

UGANDA UNDER REGULATION: HOW WELL DID THE ECONOMY FARE?

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ABSTRACT

The study evaluates the performance of the Ugandan economy under the policy of economic regulation that lasted from 1962 to 1986. It measures the level of economic growth in the country through the growth rates in real Gross Domestic Product (Real GDP) and real Gross Domestic Product per capita (Real GDP per capita). The analyses are quantitative and graphical.

The findings show that there was a marginal improvement in the level of economic growth in Uganda across the period of research (1962-1986), but that the performance of the economy was constrained by the very high rate of inflation (which crossed the 200% per annum mark) and the political crises which persisted during a substantial part of the research period.

To ensure an improvement in the level of economic growth in Uganda, the study recommends a reduction in the economy's liquidity so as to control inflation, control of the country's population growth rate which would improve its GDP per capita, and the maintenance of political stability to avoid a relapse to political crises which constrain growth.

KEYWORDS: Economic Growth, Economic Development, Economic Regulation, Economic Deregulation, Gross Domestic Product, Gross Domestic Product Per Capita

INTRODUCTION

There was a growing quest for improved standard of living in all societies of the world, especially after the devastating effects of the Second World War. Virtually all the economies of the foremost nations of the world went into recession. The cases of Africa and other underdeveloped regions of the world were even worse, as they suffered the twin effects of their own lack of development as well as reduced economic assistance from the foremost world economies. This assumed further importance in Africa as most of the countries in the continent progressed towards political independence, with the high hopes for the associated economic transformation. The case of Uganda became even more peculiar after its independence in 1962 as it soon got enmeshed in political turmoil.

The approach of the various governments of Uganda in the country's first twenty-five years of political independence (1962 to 1986) was essentially the use of economic regulation in attempts to trigger off growth and improvements in its economy. The approach lasted till 1987 when the present government adopted the country's Economic Recovery Program (ERP) which was predicated on the deregulation and liberalization of the economy. The present study, therefore, attempts to evaluate the performance of the Ugandan economy under economic regulation. This is important as the issue of improvements in the standard of living in Uganda had become critical at the end of the conflicts in the country in 1986, given the devastation that took place in the course of the upheavals.

OBJECTIVES OF THE STUDY

The objective of the study is to evaluate the performance of Ugandan economy under the policy of economic regulation that lasted from 1962 to 1986. It measures the level of economic growth in the country through the growth rates in real Gross Domestic Product (Real GDP) and real Gross Domestic Product per capita (Real GDP per capita).

The findings of the study would be useful to the Government of Uganda as it would provide insights on how economic regulation affects the growth of the country's economy, and thus assist the government in its choice of economic policy direction. Further, the study would contribute to the body of available general knowledge in the fields of economic regulation and economic growth (especially in the developing economies), which would hopefully present economists and future researchers with the opportunities for further research as the sphere of human knowledge expands.

ECONOMIC GROWTH

Economic Growth and Economic Development

As observed by Jhingan (2003), most authors and researchers (including himself), have continued to use the terms "economic growth" and "economic development" interchangeably. Such switches could also be noticed in the course of the present study. However, there are slight technical differences between the two terms that need to be highlighted.

Economic growth refers to increases in the per capita income or output of a society which result when the production of goods and services rises at rates higher than the increases in the population. It is thus an increase in output per unit of input. Economic growth, therefore, is a quantitative measure which considers only output from an economy, without taking into cognizance the distribution of income in the economy. Economic development, as a wider concept, is a persistent increase in the per capita income or output of an economy, taking into account the distribution of income in the economy. Economic development, thus, is economic growth in addition to improved income distribution. It encompasses both increases in output as well as the changes in the technical and institutional arrangements under which the output is produced, distributed and consumed for the benefit of increased proportion of the population. Thus, and as observed by Jhingan (2003), it is possible for an economy to grow without developing, as poverty, unemployment and inequalities continue to persist due to the absence of technological and structural changes in the society.

Sources of Economic Growth

Economists have often given considerations to the various sources of growth, as these are thought to account for the differences in the levels of development between societies. These sources have often been classified into economic factors and non-economic factors (Jhingan, 2003), in realization of the fact that meaningful economic growth would not be possible in the absence of the enabling socio-political environment.

The economic factors or sources of growth include natural resources, population growth, technological progress, capital accumulation or formation, and organization. First, it is reasonable to expect that countries that are blessed with natural resources have the potentials for economic growth. Also, a large population could trigger economic growth if it is capable of being translated into a large pool of quality labour and an expansive domestic market for the outputs. Further, an economy with new, advancing and appropriate technology is more likely to grow faster than the ones without such advantages. As capital accumulation or formation is critical to economic growth, an economy that intends to grow should, therefore, be able to accumulate capital through savings which must be specifically used for investment. This has been the

bane of most under-developed economies where the savings culture is very poor. Finally, as good managers, entrepreneurs and organizers are critical to growth, the manner of organization of resources would affect economic growth. Accordingly, an economy that is cursed with wasteful organizers, like most African countries, could ill afford to grow fast.

Social, human, and political and administrative factors, amongst others, have been identified by economists as the non-economic factors or sources of growth in any society. The social factors comprise the attitudes and values of the people which could promote or hinder growth. For instance, while the positive culture of learning and adventure contributes to the economic growth of the West, the negative culture of skepticism has been partly blamed for the under-development of Sub-Saharan Africa. The human factors reflect in the increased efficiency or productivity of the labour force. It is the process of increasing knowledge, skills and capacities of all the people of the society. The development of such human factors has been cited as one of the underpinnings of the growth of Chinese economy in the past two to three decades. Finally, political stability and strong administration are very important to economic growth, as no economy could achieve any meaningful growth without them. The opposing narratives of the West and the crisis-ridden Africa aptly tell the whole story. In the case of Uganda, the comparison between the pre and post 1986 periods would show the economic benefits the country has enjoyed since the return of stability, post 1986.

