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ON GLOBAL ECONOMIC GROWTH AND THE CHALLENGE FACING AFRICA

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1.1 INTRODUCTION

Africa remains the world's poorest region, both in absolute and relative terms, at the dawn of the 21^{st} century. The final decades of this century had been a decade of lost growth for much of the countries of Africa[3].The prediction of neoclassical growth theory that poorer countries such as Africa might "catch up" - i.e. converge in per capita income terms with richer countries, has proven over-optimistic. Indeed, most African countries have fallen behind during the 1980s and 1990s. By 1997 average per capita incomes in Africa (outside South Africa) were only US $1045 (expressed in real terms of purchasing power) (Gelb, 1999). On average, real per capita GDP did not grow in Africa over the 1965 - 1990 period, while, in East Asia and the pacific, per capital GDP growth was over 5 percent (Easterly & Levine, 1997). During the 1980s the decline in per capita GDP was 5 percentage points below the average for all low-income developing countries. As the decline accelerated during the 1990s, the gap widened to 6.2 percentage points (Collier & Gunning, 1999).

In light of the significant contributions made to economic growth theory by the "endogenous growth" literature the purpose of this chapter is to utilize the insights from that literature, as well as more empirical insights from the literature on Africa's economic performance to attempt to answer two related questions. Firstly, can African countries attain sufficiently high economic growth rates to catch up in per capita income terms with other developing countries? If so, what are the policy changes required to achieve these growth rates? The answers to these questions will also throw light on the extent to which policies aimed at "globalising" African economies are appropriate.

*Some of this material has been previously presented in Welfens, Addison, Audretsch, Gries, Grupp (1999), pp.41-72.

[3]The notable exceptions are Botswana and Mauritius.

In section 2 the problem of Africa's falling behind is illustrated with reference to global patterns of economic growth. Section 3 is an attempt to integrate economic growth theory and the empirical literature on Africa's economic performance in order to identify the determinants of Africa's potential for catching up. Section 4 concludes.

1.2 GLOBAL ECONOMIC GROWTH AND DIVERGENCE

A peculiar characteristic of world economic development is the variety of average growth rates across countries during the latter half of the 20^{th} century. Figure 1.1 shows the distribution of average growth rates for a sample of 123 countries over the period from 1960 to 1992. Since the figure covers a period of thirty years the variety in average growth indicates substantially different growth regimes. The lowest average growth rate is -2.2, the highest 7.3, and the mean is 1.9 percent. The difference of roughly 10 percentage points between the highest and lowest average growth rate indicates the heterogeneity of growth experience across nations over the last three decades. Only 51 countries, about 41 percent, have growth rates in between one percentage point above or below the mean. For 14 countries the average growth rate is even negative - most of which are African countries. Roughly 16 percent of the economies were not able to increase their income per capita in absolute terms.

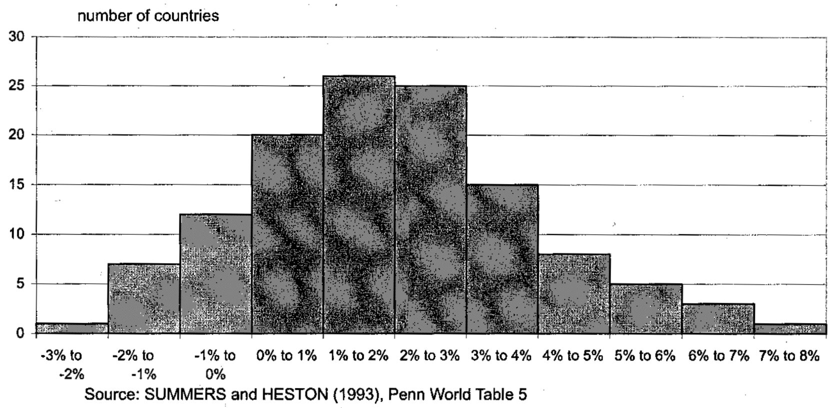

Fig. 1.1. Average Growth Rates (1960-92)

Apart from growth rates the level of income per capita is another important indicator to consider. If a country with a lower income level has a higher