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ECONOMIC CRISIS AND HOUSEHOLD SURVIVAL STRATEGIES IN SUB-SAHARAN AFRICA[1]

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ABSTRACT: The author deals, from a point of view macroeconomic, with the question of the economical crisis and its impact of stagnation and the fading away on the household survival strategies in Sub-Saharan Africa, that includes the question of the collapse of sectors of the economy with the consequent diminution of the familiar income, that is far from an ephemeral phenomenon. He concludes that the region shows a negative phenomenon of economic constraint.

I. INTRODUCTION

Under the burdens of low commodity prices and heavy external debts, developing countries have suffered through a decade and more of stagnation and decline with limited optimism for substantial improvement in the foreseeable future. Indeed, it may be that the very term *developing* countries will have to be discarded for the older but perhaps more accurate modifier *underdeveloped* countries, which is purely descriptive without an implicit optimism that may no

(1) This paper draws on empirical work presented in the forthcoming book, Vali Jamal and John Weeks, *Africa Misunderstood or whatever happened to the urban—rural gap?* (Geneva: ILO and Ruthledge, forthcoming 1988). The issues treated in that book appear in abbreviated form in two publications: V. Jamal and John Weeks, "Rural—urban income trends in sub-Saharan African", Labour Market Analyasis and Employment Planning, World Employment Programme Working Paper WEP 2—43/WP. 18 (Geneva, November 1987); and "The vanishing rural-urban gap in sub-Saharan Africa", *International Labour Review* 127, 3 (1988).

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longer be appropriate[2]. One of the most bitter aspects of what many have come to call the "lost development decade" is that the countries which have fared worse have been among the poorest in the world. Certainly this is the case for Africa, where decline and stagnation appear not to be a passing phenomenon, but will soon stretch over two decades.

The purpose of this paper is to investigate the impact of stagnation and decline upon low-income households in sub-Saharan Africa. The primary concern is with the response of rural households to falling living standards, but as shall be argued the social structure of most SSA countries is such that conditions in rural and urban areas cannot be separated if one is to treat accurately the developments which have occured over the last twenty years. The first step in the analysis, presented in Section II, is to show the intensity of the economic crisis in the SSA region, for this provides the background to the subsequent discussion of household adjustment strategies. Section III considers one of the most important macroeconomic consequences of stagnation and decline, which is insufficiently recognized and little-understood: a general and sharp decline in the gap between urban and rural incomes. It will be shown that while rural livelihoods have deteriorated, urban incomes have fallen by much more. This shift in distribution has profound implications for our analysis. In Section IV the decline in living standards is placed in analytical context, with emphasis placed upon rural subsistence production and urban-rural allocation of household labour as responses to falling cash incomes. The discussion of household adjustment strategies is closely related to the analysis in Sections II and III of the macroeconomics aspects of the region crisis. Central to the entire analysis of the paper is the argument that African economies have for the last decade been demand-constrained. This interpretation is at odds with the conventional wisdom, particularly promoted by some multilateral organizations, that the stagnation and decline in the SSA region has been a supply phenomenon derivative from "inappropriate" government policies.

(2) World Bank projections for real per capita growth of GDP in SSA countries for 1987-95 is from zero ("base" projection) to 0.7 percent per annum ("high" projection). The "high" projection would imply an increase over the eight years of only six percent, considerably less than the per capita income loss from 1980 to 1986. It should be added that the "high" prediction is based upon the dubious assumption that "policy reforms" would stimulate growth. World Bank, *World Development Report, 1988* (New York: Oxford University Press, 1988), p. 2.

II. THE MACRO ECONOMICS OF THE AFRICAN CRISIS

The degree to which to monetized sectors of sub-Saharan African countries have suffered from falling incomes and general economic devastation cannot be emphasized too much. These dramatic shifts in income distribution in sub-Saharan African countries have not occurred by accident or as the result of policy misjudgments in the countries in question. They are the direct result of a profound and in some cases catastrophic economic depression resulting from changes in world commodity and financial markets beyond the control of the governments of sub-Saharan African countries. This interpretation of the development crisis is central to the analysis of household responses which follows in Section IV. The thrust of the conventional wisdom about the economic crisis facing the African countries is to the effect that development strategies followed in the decade after independence were misguided and resulted in huge "factor price distortions" (e.g. subsidized interest rates, overpriced labour, underpriced crops, and overvalued exchange rates) and a debilitating dead weight of inefficiency[3]. The economic difficilties suffered in the last decade are explained as these misguided policies coming home to roost[4]. In this accounting, the successful growth in the hey-days of the 1960s is seen to

(3) An example of the emphasis upon internal causes ("mismanagement") of the African crisis is found in Ravi Gulhati, Swadesh Bose and Vimal Atukorala, "Exchange Rate Policies in Eastern and Southern Africa, 1965—1983", World Bank Staff Working Papers Number 720 (Washington: World Bank, 1985). The extent of the ideological shift in the World Bank is indicated by comparing the more recent studies to the earlier analysis of the African crisis by Liebenthal, where a balanced view is taken of external factors and government policies. See Robert Liebenthal, "Adjustment in Low—Income Africa, 1974—1978", (A Background study for the World Development Report 1981), Staff Working Paper Number 486 (Washington: World Bank, 1981).