Indicators or Measures of Economic Growth

Also, indicators or measures of economic growth abound. These include the economic indicators of Gross Domestic Product (GDP) and Gross Domestic Product per capita, the Gross National Product (GNP) and Gross National Product per capita, and the improvement in welfare or the consumption of goods and services by all individuals in the society; as well as the social indicators such as literacy level, infant mortality, life expectancy, and nutritional standards. However, the emphasis by economists has been on the measurement of economic growth through the growth rates of Gross Domestic Product (GDP) and the Gross Domestic Product per capita.

The GDP refers to the market value of all the final goods and services produced in the country within a given period, usually a year (Parkin, 2011). It could be determined through three approaches: the product (or output) approach which sums up the values of the final outputs of all the enterprises in the economy; the expenditure approach which sums the people's total expenditure in the purchases of goods and services; and the income approach which determines the GDP by summing up the incomes of all the productive factors in the economy. The GDP per capita, on the other hand, is GDP divided by the population of the economy. It is often used as a fair indicator of the standard of living in the economy on the assumption that all residents equally benefit from the country's increased economic production. However, GDP per capita is not a measure of personal income as GDP may increase while real incomes for the majority decline. This may result from the enhanced production in the economy being increasingly concentrated in the hands of fewer inhabitants to the detriment of the vast majority; an economic paradox that characterizes the economic growth in many of the developing countries, especially in Africa and Asia.

Further, GDP and GDP per capita could be nominal or real. They are nominal when they relate to the value of final goods and services produced in a given year and valued at the prices prevailing in that year. They are, however, real when they relate to the value of the final goods and services produced in a given year, but valued at constant prices (the prices of a base year). Thus, real GDP/GDP per capita, unlike nominal GDP/GDP per capita removes the impacts of inflation or price changes in the computation of national outputs produced at different periods, thereby making comparisons much easier and meaningful.

Theories or Models of Economic Growth

Several questions have bothered economists in the past five decades or even beyond: Why is the world so much richer at a particular date than it was previously? Are there any prospects for the continuous increases in riches over time? And, why do inequalities abound between the various nations of the world?

Perhaps the first known attempt to address these questions and more was made by Adam Smith (1723-1790) in his *Wealth of Nations*. He argues for free market economies and the operation of the invisible hands in the allocation of resources for the optimum benefit of the societies. In recent times, some economists from different schools of thought have also attempted to address the issue of economic growth and its causes, albeit with little signs of consensus. Some of the theories propounded by these economists are considered next.

The Basic Economic Growth model is the aggregate production function which considers two primary factors of production- Capital Stock (Land, factories, etc) and Labour (the economically active segment of the population). It is drawn from the economists' knowledge of factors of production and diminishing returns to scale. The model postulates that Output (Y) is a function of Capital (K) and Labour (L). Thus, $Y=f(K,L)$. Accordingly, increased output (Y) depends on increases in the capital stock (K) through investments and depreciation, and increases in labour supply (L) through population growth. Further, while the amount of investment in capital stock depends on savings (calculated by multiplying the average savings rate in the economy by the national output), labour supply is based on demographics. Thus, as capital and labour increase, economic output grows. The theory considers only two causes of economic growth, capital stock and labour; thereby excluding such other important factors as technology and productivity which could have profound impacts on economic growth. Further, the theory assumes that economic growth could be achieved through such non-economic processes of population growth and changes in demographics.

In the 1940s, two economists, Roy Harrod and Evsey Domar, independently developed an economic growth model that later became known as Harrod-Domar Growth Model. The model is based on a fixed-coefficient, constant returns to scale function, which assumes that capital and labour are used in a constant ratio to each other to determine total output. It assumes that labour (L) and capital (K) are used in a fixed proportion to produce an equal amount of output. Thus, $Y=K/v$; where v is the capital-output ratio determined by dividing capital (K) by Output (Y), i.e. $v=K/Y$. The Harrod-Domar model focuses on two critical aspects of the growth process: savings and the efficiency with which capital is used in investment. The model could provide accurate short term predictions of growth and could be useful for developing countries in determining the required investment rate or financing gap to be covered in order to achieve a target rate of growth. To its credit, the model is simple and its equation easy to use; with relatively small data requirement. Unfortunately, it only remains in equilibrium with full employment of both labour and capital, and may therefore cause inaccurate longer term predictions. Thus, as soon as either capital or labour grows faster, there would be increasing unemployment of either labour or capital as the case may be. Also, the model holds constant technology and productivity whose changes and gains are critical for long term growth and development in any economy.

The Neo-classical growth model or Solow model was propounded by Robert Solow in the 1950s in response to the limitations of the Harrod-Domar model. Thus, the Solow model replaces the fixed-coefficients production function with a neoclassical production function in which output (Y) is a function of capital (K), labour (L), and all other factors other than capital stock and labour supply which may influence growth, such as increasing technology, worker skill levels,

education, health, institutions, amongst others (A or residual A). This allows for substitution between the factors of production, so that the relative endowment of capital and labour could be reflected, instead of the fixed ratios. According to the model, output could be expanded in any of three ways: increases through fixed and equal portions of labour and capital, increases in capital, or increases in labour. The model further assumes a production function with the property of diminishing returns, where each additional increment in capital per worker results in less output. The Solow model has two postulations: first, that to raise an economy's long term growth rate would require an increase in labour supply and a high level of productivity of labour and capital (i.e. technology increases), and second, that productivity improvement (technology increases) is an exogenous variable that is independent of the amount of capital investment. The independence of technology increases is in two forms: mechanical (improved machinery, computers, and so on) and human capital (improved education, health, worker skills, amongst others). The model thus makes two conclusions: that the key determinants of economic growth are population growth and technical change, and that over time poor and rich countries' incomes would converge. The theory thus leads to a disturbing conclusion, that most growths are determined by extra-economic factors (technology and population) and do not depend strongly on economic policies, as for instance, the progress of science and technology has little to do with monetary and fiscal policies. The implication of this, for example, is that savings rate does not matter for the growth rate. This pessimistic conclusion is a source of concern to some other economists.

