.

4.10.2   Voter sophistication

The accountability model demands that the voters be able to optimize. When they set performance benchmarks, should they place them too high the incumbent may despair of meeting the standard for re-selection; knowing she is likely to be "fired," she will indulge herself while in office. If the criteria are set too low, then the incumbent need not deliver good policy in order to stay in power.

There is scattered evidence that Africa's electorates may be too demanding. Reports from the Afrobarometer surveys comment that "the general public may have an overly rosy view of the diminished capabilities of the

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[31] See the important contributions: Mozaffar (1998) and Mozaffar *et al.* (2003).

African state" (Afrobarometer, 2004b: 38): over 52 percent of those surveyed in fifteen countries thought that "the government can solve . . . all or most of the country's problems" (2004b: 38). When entertaining such lofty expectations, electorates can be unforgiving. Bratton and van de Walle (1997) note between 1990 and 1994, eleven heads of state were voted out of office, with three others choosing not to run (Block 2002: 206). If such behavior is evidence of excessively high expectations, rulers may behave as unconstrained even in competitive political environments.

Recall the ICPR ratings by private investors, however, that suggest that governments in competitive political environments *do* behave with greater restraint: COMPETITION is associated with less OPPORTUNISM. Recall, too, the evidence marshaled by Block, Ferree, and Singh (2003): even if incumbents are defeated in competitive elections, it is not for want of striving to stay in office. Rather than resigning themselves to defeat in the face of excessively high performance standards, as this argument suggests, they instead manipulated fiscal and monetary policy in an attempt to remain in office.

What if voters evaluated politicians in terms of who they were rather than what they achieved? That is, what if rather than setting performance standards too high, voters instead set them too low, allowing politicians to shirk. Beliefs that voters behave this way are commonly held both by citizens and by students of Africa: the African electorate is held to engage in identity rather than performance voting. But if this were in fact the case, then once again we would not expect to find increased accountability leading to increased restraint, as noted by investors' ratings. When there is political competition, these data suggest, elites find it necessary to abjure the use of power for self-aggrandizement, which they surely could do if receiving the unreserved support of co-ethnics.

While still focusing on the preferences of voters, we can focus on yet another assumption of the argument: that voters would prefer policies that conform to the Washington Consensus. Return once again to the portrait of Africa's electorates presented in the Afrobarometer studies (Bratton, Mattes, and Gyimah-Boadi 2004). "By a large margin" (Afrobarometer 2004a: 14), these surveys report, African citizens support an active economic role for governments and prefer a mixed to a market-based economy. They support trade protection. "There is widespread popular resistance to public sector reform" (2004a: 14). And "most people want the government to remain involved in agricultural marketing" (2004a: 14). In the words of the authors of the Afrobarometer survey "their vision favors state intervention above market forces" (2004a: 14).

Even though Africa's citizens may prefer state intervention, however, the data from the surveys indicate that also they loathe inflation and desire employment (Bratton, Mattes, and Gyimah-Boadi 2004). Preferring an

activist government is not the same as preferring a government that maintains an unsustainable monetary policy. Given these considerations, national politicians might then be reluctant to generate macroeconomic booms for short-term political advantages.

The failure of political accountability to induce macroeconomic restraint may therefore not derive from the preferences of citizens. If Africa's voters can not optimize, then why does political competition lead to lower levels of OPPORTUNISM? If Africa's voters were lulled by the forces of identity politics, then why does accountability appear to curb elite predation? And if Africa's voters were insensitive to the costs of macroeconomic mismanagement, why would they so strongly condemn inflation and unemployment? Perhaps political accountability fails to induce macroeconomic discipline not because of the voters' unwillingness to impose the evaluative standards required to make accountability work, but rather because of their inability to do so.

4.10.3   Information

To apply the standards required to induce macroeconomic constraint, voters presumably have to monitor the levels of inflation and unemployment. Employment figures are difficult to come by in Africa, however; indeed, given the size of the subsistence sector and the informal economy, employment is difficult to define. Nor are average price levels common knowledge; even when calculated with precision, their release is too long delayed to assist in the making of voting decisions. It is therefore difficult for citizens to monitor the management of the national economy, to judge the economic performance of incumbents, and thus to be able to implement punishment strategies. Knowing that, politicians would have less reason to practice macroeconomic restraint.

Note that while the assumption of complete information works against the accountability model, it works in favor of models of the politically induced business cycle. Such models stress politicians' ability to exploit informational asymmetries and thus their ability to manipulate the economy in ways that while economically harmful are politically advantageous. This characteristic of Africa's political economies – the lack of information – thus stands as the best candidate for exploring why political reform failed to produce a more stable macroeconomic environment.

5   Conclusion

Many in Africa championed political reform for its own right. They desired liberty, freedom, and a government that placed the public interest above their own. Many also championed reform as a means of securing better economic

policies. By introducing competition into political life, they sought to render governments accountable to private citizens, thereby aligning the political interests of incumbents with the collective interest in policies that would strengthen the economy.

The evidence suggests that political reforms have rendered Africa's governments less opportunistic: private investors rated them as less likely to repudiate debts or to expropriate investments. But reform appears to have had less impact upon the management of the macroeconomy. In the face of prospective political defeat, the evidence suggests, governments in competitive systems tend to spend more, to borrow more, to print money, and to postpone needed revaluations of their currencies than do those not facing political competition. The relationship between political competition and macroeconomic mismanagement appears to have weakened over time, suggesting that voters have learned, or that politicians believe them to have become more sophisticated. The empirical results nonetheless pose a challenge to those who seek in political reform the remedy for Africa's economic malaise.

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