(4) In its 1987 report on the debt crisis, the World Bank concludes its discussion of the low-income African countries by leaving little doubt as to where blame should be directed:The unfortunate economic policies of the past have already exacted their toll on these countries in terms of declining output, lost investment, and a generation of citizens who have come of age in an era of steadily falling living standards. Those countries that have now adopted rigorous adjustment programs deserve the full support of donors and creditors. It is to be noted that apparently only those countries which have reformed their sinful ways are deserving of help. Presumably the World Bank would aid in separating the sinful from the repentant. *World Bank, World Debt Tables, External Debt of Developing Countries: Volume I, Analysis and Summary Tables* (Washington: World Bank , 198 8), p. xiii..

be spurious, for it carried the seeds of future self-destruction and was based upon gross inefficiencies[5].

Table 1 brings out the sharp decline in the rate of growth of sub-Saharan African countries after the first oil shock of 1973-74. For purposes of comparison, it also includes the average rates for all less developed countries and for the low-income less developed contries (using the standard World Bank definitions)[6]. The first impression from this table is that sub-Saharan African countries have performed much worse thah all low-income LDCs. However, the difference is in part due to the inclusion of China in the low-income category (shown in the table); were China to be excluded, the difference in growth rates between sub-Saharan African countries (most of which are low-income) and all low-income contries would not be so great.

These qualifications, however, should not mask the fact that the post-oil-shock decade was a grim one for SSA countries. During 1965-73 per capita income rose on average by 2 percent a year, but then stagnated through the rest of the 1970s. After a one-year spurt in 1981, the downturn intensified, with per capita income falling by around 5 percent per annum between 1982 and 1984. The 1985 performance might be taken to indicate that the "crisis decade" has bottomed out, but in this respect it must be recognized that the latest figure is a best a rough guess, perhaps based on more optimism than subsequent events will justify. In the 1960s and early 1970s, the industrial sector grew much faster than agriculture or services, but the schock of oil prices changed this. Both before (1965-73) and after (1973-80) the oil schock, the agricultural sector grew at slightly over 2 percent per annum, while the industrial sector expanded at 8 per cent per annum in the earlier period and barely over 1 per cent in the latter. The stability of the agricultural growth rate reflects the importance of on-farm

(5) Quotations from the World Bank manifesting this view are legend. For example, Many African governments are now making significant progress in structural adjustment. But they still have much to do to correct the accumulated policy distortions of the past. World Bank, *Financing Adjustment with Growth in Sub-Saharan Africa, 1986—90* (Washington: World Bank, 1986), p. 1.

(6) A brief summary of the depressing trend in the economies of the sub-Saharan African countries is found in United Nations, *World Economic Survey 1986* (New York: United Nations, 1986).

consumption: most African farm families consume the majority of their output, making their total production relatively insensitive to price and demand fluctuations.

The industrial sector, however, was hit severely by the crisis. Since 1980, it actually declined, while agriculture and services grew at slightly over 1 per cent annualy[7]. In consequence, the share of industry in sub-Saharan African GNP fell from a high of 19 per cent in 1973 to 16 per cent in 1984[8]. Thus, the stagnation and decline of industry in Africa has persisted for a sufficiently long period of time to qualify it as a medium-term tendency verging on the long-run. "Stabilization" and "structural adjustment" programme of the International Monetary Fund and the World Bank are designed to fundamentally shift sectoral priorities, primarily from industry to agriculture, with this shift based on the presumption that economic difficulties have an internal ("supply-side") cause. But much of what the programmes seek to achieve has in fact occurred a decade ago - and with disastrous consequences for the urban population. The SSA countries have de-industrialized for the last decade, and while it is debatable whether this has brought about a more efficient allocation of resources, it certainly has not generated growth; on the contrary, it has been a symptom of the general decline undergone by African countries.

With per capita income falling, it is not surprising that savings and investment have declined as a proportion of GNP, and consumption has risen (see Table 2). Interpretation of the table, however, shows the degree to which economics is an inexact science, for one can come away from these figures with two diametrically opposed conclusions. If one is influenced by the Keynesian tradition, the story is straightforward: assuming the short-run consumption function to have an elasticity with respect to income of less than unity, one would expect the share of consumption to rise as per capita income fell. Indeed, many economists would interpret Table 2 as verifying this empirical law of macroeconomics which holds generally regardless of the level of economic development. The corollary of this law is that the consumption share will fall and

(7) At the same time, agriculture's share also seems to have fallen, if World Bank figures are to be believed, from 42 per cent of GDP in 1973 to 38 percent in 1984. This measured decline is hard to account for in continent where most agricultural production is for on-farm consumption. This issue is pursued in Section IV.

(8) During 1980—84 agriculture, industry and services grew at annual rates of 1.1, — 1.2, and 1.4 percent, respectively, according to the World Bank. World Bank, 1986, p. 156.

savings share will rise as growth begins to accelerate. This interpretation is central to our analysis of household responses to the crisis. In contrast, the observer viewing the table through classical spectacles would come to quite a different conclusions: the savings efforts has deteriorated in recent years and steps must be taken to stimulate it if growth is to recommence[9].