An extended and reformulated version of the Solow model was undertaken by Gregory Mankiw, David Romer, and David Weil. The Mankiw-Romer-Weil model extends the Solow framework by allotting a significant role to human capital, and to the share of the national product devoted to investment in education. This ensures that shifts in policy significantly impact growth more than in the Solow framework, as firstly, the estimates of the social marginal product of physical investment are somewhat larger, and secondly, shifts in economic policy that boost production amplify themselves much more by inducing further investment in physical capital, and most importantly, in human capital via education. Thus, the addition of "education capital" increases the importance of accumulation in economic growth, and slows down the approach of diminishing return. The Mankiw-Romer-Weil model, therefore, generates impacts of policy changes on economic growth in the long run that are twice as great as that of the Solow framework; and human capital plays an important role in that process.

The Endogenous or New Growth Theory was propounded in the 1980s as yet another attempt to more precisely define the attributes of economic growth. A key promoter of this theory was Paul Romer. The theory holds that improvements in productivity could be linked directly to a faster pace of innovation and extra investment in human capital. It stresses the need for government and private sector institutions to successfully nurture innovation and provide the right incentives for individuals and businesses to be inventive. It thus places centrality on the accumulation of knowledge as a determinant of growth. The New Growth Theory has a "narrow" version which places much emphasis on the high benefits from investments in research and development (R&D), and a "broad" version that places emphasis on the overall productivity benefits from broad categories of investment- whether equipment investment, infrastructure investment, or investment in general. Thus, while the former emphasizes returns to research and development, the latter stresses the many channels through which investment could influence the overall level of total factor productivity. The theory reaches the conclusion that good and bad economic policies could have much more significant effects on growth.

It is, therefore, obvious from the reviews of the various theories of economic growth that the impacts the

economic and non-economic factors have on growth differ among the various theories of growth.

ECONOMIC REGULATION AND ECONOMIC DEREGULATION

Economic Regulation

Economic regulation involves the increasing use of laws and other instruments of coercion to influence the economic choices and decisions of individuals, households, firms and even governments in a society. It could be directed to affect choices in demand, supply, prices, etc, with the aim of improving the efficiencies in resource allocation and utilization, and in income distribution. In terms of price regulation, Pindyck & Rubinfeld (2006) consider it as a means through which governments can limit the monopoly powers of firms.

The twenty-five year period (1962 – 1986) is regarded as a period of economic regulation in Uganda. During these years, the various governments pursued essentially the policies that furthered regulations in most sectors of the economy. In the financial sector, this reflected in such policies as interest rate regulations, fixed exchange rate system, controls of capital and current accounts, non maintenance of domiciliary accounts by residents, amongst others. These produced the set of economic conditions and data that are evaluated in the study for the period, 1962 to 1986.

Economic Deregulation

Economic deregulation, on the other hand, is the increasing reduction in the role of government in directly influencing the economic choices and decisions of individuals, households and firms in a society. It usually involves the gradual removal of the existing regulations in the economy. In terms of financial deregulation, Parkin (2011) observed that it has removed many of the distinctions between commercial banks and other depository institutions in the United States, thereby allowing the commercial banks and non-bank depository institutions to compete in a wider range of lending business.

The post-1986 period is regarded as a period of economic deregulation in Uganda. In 1987, the Government of Uganda commenced the implementation of its policies of liberalization and deregulation of the country's economy with the enunciation of its comprehensive Economic Recovery Program (ERP). This marked the beginning of the process of freeing the economy for increased private sector participation. It involved the gradual deregulation of the various sectors of Ugandan economy, such as finance, telecommunication, mining, amongst others. In the financial sector, it reflected in such policies as interest rate deregulations, floating of the exchange rate, removal of the restrictions on capital and current accounts, maintenance of domiciliary accounts by the residents, and so on.

COMPARATIVE HIGHLIGHTS ON THE UGANDAN ECONOMY

At political independence in 1962, Uganda had a weak, but one of the most promising economies in Africa. It was essentially an agrarian economy; with the industrial and services sectors contributing very little to the economy. As at that year, the country had a nominal Gross Domestic Product (GDP) of UGX42.8m, a nominal Gross Domestic Product Per Capita Income (GDP per capita) of UGX5.92, and a population of about 7.2m.

Post-independence, Uganda has had an uneven political and economic history until the past three decades or thereabout. From 1969 up to 1986, the country suffered much from political instability and civil strife which took tolls on its economic growth. During that period, the various governments of Uganda engaged more in direct interventions in bids

to stimulate the different sectors of the country's economy, depending on what was considered as priorities at the given times.

The 1962 and 1986 comparative economic highlights for Uganda are as shown in the Table below.

