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The political economy of growth in Morocco

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Abstract

This paper is an attempt to explain the relatively low performance of the Moroccan economy during the last four decades using a political economy approach. In that period, the Moroccan society benefited from sophisticated institutions that facilitated policy coordination and commitment. But, the existing institutions hampered the participation of large segments of the population and political parties representing them in the policymaking process. Also, the centralization of administration hindered local initiatives. However, numerous and significant structural reforms have been undertaken in the 1980s and 1990s and in recent years a strategy has been adopted that combines continued economic liberalization, increased democratization, and efforts to reduce poverty and promote human development. These changes have started to bear fruit in the past few years.

JEL classification: O17; O53; P16

Keywords: Morocco; Political economy; Growth; Economic policies; Institutions

1. Introduction

The Moroccan economy is often described as an economy with high potential and low performance. The growth rates and overall performance have been very low since independence both in absolute terms and when compared to other developing countries. The real GDP growth and the per capita GDP growth rates at 3.33 and 2.05, respectively, were well below the average of other developing countries during the 1970–2004 period Table 1.

Various attempts have been made to explain Morocco's weak performance despite major reforms. The World Bank (2006) identifies seven obstacles to growth: rigidities of the labor market,

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Table 1
GDP growth rates between 1971 and 2004

	GDP growth in real terms		Per capita GDP growth in real terms	
	Morocco	Developing countries	Morocco	Developing countries
1971–1982	3.81	4.47	1.75	**2.58**
1982–1991	4.75	4.74	2.09	**2.58**
1991–1998	4.32	3.75	2.16	**1.80**
1998–2004	2.11	4.20	0.42	**2.51**
1971–2004	3.33	5.35	2.05	3.84

Source: World Bank Report No. 32948-MOR.

importance of the tax burden, the exchange rate regime, the level of protectionism, the weakness in information, coordination of the private and public sectors and the training of employees. Sekkat (2004) finds that population growth; weather conditions and mismanagement of economic policy had a negative impact on growth over the 1960–1998 period. Chemingui (2005) argues that institutions have strong impact on the growth level and volatility and on productivity performance. Gray (1997), who observes that GDP per capita and overall economic conditions were not significantly different between Morocco and some East Asian countries in the 1960s, argues that Morocco's slower growth is in part due to a lack of competition in some major industries due to rent seeking activities.

In this paper, we attempt examine the reasons why the Moroccan institutions were unable to foster incentives for economic agents to invest and improve productivity since the 1960s. The paper attempts to provide elements of response based on the political economy of growth. It is inspired by the leading work of Dr. Heba Handoussa[1] on the political economy of Arab countries. The methodology used is the one developed in the GDN framework papers by Esfahani (2006), Castanheira and Esfahani (2003) and Bates and Devarajan (2001).

The political economy approach developed in Castanheira and Esfahani (2003) is based on the idea that "suboptimal growth outcomes are the result of contracting problems among players in the economy". In effect good institutions lead to the adoption of growth enhancing policies and allow their sustainability. Socio economic groups interact and contract over existing resources. Contracting problems may arise due to weaknesses in the representation, commitment, or coordination capabilities of policymakers. Severity of such problems is related to the institutions that structure interactions among individuals and groups.

Four groups of agents are identified as the main political actors in the Moroccan context: The King, the political parties, the administration, and the civil society. The Moroccan society benefits from sophisticated institutions which have specific mechanisms allowing reasonable coordination and commitment, but inadequate representation. Commitment for general orientations and for opening up the economy was insured in the 1980s by the fact that the late King Hassan II backed the reforms and offered his support as an umbrella to the technocrats. It was also made possible by the translation of some major reforms into constitutional clauses, laws and international agreements. Thus the risk of policy reversal and time inconsistency was low. Coordination of policies was also insured by the use of development plans and by the establishment, prior

[1] During the last two decades Dr Handoussa centered her extensive research on the important link between policy-making, reform and economic performance in Egypt. She used institutional analysis to explain the process of economic development.