The pre-Keynesian prescription that the savings rate must be raised to stimulate growth (and the implicit diagnosis that slow growth is partly caused by a low savings ratio) is singularly inappropriate for sub-Saharan African countries. These countries are primarily agricultural, as is well recognized, and their agriculture is almost exclusively smallholder. Investment by these producers is largely a matter of the level of income, and as long as their incomes remain depressed it is unrealistic to expect that government policies could be deployed to increase savings and investment, for this would have to be at the expense of further depressing consumption levels which are already quite low.

Table 1
Rates of Grouth of GDP Per Capita
1965—1985

Region	1965 –73	1973 –80	1981	1982	1983	1984	1985
Sub-Saharan Africa*	2.0	0.5	3.8	–5.0	–5.5	–4.5	–0.6
Low-Y LDCs	3.0	2.7	3.0	3.2	6.1	7.4	6.1
(China	5.0	3.8	3.5	6.1	8.8	12.8	9.6)
All LDCs	4.1	3.2	1.0	–0.7	0.0	3.3	2.4

*Excluding South Africa.

Source: World Bank, World Development Report 1986 (New York: Oxford University Press, 1986), p. 154.

(9) In the World Development Report 1986, one reads, If investment is to be restored to sustain growth... many developing countries will have to increase domestic savings. Ultimately, an increase in domestic savings depends on the government's commitment to adopt the policies needed to establish a stable macro-economic environment. (p. 41).

Table 2
Consumption, Investment and Saving
Percent of GDP in SSA Countries
1965—84

Category	1965	1973	1980	1981	1982	1983	1984
Consumption	89	86	91	92	93	93	96
Investment	14	17	19	19	17	15	12
Saving	11	14	9	8	7	7	4

Source: World development Report 1986, p. 157.

Of course, the more important point is that the monetary sectors of most of the SSA countries are driven not by investment ratios but by the world demand for primary products[10]. As Table 3 shows, export performance has deteriorated sharply over the last 20 years. From 1965 to 1973, primary product exports grew at 4.5 per cent per annum in real terms, then fell to hardly more than 1 per cent for the next seven years. This was followed by three years of negative growth rates. In 1984 there was a recovery, but whether or not this portends a long-term trend remains to be seen: the 1985 figure is not encouraging (1.7 per cent). The conventional explanation for the poor export performance is quite contentious, apportioning blame to the policies of sub-Saharan African countries, with overvalued exchange rates and monoponistic marketing boards which set producer prices of export crops in most (but far from all) countries coming in for particular criticism.

Short of conducting a general equiliibrium analysis of the experience of each country, it would be impossible to come to any definitive conclusion about the relative impact of internal and external factors upon the export performance of sub-Saharan African countries (though this has not prevented judgements from being made). It is clear is that external factors have been extremely unfavorable for SSA countries. The cumulative deterioration in the terms of trade since 1973 has been negative, as Table 3 shows. After stagnation between 1965 and 1973, terms of trade fell by 20 percent in the next 12 years,

(10) Though not according to the World Bank: At the root of the poor performance and debt problems of the developing countries lies their failure to adjust to the external developments that have taken place since the early 1970s, coupled with the magnitude of the external shocks. World Bank, 1986, p. 33.

implying that the sub-Saharan African countries had to give up 25 per cent more exports in 1985 to buy the same import basket as 12 years previously[11]. Given this situation *not* blaming the external environment for Africa's problems is quite misleading. In a study of changes in the world economy, Cline came to the conclusion that almost 85 per cent of the total increase in developing country debt during 1973-82 can beattributed to external factors over which governments of non-oil-producing LDCs had no control[12]. The impact of international markets on Africa was greater than the average for all developing countries: the fall in the terms of trade of sub-Saharan African countries exceeded that for developing countries taken together and in particular for low-income Asia[13].

Table 3
Rate of Growth of Exports and Terms of Trade,
SSA Countries, 1965—1985

Category	1965 –73	1973 –80	1981	1982	1983	1984	1985
Exports							
Manuf	5.4	2.0	–20.1	–5.4	2.8	3.1	6.7
PrimProd	4.5	1.2	–3.1	–9.6	–0.4	5.0	1.7
All prod	4.6	1.3	–4.5	–9.3	–0.2	4.9	2.0
All LDCs, all prod	5.0	4.6	2.1	–0.5	4.7	10.7	2.3
Terms of Trade							
Low -Y SSA	0.1	–1.8	–11.8	–0.9	–4.8	5.0	–5.6
Low-Y Asia	3.2	–2.4	1.1	1.2	–1.2	1.5	–1.9
All LDCs	0.8	1.5	–1.0	–0.1	–1.3	0.4	–1.1

Source: World Development Report 1986, pp. 158 and 159.

(11) IMF figures also so a sharp deterioration in the terms of trade. By its calculation, unit export values of sub-Saharan countries fell in all years of the 1980s, except 1984, the total decline between 1980 and 1986 being twenty-two percent. IMF, *World Economic Outlook: Revised Projections* (Washington: IMF, 1987) p. 26.

(12) The factors he lists are OPEC price increases, the rise in dollar interest rates, and the fall in primary product prices. William R. Cline, *International Debt and the Stability of the world Economy*. (Washington: Institute for International Economics, 1983).

(13) SSA countries have suffered from poor terms of trade for over two decades. Between 1967 and 1973 Asia's terms of trade increased by a robust twenty-nine percent, compared to one per cent for Africa.