Table 1.1 Comparative Economic Indicators (1962 and 1986)

Nos.	Economic Indicators	1962	1986
1.	Nominal GDP (UGX'M)	42.8	42,584
2.	Real GDP (2010 Constant Prices) (UGX'B)	3,813	8,386
3.	Nominal GDP Per Capita (UGX)	5.92	2,805
4.	Real GDP Per Capita (2010 Constant Prices)	526,589	552,422
5.	Nominal GDP Growth Rate	0.02	1.38
6.	Real GDP Growth Rate (2010 Constant Prices)	0.01	0.00
7.	Nominal GDP Per Capita Growth Rate	(0.01)	1.30
8.	Real GDP Per Capita Growth Rate (2010 Constant Prices)	(0.02)	(0.03)
9.	Exchange Rate (UGX to USD1.00)	0.07	14.00
10.	Inflation Rate (%)	(6.0)	96.0
11.	Population Estimate ('M)	7.2	15.2

Sources: Compilation from various Uganda's Ministry of Finance, Planning and Economic Development (MFPED), Uganda Bureau of Statistics (UBOS), Bank of Uganda

(BoU) and Index Mundi data sources.

In summary, the Ugandan economy as at the end of 1986, was characterized by the dominance of agriculture as the largest employer of labour, but a low contributor to GDP on account of low agricultural productivity; low industrial/manufacturing base and the associated high import dependence; export of primary cash crops as the main foreign exchange earner for the country; and prominence of services in the contributions to the country's GDP.

CHOICE OF VARIABLES

The study identifies and uses two variables, the growth rate in real Gross Domestic Product (Real GDP) and the growth rate in real Gross Domestic Product per capita (Real GDP per capita), as measures of economic growth in Uganda. Either of these two variables has been used in similar manner to measure economic growth in the earlier studies of Nalere (1996), Kasule (1998) and Drale (2005), relating to Uganda, and those of Calderon and Liu (2002) and Kar, Nazlioglu, and Agir (2011), relating to other economies.

The Growth Rate of Real Gross Domestic Product (Real GDP)

The Gross Domestic Product (GDP) is considered a good measure of the economic well being of a country as it captures the values of all final goods and services produced in the economy for a particular period, usually a year. The real Gross Domestic Product (Real GDP) is preferred over the nominal Gross Domestic Product (Nominal GDP), as the former unlike the latter, eliminates the effects of inflation or price changes on the values of goods and services produced at different periods by valuing them at constant prices. It, thus, makes for a better comparison of the Gross Domestic Product figures of various years by bringing them to the same bases.

The growth rate in real Gross Domestic Product measures the rate of increase or decrease in the Real GDP from one year to another; as against the Real GDP figure itself which is a summation of the values of final goods and services produced in the economy and valued at constant prices. However, since the present study is interested in the growth of Ugandan economy, and not in its absolute size, it utilizes the growth rate in real Gross Domestic Product as a measure of

economic growth, and not the absolute real GDP figures. This is in line with the suggestions of Parkin (2011).

The Growth Rate of Real Gross Domestic Product Per Capita (Real GDP Per Capita)

The Gross Domestic Product per capita is also considered a good measure of the economic state of a country as it evaluates the spread of the value of the goods and services produced among the residents of the economy. As in the case of nominal GDP and real GDP, the real Gross Domestic Product Per Capita (Real GDP per capita) is preferred over the nominal Gross Domestic Product Per Capita (Nominal GDP per capita).

The growth rate in real Gross Domestic Product per capita (Real GDP per capita) measures the rate of increase or decrease in Real GDP per capita of an economy from one year to another; as against the Real GDP per capita figure itself which represents an individual's share of the value of goods and services produced in the economy during a particular period. Once again, as the present study is interested in the growth of Ugandan economy, rather than in its absolute size, it utilizes the growth rate in Real Gross Domestic Product per capita as a measure of economic growth, rather than the absolute real Gross Domestic Product per capita figures.

METHODOLOGY

Research Design

The study employs the ex post facto or retrospective design to retrieve, record, analyze and interpret data in order to evaluate the level of economic growth in Uganda during the twenty-five years of regulation of its economy, spanning from 1962 to 1986. It is, thus, a retrospective or time series research involving 25 annual observations of two variables, the growth rate in real Gross Domestic Product (Real GDP) and the growth rate in real Gross Domestic Product per capita (Real GDP per capita), as measures of economic growth in Uganda, with a view to evaluating the performance of the country's economy over the research period.

Target Population and Sample Size

The records examined in the course of the study constitute the research population. There are seven of such records for the twenty-five year period, from 1962 to 1986, in respect of Uganda. These are as follows: Nominal Gross Domestic Product (Nominal GDP), Real Gross Domestic Product (Real GDP), Total population, Nominal Gross Domestic Product per capita, Real Gross Domestic Product per capita, Inflation rate, and Exchange rate. In view of the small size of the research population, all the seven records for the twenty-five year period (1962 to 1986) are used in the study, thus ensuring a fair generalization of its findings.

Data Types, Sources, and Adjustments

The study uses secondary data as it is an archival research. These data are the economic statistics on Uganda, for the period, 1962 to 1986. Given the ages of the records (some dating back many decades), the usual problems of limited availability of data relating to developing countries like Uganda, and the political crises which bedeviled the country during a greater part of the research period, the relevant data are obtained from diverse sources through extensive library reading (both physical and on-line), as it is not practicable to find all of the data in one or even a few sources. Thus, the data are obtained essentially from the publications of institutions such as the Uganda Bureau of Statistics (UBOS), the Bank of Uganda (BOU), Uganda's Ministry of Finance, Planning and Economic Development (MFPED), the World Bank (WB), the International Monetary Fund (IMF), and some major international economic research institutions such as Index

Mundi and Country Economy. Further, other secondary sources of data, such as reports of some government ministries, departments and agencies (MDAs), reports of various financial regulators and institutions, unpublished technical and seminar papers presented at different fora, unpublished dissertations, etc, are consulted in the course of the study as they prove relevant.

The records of nominal Gross Domestic Product and nominal Gross Domestic Product per capita, are provided by the data sources, for 1962 up to the end of the research period in 1986, while those of the real Gross Domestic Product and real Gross Domestic Product per capita (at 2010 constant price) are provided as from 1982. Consequently, the pre-1982 gross figures are deflated to obtain the real equivalent figures..

