Post-Independence African Economics

Notes from class lecture

**1. The Debt Crisis**

* In the first decades following decolonization, first world and multilateral creditors such as the World Bank and International Monetary Fund lent massively to African governments. Money was frequently directed towards massive infrastructure projects such as dams and highways. Additional funds focused on large, top-down agricultural development schemes that subsidized production of exports.
* In the 1980s the net transfer of money reversed, with more money flowing out of Africa than into it. See diagram below

►Money owed by developing countries:

1971: 100 billion➔1981: 600 billion➔1998: 2 trillion

►Many countries had to spend more on debt service than on social services.

Example of Zambia: from 1990-1993, the government spent 34 times as much on debt service as it did on education

►Many countries had to permit environmentally destructive resource extraction to finance their debt



**2.** **Free-market policies/Neoliberal reform/Structural Adjustment**

In the mid-1980s the World Bank and IMF began to demand that African nations switch to free-market policies known as structural adjustment programs (SAPs). These involved:

a) Reducing public spending (education, healthcare, food subsidies)

b) Devaluing national currencies (this inflated the price of imports while reducing the price of exports to encourage global trade); causes the price of food imports and other commodities to rise

b) Privatizing public enterprises (electricity, water, agricultural agencies, etc. were removed from state control and bought up by private corporations)

c) Reducing wages to attract industrialists

d) Reducing the number of civil servants and government employees

\*In the late 1980s, UNICEF and the UN commission for Africa reported that adjustment programs were largely the cause of reduced health, nutritional and educational levels for tens of millions of children in Asia, Latin America, and Africa.

In Zambia, structural adjustment reforms of the 1980s and early 1990s included massive cuts to health and education budgets, the introduction of user fees for many basic health services and for primary education, and the cutting of crucial programs such as child immunization initiatives.

\*\*Throughout the 1980s and 1990s, development aid to Africa plummeted to all-time lows. NGOs proliferated in an attempt to fill the void.

**3. Rise of transnational corporations (TNCs)**

* A TNC is a [corporation](http://en.wikipedia.org/wiki/Corporation) that manages [production](http://en.wikipedia.org/wiki/Production) or delivers [services](http://en.wikipedia.org/wiki/Service) in more than one country.
* Of the world’s 100 largest economic systems, 47 are TNCs
* TNCs have taken on greater importance in the global economy over the past several decades and their importance has been coterminous with neoliberal reform in the developing world



**4. A Return to Developmentalism**

Since the beginning of the new millennium, there has been a renewed effort on the part of activists and world leaders to pump massive aid dollars into Africa through big government-coordinated programs.

* Leaders like George Bush and Tony Blair continue to push a “market model” but have promised huge sums of money to Africa.

►For example, in President George Bush’s 2003 State of the Union address he promised to spend $15 billion fighting AIDS in African and the Caribbean

►In 2005, U.S. spending on aid reached its highest level since 1986 (but was still only 0.22% of national income)

* Bono, Bob Geldoff, Bill Gates and others have led efforts to publicize Africa’s human development crisis and raise/donate money to the continent
* Jeffrey Sachs’s book *The End of Poverty* (2005) argued that most of Africa’s problems were practical matters (pertaining to health and agricultural productivity) for which there are technological solutions that simply need to be funded.
* The U.N.’s Millennium Development goals for 2015 call for dramatic reductions in poverty, child mortality, illiteracy, environmental degradation, AIDS, tuberculosis, malaria, unsafe drinking water, and discrimination against women.
* G-8 leaders have agreed on a plan to cancel billions of dollars worth of debt
* OECD nations have agreed to increase development aid from 0.4% of the national income to 0.7% (but keep this in perspective—see the graphs below on overseas development assistance, and note that money devoted to military expenditures by the U.S. alone is twenty times the total aid provided by the OECD countries)