A bit of simple economic theory tells one that it is hardly surprising that export performance should decline with the deterioration of the terms of trade: falling export prices shift relative returns in favour of production for the domestic market. Those who have tended to blame internal policies for poor export performance in Africa have usually glossed over this relative price shift. Instead they have put the major part of the blame on the *internal* (domestic) terms of trade; i.e. what the farmers receive for their produce on the internal market, with the implicit assertion that internal terms of trade fell more than the external terms, causing a greater fall in exports than would have occurred under free market conditions. But how the blame should be apportioned is a matter for country-by-country analysis — something that has generally *not* been done by proponents of "African mismanagement". Instead the remedy is rather swiftly recommended that African countries should devalue to restore the shift in the terms of trade, though it is rarely if ever specified whether the prescribed devaluation is to align internal terms of trade to the external terms, or more drastically, to restore internal terms to a level in the past, *regardless* of trends on the external market[14]. In any case, there is considerable theoretical ambiguity with regard to the net impact of devaluation upon the relative prices of tradables and non-tradables. In the light of the state of economic theory on this subject, one must be careful in diagnosing that the fault for poor growth performance in African countries lies primarily in domestic policies and that success will be achieved by a greater opening to the world economy (particularly in light of developed country protectionism)[15]. On balance, the agnostic view taken by Todaro in his influencial textbook on development, that one cannot reject the hypothesis the macro-economic difficulties of some developing countries may be the result of too much contact with developed countries, should be entertained seriously[16].

(14) The World Bank has taken the lead in recommending devaluations for African countries. In light of this, it is instructive to read in a World Bank Staff Paper, "Appropriate price and exchange rate policy would have a relatively small impact on agricultural growth (in SSA countries)..." Kevin M. Cleaver, "The impact of exchange rate policies on agriculture in sub-Saharan Africa", World Bank Staff Working Papers, Nº 728 (1985), p. 1.

(15) Again, the World Bank has no apparent doubts: If developing countries were to adopt policies that encourage domestic savings, increase the efficiency with which they use resources, *and increase their links with the world economy, they could raise their growth rates significantly regardless of what the industrial countries do.* World bank, 1986, p.3, emphasis added.

(16) Michael P. Todaro, *Economic Development in the Third World* (New York: Longman, 1985), Third Edition, p. 558.

The purpose here is not to resolve the debate over the causes of the deteriorating growth performance of African countries, but to argue that what the statistic show are the symptoms of economic decline and crisis. Over the last decade (and longer for some countries), the SSA countries have been in a profound development crisis that has brought fundamental structural changes. It is a mistake to interpret these symptoms (rise in the share of consumption in GDP, for example) as causes. A voluntarist approach in which one presumes that the crisis of the last decade could have been substancially avoided had appropriate policies been followed is not conducive to a diagnostic analysis of what actually occurred.

From this highly aggregative analysis, I turn to country-level data to consider an issue quite important in the subsequent discussion: the relationship between growth in food production and export performance (Table 4). For most SSA countries agriculture provides the major exports (Nigeria and Zambia are obvious exceptions). On the usual assumption that land is a scarce resource, one would expect some trade-off between the growth of food production and exports. The table does provide some support for this *a priori* conclusion. The simple average of changes in per capita food production from 1974-76 to 1982-84 was —11 per cent. The seven countries whose per capita food production decreased by *less* than this (or increased, in the case of Côte d'Ivoire) had a rate of growth of their exports of -3.1 per cent. The eight countries in wich food production feel by *more* than 11 per cent had an average rate of growth of exports of -1 per cent; and the difference-of-means test shows that the means for the two groups were statistically significant at the 5 per cent level. One must, of course, be extremelly cautions in drawing conclusions from such simplistic exercises, for many other variables are at work behind the scenes. However, the idea of a trade-off between the production of domestic food stuffs and agricultural exports is implied by both neoclassical general equilibrium theory and Keynesian open-economy models, so the possibility is a reasonable one[17]. Indeed, the absence of a trade-off would have to be explained by export demand inducing an increase in either the amount of land in use or the yields from land. In a region of peasant smallholders who consume a substancial proportion of their produce and whose standard of living is near or below poverty level, it is unclear why land

(17) In neoclassical analysis economies are usually treated as being on their production possibilities frontier (otherwise allocation is not a primary concern). In a Keynesian model at less than full employment, increased exports are in part the result of having reduced domestic consumption.

would lie idle in any circumstance. It is not unreasonable to presume that peasant farmers, facing a contracting world market for primary products, might have shifted to food production for family consumption, thus in part explaining the decline in exports during 1973-84[18].

To conclude the survey of the last development decade, I turn to an issue which looms large is discussions of urban labour markets-rural urban migration. Rates of growth of urban areas are given in Table 5. The statistics show a mixed pattern in urban growth during 1973-84 compared to the previous period. For eight countries, the rate of migration declined, for another eight it increased, while for one (Côte d'Ivoire) it remained practically unchanged. However, for all SSA countries together, the rate of urbanization was virtually the same in both periods. Only in Uganda was the change dramatic, and is largely explained by catastrophic economic and political events in that country[19]. Thus, the rate of urbanization in sub-Saharan African countries during 1973-85 may have moderated compared to the previous period, but the change was hardly noteworthy. But there was a dramatic change in rural-urban income differentials, as shown by Jamal and Weeks[20]. It may well be that the reduction in the rate of migration in some countries during 1973-84 was the result of a narrowing of rural-urban income differentials, but given the small observed decline in the former compared to the massive drop in the latter, the relationship between the two appears at most to be tenuous.