Research Instrument

The study uses the Record Sheet as its research instrument. It shows the following with respect to Uganda, for each of the twenty-five years of research (1962 to 1986): Nominal Gross Domestic Product (Nominal GDP), Real Gross Domestic Product (Real GDP), Total population, Nominal Gross Domestic Product per capita, Real Gross Domestic Product per capita, Inflation rate, and Exchange rate.

DATA PRESENTATION AND ANALYSES

Data Record

As already stated, the record sheet is used as the research instrument for the study, and it shows the following, with respect to Uganda, for each of the twenty-five years of the research (1962 to 1986):

- The nominal Gross Domestic Product (Nominal GDP);
- The real Gross Domestic Product (Real GDP);
- The Total Population;
- The nominal Gross Domestic Product per capita;
- The real Gross Domestic Product per capita;
- Inflation rate; and
- Exchange rate.

The data are utilized to determine the growth rate in Real Gross Domestic Product and the growth rate in Real Gross Domestic Product Per Capita, which are used as measures of economic growth in Uganda, over the period of research. The rates are converted to time series data for ease of graph plotting and analyses. The Uganda's annual economic data for the 25-year period of the research (1962-1986) are presented in the table below.

Table 1.2: Uganda's Annual Economic Data

Year	Nominal GDP (UGX'M)	Real GDP 2010 LCU ('M)	Population	Nominal GDP Per Capita	Real GDP Per Capita
1961	42	3,783,387	7,006,629	6	539,973
1962	43	3,812,584	7,240,155	6	526,589
1963	49	5,569,243	7,487,412	7	743,814
1964	56	6,164,123	7,746,181	7	795,763
1965	63	7,132,476	8,014,376	8	889,960
1966	66	7,443,906	8,292,751	8	897,640
1967	69	7,659,230	8,580,647	8	892,617
1968	74	7,857,524	8,872,890	8	885,565
1969	83	8,723,688	9,162,794	9	952,077
1970	90	8,855,073	9,446,024	10	937,439
1971	101	9,114,192	9,720,388	10	937,637
1972	107	9,357,497	9,988,441	11	936,833
1973	122	9,119,058	10,256,553	12	889,096
1974	147	9,134,873	10,533,820	14	867,195
1975	212	8,949,961	10,827,098	20	826,626
1976	245	9,015,654	11,139,629	22	809,332
1977	499	9,156,770	11,470,631	44	798,280
1978	557	8,735,853	11,818,138	47	739,190
1979	856	7,700,592	12,178,511	70	632,310
1980	1,245	7,439,040	12,549,780	99	592,763
1981	2,675	7,727,356	12,930,712	207	597,597
1982	4,355	8,198,150	13,324,388	327	615,274
1983	6,721	8,669,100	13,738,118	489	631,025
1984	8,391	8,639,220	14,181,633	592	609,184
1985	17,877	8,353,570	14,661,479	1,219	569,763
1986	42,584	8,386,160	15,180,718	2,805	552,422

Source: Index Mundi Publications on www.indexmundi.com, as adjusted by the Author

In order to measure the growth in Ugandan economy between 1962 and 1986, two growth rates are computed from the economic growth data and presented in Table 1.3 below. These are the growth rate of the real Gross Domestic Product (Real GDP) and the growth rate of the real Gross Domestic Product per capita (Real GDP per capita).

Table 1.3: Uganda Annual Economic Growth Rates

Year	Nominal GDP Gr. Rate	Real GDP Growth Rate	Population	Nominal GDP Per Capita Growth Rate	Real GDP Per Capita Growth Rate	Population Growth Rate
1961	-	-	7,006,629	-		
1962	0.02	0.01	7,240,155	(0.01)	(0.02)	0.03
1963	0.15	0.46	7,487,412	0.11	0.41	0.03

1964	0.14	0.11	7,746,181	0.10	0.07	0.03
1965	0.12	0.16	8,014,376	0.09	0.12	0.03
1966	0.05	0.04	8,292,751	0.01	0.01	0.03
1967	0.05	0.03	8,580,647	0.01	(0.01)	0.03
1968	0.07	0.03	8,872,890	0.04	(0.01)	0.03
1969	0.13	0.11	9,162,794	0.09	0.08	0.03
1970	0.08	0.02	9,446,024	0.05	(0.02)	0.03
1971	0.13	0.03	9,720,388	0.09	0.00	0.03
1972	0.05	0.03	9,988,441	0.02	(0.00)	0.03
1973	0.14	(0.03)	10,256,553	0.11	(0.05)	0.03
1974	0.21	0.00	10,533,820	0.18	(0.02)	0.03
1975	0.44	(0.02)	10,827,098	0.40	(0.05)	0.03
1976	0.15	0.01	11,139,629	0.12	(0.02)	0.03
1977	1.04	0.02	11,470,631	0.98	(0.01)	0.03
1978	0.12	(0.05)	11,818,138	0.08	(0.07)	0.03
1979	0.54	(0.12)	12,178,511	0.49	(0.14)	0.03
1980	0.45	(0.03)	12,549,780	0.41	(0.06)	0.03
1981	1.15	0.04	12,930,712	1.09	0.01	0.03
1982	0.63	0.06	13,324,388	0.58	0.03	0.03
1983	0.54	0.06	13,738,118	0.50	0.03	0.03
1984	0.25	(0.00)	14,181,633	0.21	(0.03)	0.03
1985	1.13	(0.03)	14,661,479	1.06	(0.06)	0.03
1986	1.38	0.00	15,180,718	1.30	(0.03)	0.04

Source: Index Mundi Publications on www.indexmundi.com and Author's computations

Further, the values and growth rates of some other key economic indices of the country are determined and computed, as presented in Table 1.4 below, in order to aid the analyses and interpretation of the results.