(18) A useful survey relevant to this issue is found in Hamid Tabatabai, "Food crisis and development policies in sub-Saharan Africa", World Employment Programme Research Working Paper WEP 10—6/WP72 (Geneva ILO, July 1985).

(19) The Ugandan case is treated in detail in V. Jamal, "Structural adjustment and food security in Uganda", (Geneva: ILO, 1985).

(20) Jamal and Weeks, 1987 and 1988.

Table 4
Index of Per Capita Food Production And Rate of Growth of Exports SSA Countries, 1965—1984

Country	Food Prod. Index*	Exports 1965-73	Exports 1973-84
Cameroon	83	4.2	2.3
Côte d'Ivoire	110	6.9	–2.2
Ethiopia	100	2.9	0.4
Ghana	73	3.5	–4.0
Kenya	82	3.8	–2.3
Liberia	91	8.9	–2.3
Malawi	100	3.8	2.4
Nigeria	96	8.8	–6.5
Senegal	66	–1.3	–0.8
Sierra Leone	95	3.7	–5.5
Somalia	69	5.7	–0.7
Tanzania	100	0.9	–4.7
Uganda	98	0.2	–6.2
Zaire	92	6.4	4.1
Zambia	74	–0.3	–2.4

* Index for 1982-84, with 1974-1976 = 100.
Source: World Development Report 1986, p. 190.

Table 5
Rate of Growth of Urban Population,
SSA Countries, 1965—1984

Country of change	Direction	Rate of Groth 1965-73	1973-84
Cameroon+		7.3	8.2
Côte d'Ivoire		+	8.2 8.3
Ethiopia –		7.4	6.1
Ghana +		4.5	5.3
Kenya +		7.3	7.9
Lesotho +		7.8	20.1
Liberia +		5.3	6.0
Malawi –		8.2	7.3
Nigeria +		4.7	5.2
Senegal –		4.2	3.8
Sierra Leone		–	5.0 3.5
Somalia –		6.4	5.4
Tanzania +		8.1	8.6
Uganda –		8.3	-0.1
Zaire –		5.9	7.1
Zambia +		8.2	8.3
Zimbabwe		–	7.3 8.2

Source: World Development Report, 1986, p. 165.

The last ten years have been difficult ones for the populations of sub-Saharan African countries, years of hardship and increasing poverty. It has been suggested in some quarters that the hardship and suffering were primarily the consequence of incorrect policy decisions taken in response to what has euphemistically been called "a rapidly changing world economy"[21]. The obverse of this is that pursuing "correct policies" promises a bright future regardless of developments in the international economy[22]. This is an appealing hypothesis, particularly attractive in difficult times when one entertains the possibility that

(21) "For developing countries, the first half of the 1980s was a period of adjustment to a rapidly changing world economy". World Bank 1986, p. 2.

(22) "...(T)hose developing countries that maintained macro-economic stability and implemented policies to make the best of the changing world economy have emerged with strong growth rates and bright prospects..." World Bank 1986, p. 3.

circumstances may make one's best efforts irrelevant[23]. It remains, however, an hypothesis, and an hypothesis somewhat at variance with the miserable economic performance of most sub-Saharan African countries. It is less than convincing for two reasons. Firts, if there exists a set of policies whose unambiguous result would be to generate growth in the face of unfavorable world market conditions, economists do not agree what it is. The hypothesis that appropriate policies can snatch growth from the jaws of world recession derives from a general equilibrium model in which the world economy is viewed as being self-equilibrating. Whether governments should place their trust and the fate of their populations in such models is open to question, particularly when the economics profession is hardly in agreement on the validity of these models. This lack of agreement in the profession should be a cue for reticence on the part of economists in passing judgement upon the efforts of governments of developing countries. certainly, African governments have made policy errors, perhaps major ones. Whether alternative policies would have produced substantially different results is the type of speculation which does not lend itself to definitive conclusions.

Second, while the impact of alternative policy regimes is speculative, the extremely unfavorable international environment faced by SSA governments is a fact. Terms of trade have moved against products exported by African counstries; interest rates on world financial markets have been virtually unprecedented levels for half a decade (largely due to fiscal and monetary policies in the United States); and industrial country protectionism has thwarted the development of non-agricultural exports from sub-Saharan Africa. These facts suggest that the cautions path is to avoid judgmental hypotheses and treat the crisis as primarily a phenomenon of world economic instability. It is on the basis of this view that I consider the survival strategies of African households.

(23) The report of the Advisory Group on Financial Flows to Africa suggests that massive foreign assistance will be necessary to rejuvenate the economies of the SSA region. United Nations, *Financing Africa's Recovery: Report and Recommendations of the Advisory Group on Financial Flows for Africa* (New York: United Nations, 1988).