Table 1.4: Uganda – Other Economic Data and Growth Rates

Year	Population	Population Growth Rate	Inflation Rate	Changes in Inflation Rate	Exchange Rate (UGX=USD1.00)	Exchange Rate Changes
1961	7,006,629		2.0		0.07	
1962	7,240,155	0.03	(6.0)	(4.00)	0.07	-
1963	7,487,412	0.03	7.0	(2.17)	0.07	-
1964	7,746,181	0.03	9.0	0.29	0.07	-
1965	8,014,376	0.03	17.0	0.89	0.07	-
1966	8,292,751	0.03	(11.0)	(1.65)	0.07	-
1967	8,580,647	0.03	5.0	(1.45)	0.07	-
1968	8,872,890	0.03	15.0	2.00	0.07	-
1969	9,162,794	0.03	3.0	(0.80)	0.07	-
1970	9,446,024	0.03	2.0	(0.33)	0.07	-
1971	9,720,388	0.03	4.0	1.00	0.07	-
1972	9,988,441	0.03	8.0	1.00	0.07	-
1973	10,256,553	0.03	24.0	2.00	0.07	-
1974	10,533,820	0.03	57.0	1.38	0.07	-
1975	10,827,098	0.03	20.0	(0.65)	0.07	-
1976	11,139,629	0.03	46.0	1.30	0.08	0.14
1977	11,470,631	0.03	89.0	0.93	0.08	-
1978	11,818,138	0.03	36.0	(0.60)	0.08	-
1979	12,178,511	0.03	216.0	5.00	0.07	(0.13)
1980	12,549,780	0.03	150.0	(0.31)	0.07	-
1981	12,930,712	0.03	74.0	(0.51)	0.50	6.14
1982	13,324,388	0.03	40.0	(0.46)	0.94	0.88
1983	13,738,118	0.03	22.0	(0.45)	1.54	0.64

1984	14,181,633	0.03	36.0	0.64	3.60	1.34
1985	14,661,479	0.03	95.0	1.64	6.72	0.87
1986	15,180,718	0.04	96.0	0.01	14.00	1.08

Sources: Compilation from various Uganda's Ministry of Finance, Planning and Economic Development (MFPED), Uganda Bureau of Statistics (UBOS), Bank of Uganda

(BoU) and Index Mundi publications, and Author's computations there from

The Trend Analysis in Uganda's Economic Growth

The level of economic growth in Uganda over the research period are analyzed through the country's economic growth data and rates. This is done with respect to the growth rates in the real Gross Domestic Product and the real Gross Domestic Product per capita. The data are converted into time series and plotted in graphs to aid observation and interpretation of the trends. The movements in Uganda's economic growth along the span of research, as well as the levels at the beginning and end of the period are thus evaluated. The summary of the statistics used in the trend analyses is presented in Table 1.5 below.

Table 1.5: Summary of Uganda's Economic Growth Statistics

Nos.	Economic Growth Measures	1962 Figures	1986 Figures	Highest Figures	Lowest Figures	Average Figures
1.	Real GDP Growth Rate	0.01	0.00	0.46	-0.12	0.04
2.	Real GDP Per Capita Growth Rate	-0.02	-0.03	0.41	-0.14	0.01

The Growth Rate in the Real Gross Domestic Product

The time series chart showing the growth rate of real Gross Domestic Product (Real GDP) in Uganda for the period of the research (1962 – 1986) is as shown in the figure below.

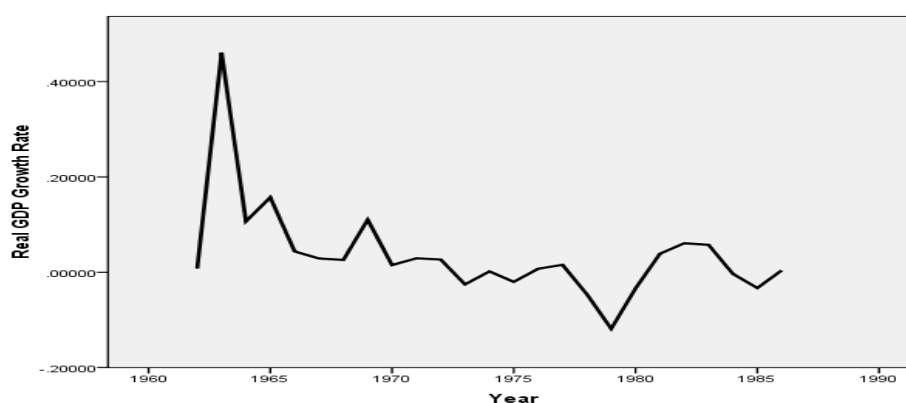


Figure 1.1: The Trend of the Growth Rate in Uganda's Real Gross Domestic Product between 1962 and 1986

Figure 1.1 and Table 1.3 above indicate that the growth rate in Uganda's Real GDP was 0.01 in 1962 and 0.00 in 1986. Also, over the 25-year period of the research (1962-1986), the growth rate was highest in 1963 (0.46) and lowest in 1979 (-0.12). The average growth rate of 0.04 in the Real GDP over the period indicates that the Ugandan economy in real terms grew by 4% annually, on the average during the period. Negative Real GDP growth figures indicate that for those

years (1973, 1975, 1978-1980, and 1984-1985), the Ugandan economy contracted in real terms, while positive Real GDP growth figures show that the economy expanded for those years (the rest of the period).

The general trend, as seen from the figure above, is a spike in the growth of the real GDP in 1963, followed generally by a decline up to 1979, subsequently by a generally upward movement up to 1983, and then a downward movement for the rest of the period. While it is difficult to rationalize the 1963 spike, there are worries that the sharp decline witnessed in 1966 could have been caused by improper adjustments for the effects of the currency exchange of that year (from East African Shillings to Uganda Shillings) on the source data sets. These concerns appear real given the measure of moderation in the decline that was recorded in the growth of the country's Real GDP immediately after 1966. The general decline in Real GDP growth recorded subsequently, up to 1979 (-12%), is the result of the political crisis in the country which worsened in 1969. Thus, in general, the Real GDP growth rate shows a downward, but undulated movement with even some years of negative growths, which mostly coincide with the periods of intense political crises in Uganda.

The Growth Rate in the Real Gross Domestic Product Per Capita

The time series chart showing the growth rate in the real Gross Domestic Product per capita (Real GDP per capita) in Uganda for the period of the study (1962 – 1986) is as shown in the figure below.

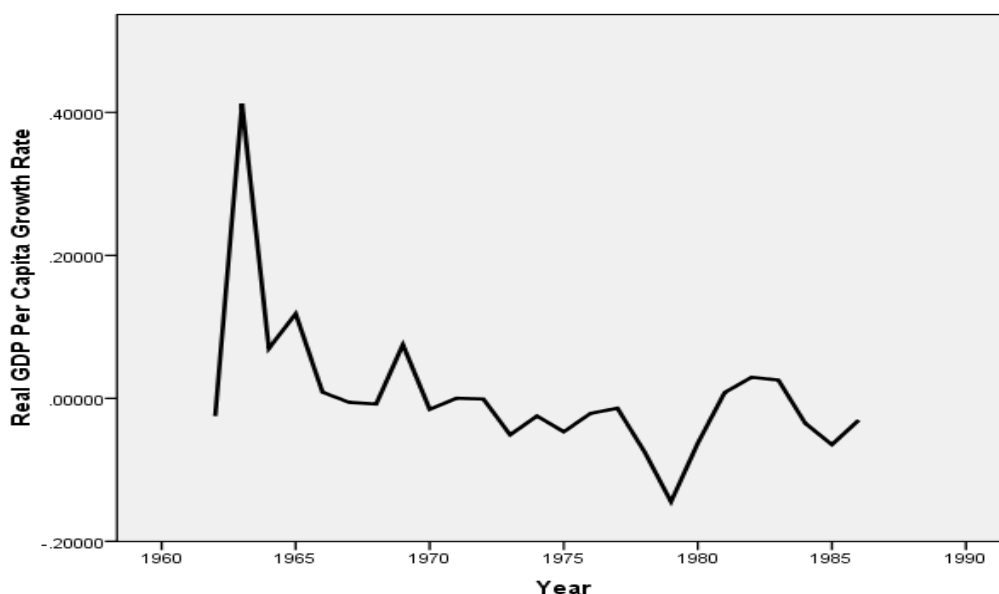


Figure 1.2: The Trend of the Growth Rate in Uganda's Real Gross Domestic Product Per Capita between 1962 and 1986

As seen from Figure 1.2 and Table 1.3 above, the growth rate in Uganda's Real GDP per capita was -0.02 in 1962 and -0.03 in 1986. Also, over the 25-year period of the research (1962-1986), the growth rate was highest in 1963 (0.41) and lowest in 1979 (-0.14). The average growth rate of 0.01 in the Real GDP per capita over the period indicates theoretically that the welfare of the each Ugandan resident improved in real terms by 1% annually, during the research period. There were negative Real GDP per capita growth rates for 16 out of the 25 years, while the rest of the research period witnessed positive growth rates.

Three trends could be discerned from the movements in the growth rate of Uganda's real GDP per capita between

1962 and 1986. These are the spike and the dip of 1963-1964, the mostly positive growth rates up to 1966, and the mostly negative growth rates from 1967 to 1986. As could be observed from Figures 1.1 and 1.2 and Table 1.3 above, there are very close similarities in the trends of Uganda's growth rates in real Gross Domestic Product (Real GDP) and real Gross Domestic Product per capita (Real GDP per capita) over the research period. As is the case with the Real GDP growth rate, it is difficult to rationalize the spike in Uganda's Real GDP per capita growth rate in 1963, while there are worries that the sharp decline in 1966 could have been caused by improper adjustments for the effects of the currency exchange of that year (from East African Shillings to Uganda Shillings) on the source data sets. For the next 20 years (1967 to 1986), the Ugandan economy witnessed mainly negative growth rates in its Real GDP per capita; with 15 years recording negative growth rates, and only 5 years posting positive growth figures. The negative growth rates in the Real GDP per capita are expected as the growth rates in the Real GDP were less than the 3% average annual growth rate in the country's population during the period.

In summary, the level of economic growth in Uganda could be measured by the performance of the two economic growth rates; and these are as follows for 1962 and 1986 respectively: the growth rate of the Real GDP (0.01 and 0.00), and the growth rate of Real GDP per capita (-0.02 and -0.03). These suggest that the level of economic growth in Uganda was worse at the end than at the beginning of the period of research (1986 and 1962). However, the positive average growth figures (0.04 and 0.01) indicate a marginal improvement in the level of economic growth as well as a measure of stability in the growth of Ugandan economy over the period.

FINDINGS

The evaluation of the level of economic growth in Uganda during its period of economic regulation, spanning between 1962 and 1986, has yielded a number of findings as discussed hereunder.

First, and as seen from the above presentation, economic growth in Uganda, measured by the growth rate in Real GDP, was 1% in 1962, 0% in 1986, and averaged 4% over the research period (1962 to 1986). Though the level of growth recorded in Real GDP at the end of the research period in 1986 (0.00) was less than the level at the beginning in 1962 (0.01), the average growth rate of 0.04 reflects an improvement in the economy. Thus, the study discovers that there was an improvement in the level of economic growth in Uganda (as measured by the growth rate in Real GDP) across the period of research (1962-1986).