III. RURAL-URBAN INCOME DIFFERENTIALS

In a previous paper I summarized the dramatic change in rural-urban income differentials in sub-Saharan Africa[24]. While it would be redundant to repeat that discussion, a review of the evidence and conclusions is necessary background for the section which follows on household survival strategies. For at least two decades SSA countries were stereotyped as characterized by a wide rural-urban income differential and urban "aristocracy of labour", and this stereotype is no longer valid.

Important for this paper are several clear trends which have emerged over the last two decades. First, real wages of urban workers have fallen dramatically. And where evidence is available, it shows that unskilled workers in the formal sector have done worse than skilled workers. Further, the fall in real wages has been so great that a growing proportion of wage earner households has fallen below poverty level as measured by the ability to purchase a minimum diet. Second and despite the fall in real wages, migration from rural to urban areas has not abated, and urban labour markets are if anything in greater excess supply in the late 1980s than ten years before. Third, the fall in wages has resulted in a blurring of the distinction between the formal and informal sectors in urban areas. The difference in incomes has decreased, and along with this decrease life-styles and living conditions of households deriving their primary incomes from each sector have become similar. And finally, the income gap between rural and urban areas has narrowed sharply. So great is this last shift that in some countries incomes received by rural farm families exceed urban wage earner incomes.

Evidence of the fall in real wages is presented in Table 6, and some of the numbers defy credibility. It can first be noted that in the case of every country for which there are data, real urban wages fell sharply in the 1970s, with the exception of Nigeria. Nigeria is, of course, the exception that proves the rule, for this country went through a tremendous boom due to the increase in oil prices. Even so, *urban wages in Nigeria merely held their level; they did not rise.* In the other six countries for which there are data, urban real wages fell: by over half in Ghana and Uganda, 25 and thirty percent in Tanzania and Somalia, and twenty percent in Kenya and Sierra Leone. In the 1980s, urban wages continued

(24) John Weeks, "Income distribution and its implications for migration in sub-Saharan Africa", paper presented to the IUSSP Conference on Africa Population, Nairobi, December 1986, forthcoming in conference volume.

to fall, with the declines dramatic to catastrophic for five countries (Ghana, Sierra Leone, Somalia, Tanzania, and Uganda), and quite substancial for three others (Kenya, Malawi, and Nigeria). In two countries urban real wages rose, but both cases involve circumstances so particular as not to contradit the rule. Real wages rose by over twenty percent in Burundi, but this country has perhaps the smallest wage labour force relatively to its population of any country in the table. The wage increase in Swaziland reflects less about the labour market in that country than the demand for immigrant workers in South Africa.

TABLE 6
Urban Real Wages for Selection SSA Countries
1978—1986
(1978 = 100)

Country	1970	1979	1980	1981	1982	1983	1984	1985	1986
Burundi	–	99	95	102	101	131	134	129	127
Cameroon	–	94	94	92	92	–	–	–	–
Ghana	208	77	85	48	46	35	38	71	–
Kenya	122	100	100	98	93	85	81	81	80
Malawi	–	97	96	96	100	86	66	69	–
Nigeria	99	82	85	82	77	72	59	63	–
SierraLeone	149	96	113	94	87	53	41	30	29
Somalia	128	98	57	–	–	–	–	–	10
Swaziland	–	103	65	78	77	112	120	120	–
Tanzania	125	–	–	–	72	–	–	49	–
Uganda	313	–	16	22	–	–	41	–	–
Zimbabwe	–	87	108	103	96	83	69	08	99

Source: Weeks (1986), Tables 2 and 3; International Labour Office, Yearbook of Labour Statistics 1987 (Geneva: ILO, 1987).

It lies beyond the scope of this paper to document the decline in rural-urban income differentials in SSA countries, which can be found elsewhere[25]. However, one does not have to calculate rural incomes to deduce that rural-urban differentials must have fallen. Even in those countries with the

(25) See Jamal and Weeks (1987) and (1988), and the more comprehensive forthcoming book, *Africa Misunderstood*.

poorest growth performance (e.g., Ghana), the fall in real wages was far beyond the decline in per capita GDP. Since for every country in the table the rural population is in the overwhelming majority, it follows that wage incomes must have fallen less than farm incomes. The implication of the table is that the urban wage labour class has collapsed and disintegrated as a coherent economic group in SSA countries. Certainly in the more populous countries of the region, where a working class had emerged in the post-colonial period a wage income is no longer sufficient to support a family; nor is it sufficient to support the worker alone in some countries (e.g., Uganda, Ghana, Tanzania, and Somalia)[26]. Inexorably, the collapse of wage incomes has generated a single low-income class in African cities, with households struggling to subsist on a precarious combination of wages, casual work, trade, and semi-legal activities. And this disintegration of the working class as a coherent class has extended to a disintegration of the rural-urban distinction in household livelihoods. For decades the trend in SSA countries, as in all modernizing countries, was towards an increased differentiation and specialization in rural and urban populations. The collapse of urban-based production and the decline of monetary incomes in the countryside has reversed this trend. This last point proves important in the discussion of the next-section.

IV. HOUSEHOLD SURVIVAL STRATEGIES

The most important factor influencing income distribution in SSA countries over the last ten to fifteen years has undoubtedly been economic decline itself. The impact of economic decline has bee uneven, however, partly due to the substantial proportion of output in the region which represents non-monetized subsistence production[27]. Decline has tended to depress the monetary sector of SSA economies more than the subsistence sectors, and this a general law of economic cycles in underdeveloped countries. However, its operation is not as obvious as it might seem. The obvious truth in the law is that among self-employed producers consuming their own output a form of "Say's

(26) This assertion is documented in Jamal and Weeks (forthcoming).

(27) Throughout this discussion "subsistence" production refers to output which is directly consumed by the farm household, or used directly into the farm production process. Thus, the term does not necessarily refer to a standard of living of the farm family.

Law" holds. If one has access to the means to produce and is not engaged in exchange to any great extent, supply and demand must coincide since the decision to produce and the decision to consume are one and the same.

At the same time, subsistence production should be viewed in its relationship to activities which bring cash incomes, with subsistence production in part representing a choice forced upon people when the monetary sector contracts. When the demand for cash crops declines, as it has over the last ten years for African peasants, agricultural households may have no other alternative but to apply their surplus availability of land labour to subsistence. Where conditions permit (i.e. accedd to land), erstwhile wage earners may take up agriculture to survive (Uganda offers an extreme example of this, as we showed). Thus, the tendency for monetary income to decline relatively to subsistence income is in part due to the basic difference between the two (the latter is immune to demand failures), and also the result of the shift of the labour force from monetary to non-monetary activities in order to survive in periods of economic decline. While subsistence production by and large has held up during the crisis, the decline of the monetary sector may generate downward pressures on subsistence income, by increasing competition over land. Reports of a reduction in the proportion of land lying fallow is evidence of this pressure.

As a result of monetary sectors contracting relatively to subsistence sectors, economic decline in SSA countries has tended to shift relative domestic income shares (including returns from both monetary and subsistence activities) in favour of the rural sector[28]. Here it is important to stress that the urban informal sector is part of the monetary economy in all SSA countries, so a decline in aggregate demand directly impacts upon informal sector operators as a whole, which is not necessarily the case for rural households taken as a group. The decline of the monetary sectors involves income shifts, not redistribution as such. When the monetary sector contracts, subsistence income rises relatively to cash income, not because one group gains what another loses, but because cash income is by its nature more vulnerable to purely economic shocks. Within the monetary economies, however, important income shifts may arise which involve redistribution as such. These shifts represent what is a basic tendency within the monetary sectors: the tendency for powerful economic agents to gain at the

(28) The modifier "domestic" is important, for there are a number of African countries for which income from external sources is quite important, the most important source of external income is remittances, from the Gulf States (to Somalia and the Sudan, for example) and South Africa.

expense of weaker ones. Whether this is a general characteristic of monetary economies is a matter of controversy.

Factors generating the tendency for the weak to lose relatively to the strong during contractions are well documented in the literature. Both theoretical argument and empirical evidence suggest that larger producers are better able to bear risk and uncertainty, and to survive their consequences, than smaller producers[29]. Cashcrop producers may incur debts, and the ability to survive indebtedness until market conditions improve is positively related to producers' accumulated wealth. Where land is freely alienable, indebtedness may result in the loss of farms and permanent exclusion from the market for smaller producers. Limited evidence suggest that landlessness is an increasing phenomenon in SSA countries, though not as widespread as in Latin America or Asia[30]. For the most part the development of a market for land is not sufficiently advanced in SSA countries for market fluctuations alone to generate bankruptcies and landlessness. However, policies to privatize land could generate such a result. Under current land tenure systems, rural households in SSA countries tend to retreat into subsistence when market conditions deteriorate. As a result, market shares of large producers would be expectd to rise relatively to the shares of small producers during a period of economic contraction (as has occurred in Kenya).

Discussion of rural income shifts in response to economic contraction should not be confined to on-farm livelihoods alone. Rural non-farm activities represent a substancial and growing contribution to household incomes, occupying perhaps 20 per cent of the rural labour force in SSA countries in the mid-1980s, particularly important for the poorer segments of the population[31]. Most of these non-farm activities are linked to cash crop agriculture and decline sharply when rural money incomes fall. Thus, when rural cash incomes fall, all

(29) For a theoretical treatment, see John Weeks, "Uncertainty, Risk and Wealth and Income Distribution in Peasant Agriculture", *Journal of Development Studies* 7,1 (October 1971); and for a survey of empirical evidence, Michael Lipton (with Richard Longhurst), "Modern Varieties, International Agricultural Research, and the Poor", Consultative Group on International Research (World Bank) Study Paper Number 2 (1985).

(30) African land tenure systems and evidence of landlessness are treated in the following: FAO, Report of the Round Table on the Dynamics of Land Tenure and Agrarian systems in Africa (Rome: FAO, May 1985); and Michael Lipton, "Labour and Poverty", World Bank Staff Working Paper (October 1982).

(31) See Advisory Committee on Rural Development, *Promotion of employment and incomes for the rural poor, including rural women, through non-farm activities* (Geneva: ILO, 1983).

sources of money income tend to contract in rural areas. This point has obvious implications for rural-urban migration.