Second, the level of economic growth in Uganda, measured by the growth rate in Real GDP per capita, was -2% in 1962, -3% in 1986, and averaged 1% over the research period. Once more, though the level of growth recorded in Real GDP per capita at the end of the research period in 1986 (-0.03) was worse than the performance at the beginning in 1962 (-0.02), the average growth rate of 1% reflects a marginal improvement in the economy. Thus, the study discovers that there was a marginal improvement in the level of economic growth in Uganda (as measured by the growth rate in Real GDP per capita) across the period of research (1962-1986).

Third, there appears to be a striking semblance in the trends of the growth rate in Real GDP and the growth rate in Real GDP per capita in Uganda over the research period. Subject to further analysis, this is an indication of the closeness between the Real GDP growth rate and the growth rate of Ugandan population. This possibly justifies the use by some researchers of either the growth rate in Real GDP or the growth rate in Real GDP per capita (rather than both measures) as the proxy for economic growth in the country. However, this attribute could be peculiar to Uganda.

Fourth, the high and rising rate of inflation in Uganda, which crossed the 200% per annum mark in the late 1970s, seriously constrained its economic growth. As could be seen from Table 1.3 above, while the growth rates in nominal GDP and nominal GDP per capita were almost all positive during the period, the real GDP and real GDP per capita respectively recorded seven and sixteen negative annual growth rates during the 25-year period. Further, the nominal GDP and nominal GDP per capita, on the average, recorded annual growth rates of 37% and 32%, while their respective annual real growth rates were 4% and 1%. The implication of these is that the growth in Ugandan economy (measured by either or both the growth rates in real GDP and real GDP per capita) could have been far greater had the country recorded far lower inflationary rates during the period.

Finally, the political crises in Uganda obviously constrained its economic growth. While the country recorded almost all positive growth rates before the escalation of the crises in the early 1970s, almost all the negative growth figures were posted during its period of crises. This clearly shows the negative impacts of the political crises on the country's economic growth, and leaves to imagination the impressive economic picture the country could have presented had it enjoyed peace during the period.

RECOMMENDATIONS

In the light of the findings from the study, a number of recommendations are made towards improving the level of economic growth in Uganda. These recommendations are discussed hereunder.

Removal of Excess Liquidity in the Economy – To Control Inflation

In order to achieve a higher level of growth, Uganda needs to control its rate of inflation. Lower inflationary rates would bring closer the nominal and real measures of the country's economic growth (growth rates in GDP and GDP per capita), and engender higher growth figures. Since the high inflation during the research period could have resulted from the expansionary monetary and fiscal policies of the government over time, both policies should be tightened with a view to controlling or reducing the quantity of money in circulation in the economy, and consequently taming the inflationary pressure in the country. These should involve the use of taxation, open market operations, and other policy instruments that would suck-up the excess liquidity out of the economy.

Control of Population Growth – To Improve the Country's GDP Per Capita

There is the need to control Uganda's rapid population growth if the country is to accelerate its economic growth, in order to attain the desired status of a middle income country in the nearest future. As already seen, population figures are key in the determination of a country's Gross Domestic Product per capita (GDP per capita); one of the measures of economic growth of any country. The population of Uganda has been growing at between 3% and 4% per annum; with the high growth rate placing severe pressure on economic and other resources of the country. As reported by the Policy Review Newsletter in its January-February 2010 issue, the Donor Group in Uganda, through the then World Bank Country Manager in Uganda, Ms Kundhavi Kadiresan, on February 25th-28th 2010, at the Government's Policy Focus by Local Development Partners Group in Uganda, counsels that for Uganda to grow into a middle income country like Thailand or Malaysia in the next fifteen years, it needs higher economic growth (of close to 10% per annum) and lower population growth. The Group observes that Thailand had the same GDP per capita as Uganda in 1963, but became a middle income country eighteen years later; Indonesia had the same GDP per capita as Uganda in 1978, but became a middle income country seventeen years later; and Malaysia grew 1.35% in per capita terms over twenty years from 1960 to acquire the

new status. These three examples clearly illustrate the close relationship (even if not causation) between population growth rate and per capita income. It is instructive that during the periods of dramatically rising per capita incomes in these three countries, their fertility rates fell by between 40% and 50%. Thus, Uganda would not record impressive per capita growth over time if it continues to have a high population growth rate. The Government should, therefore, emplace population control measures if the country's hopes of attaining the status of a middle income country in the nearest future is to be achieved. Such population control measures should include massive public enlightenment on population issues and expanded universal education (which delayed child-bearing, especially in females), amongst others.

Political Stability - Maintaining the Stability of Ugandan Polity to Avoid a Relapse to Political Crises which Constrain Economic Growth

Finally, there is the need to maintain and improve on the stability of Ugandan polity if the country is to hasten its drive towards economic development. The negative impacts of the political crises of the 1970s and 1980s on the Ugandan economy are too glaring from the study. Economic growth (measured by the growth rates in Real GDP and Real GDP per capita) was constrained, and only improved marginally, sometimes recording negative growth figures. As observed by Ochieng (1997), Ugandan real per capita income at the end of the crises in 1986 had gone below the 1970 level. Thus, the Government should emplace measures that would prevent a relapse to the acrimonious politicking that led the country into the political crises of the 1970s and 1980s, if the country is to quicken its economic growth pace. Specifically, the Government should ensure that its political opponents are not unduly harassed, that the freedom of the press is unfettered, and that a level-playing field is provided for the conduct of free and fair elections in the country.

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