Migration is both the theoretical and actual link between rural and urban incomes, though in a much more complex way than suggested by Todaro-type models. One way to characterize these models is to say that they are general equilibrium systems constrained from reaching full employment by a rigid urban wage. Such analyses derive their inspiration from the general neoclassical one-sector model in which a full employment solution with all markets cleared is the consequence if no variables are constrained. In this formulation, unemployment and migration are wage or income gap phenomena, never demand phenomena. That is, urban employment is constrained by the wage being too high (not by insufficient demand for output), and migration is the result of greater expected earnings in urban areas (not push factors in agriculture). In the 1960s perhaps this was a useful simplification, for most SSA economies grew at rates that kept them pressing against crucial constraints such as skilled labour, rather than product demand. Urban employment could not have been increased by an expansion of aggregate demand alone, even had there been no foreign exchange constraint on growth. However, even in the context of the 1960s, it was questionable to believe that flexible wages could have cleared the labour market. That belief involves a number of dubious assumptions which have been subjected to severe criticism within mainstream economic theory[32].

Abandoning the partial equilibrium conclusion that wages can equilibrate labour markets yields important conclusions in the African context. In a demand-constrained situation a falling urban-rural income differential can induce urban migration, contrary to the predictions of the wage-constrained general equilibrium model. If the relevant decision unit is the extended family (as research on SSA countries suggests) and if families seek to maintain themselves above some target minimum poverty level, then falling incomes in either rural or urban areas can induce rather than discourage migration even to where the relative reward to labour has fallen. This apparently "perverse" behavior results because the availability of different forms of livelihood-making

(32) The most important of these is that no "false trading" can occur (exchanges at disequilibrium price). See Frank Hahn, *Equilibrium and Macroeconomics* (Oxford: Basil Blackwell, 1984); Lance Taylor, *Structuralist Macroeconomics: Applicable models for the Third World* (New York: Basic Books, 1983), Chapter 2; and John Weeks, *A Critique of Neoclassical Macroeconomics* (London: Macmillan, forthcoming).

is constrained by demand. Thus, income seekers must take what is available and cannot make their choice on the base of relative rates of return.

Further, in a demand-constrained economy, a falling urban-rural income gap may not have any predictable impact on the evaluation by agents of the advantages of seeking urban and rural livelihoods. If cash crop production is limited by product demand, as it obviously is in SSA countries, then a rise in rural incomes relatively to urban incomes is of limited relevance to urban workers even if they have access to land appropriate for cash crops. In a demand-constrained situation, the consequence of urban workers shiftingtagriculture is either an increase in subsistence production or an expansion of cash-crop output which drives down price and reduces the return to rural work[33].

V. CONCLUSION

The argument of this paper is that for the last two decades the monetary sectors of African economies have been constrained by export demand. So severe has been the constraint that the monetary sectors have in several cases virtually collapsed. This collapse has driven households, both

(33) A common response to the preceding line of argument is to propose that export demand is constrained by the exchange rate (i.e. that it is "overvalued"). This counter-argument assumes that which it seeks to prove; i.e. it assumes that at the international level there is no demand constraint. This argument is a *non sequitur*. We take it as self-evident that the world sales of cocoa, for example, are limited by developed country demand, not by the prevailing exchange rates of the cocoa-exporting countries. Were one country, say Ghana, to devalue, it would have no impact on world demand since cocoa prices are fixed in dollars and nor *cedis*. At the most devaluation would bring higher *cedis* prices to the farmers. Were Ghanan farmers thus inspired to increase output, their greater sales would have to come at the cost of cocoa farmers in other countries (since the world price would not have changed). The basic difference in the devaluation argument between the developed country case and the developing country case has not been sufficiently appreciated by protagonists of the devaluation remedy. To pursue the point further, while a developed country's exports may be priced out of the market because of an overvalued exchange rate, a developing country's exports can rarely be, since prices on the international market are not fixed on the basis of internal costs. As said, were Ghana to devalue and her farmers did increase their production in response to the higher prices and if Ghana manages to put the increased supply on the market, her gain in sales would be at the expense of the other producing countries. "Beggar thy neighbor" is a game any one country can ply but not all simultaneously — yet the devaluation remedy is recommended to all and sundry within World Bank and IMF structural adjustment programmes.

WEEKS, John. Economic Crisis and Household Survival Strategies in sub-Saharan Africa. *África*: Revista do Centro de Estudos Africanos. USP, S. Paulo, 12-13 (1): 56-77, 1989/1990.

urban and rural to subsistence production. The constraints on subsistence production in urban areas has had the effect of de-urbanizing urban areas, in the sense of stimulating links to rural areas through extended families and expanding urban agriculture. It is a mistake to view these changes as bringing about allocative efficiency. So severe has been the African economic crisis that the SSA region is in a process of economic reversion (of "involution"), which is in its essence not merely economic decline but a process of de-modernization and underdeveloping.

RESUMO: O autor aborda, de um ponto de vista macroeconômico, a questão da crise econômica e seus impactos de estagnação e declínio nas estratégias domésticas de sobrevivência na África ao Sul do Saara, envolvendo a problemática do colapso de setores da economia com a consequente diminuição da renda familiar mínima por um período que extrapola o de um fenômeno passageiro. Considera ao final que se manifesta na região um fenômeno negativo de reversão econômica.

UNITERMOS: Africa ao Sul do Saara, macroeconomia, crise econômica, rural-urbano, estratégias, reversão econômica negativa.