

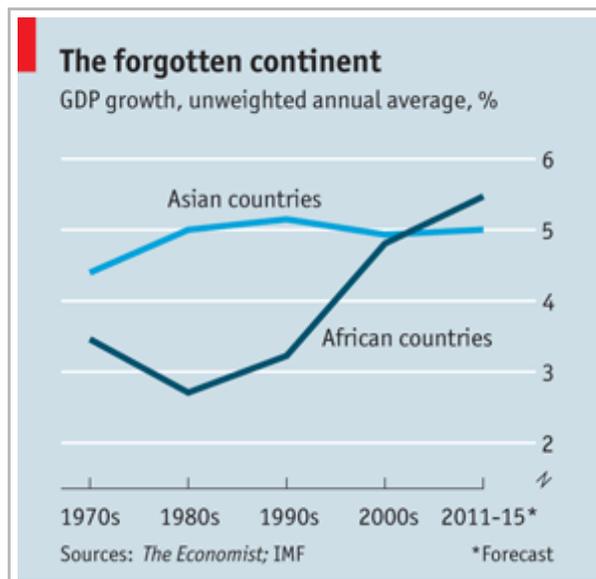
Go south, young man

World's ten fastest-growing economies*
Annual average GDP growth, %

2001-2010†		2011-2015‡	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

*Excluding countries with less than 10m population and Iraq and Afghanistan
Sources: *The Economist*; IMF †2010 estimate ‡IMF forecast

It is clear that the lower the starting point the easier it is to show large growth, but nevertheless such a performance would not have been possible unless political, social and business conditions had improved dramatically. Growth for the continent as a whole is compared with Asia.



This GDP growth is expected to be long-term. One estimate expects the next 20 years to provide an annual average of 7%.

Edward Miguel has an article in *Foreign Affairs*, [Africa Unleashed](#),

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where he delves into some of the factors that have fueled this growth.

"...Africa's prospects have changed radically over the past decade or so. Across the continent, economic growth rates (in per capita terms) have been positive since the late 1990s. And it is not just the economy that has seen rapid improvement: in the 1990s, the majority of African countries held multiparty elections for the first time since the heady postindependence 1960s, and the extent of civic and media freedom on the continent today is unprecedented....the steady progress that most African countries have experienced has come as welcome news after decades of despair."

There are a number of factors that have contributed to this turnaround, and all seem to have their roots in improved governance resulting from the spread of truly representative legislatures and leaders. Steven Radelet has written a book: *Emerging Africa*. Miguel quotes him in explaining the main driver of progress.

"Radelet's answer is democratization. The relationship between democracy and economic growth in Africa, he writes, "'is crystal clear: democratic governments . . . have been successful, while authoritarian governments have by and large been failures.' He goes on to note that 13 of the 17 countries he singles out as emerging success stories have made the transition to more or less full-fledged democracies since the 1990s, whereas the pace of democratic reform has been far slower in both oil-producing countries and economic 'laggards'."

The dynamic that seems to take root is that politicians who feel accountable to a voting public will behave better and be more effective leaders. Citizens who feel that their vote matters, and that politicians are accountable to them, will become better citizens. Well-educated people will begin to see careers in public service as rewarding. Educated ex-patriots will begin to consider returning home to start businesses.

One of the clear social benefits of a healthier political environment is an increased emphasis on education. A better-educated populace is both a result of, and a prerequisite for, increased social and political stability.

"More 'human capital,' in economics jargon, directly boosts labor productivity, but it can also benefit society in many other ways. It appears to go a long way in explaining why some African democracies were able to survive (and sometimes thrive) in the 1990s: unlike in

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the 1960s, education was widespread. The rapid expansion of schooling in Africa -- a remarkable social improvement that took place during the otherwise lost decades of the 1970s and 1980s -- helped lay the foundation for political reform, which then enabled the economic policy changes that have since contributed to faster economic growth. Whereas at the time of independence, few Africans had had any formal education, today the vast majority of them have attended some school. Kenya illustrates the broader trend: adult literacy rates there have risen from a mere 32 percent in 1970 to nearly 90 percent today."

An article in *The Economist* looks in more detail at the economic issues: [The sun shines bright](#). It begins with this intriguing factoid: Oprah Winfrey is no longer the richest black person in the world.

"That honour now goes to Aliko Dangote, the Nigerian cement king. Critics grumble that he is too close to the country's soiled political class. Nonetheless his \$10 billion fortune is money earned, not expropriated. The Dangote Group started as a small trading outfit in 1977. It has become a pan-African conglomerate with interests in sugar and logistics, as well as construction, and it is a real business, not a kleptocratic sham."

Ethiopia seems, unnoticed, to have become a viable nation.

"Ethiopia will grow by 7.5% this year, without a drop of oil to export. Once a byword for famine, it is now the world's tenth-largest producer of livestock. Nor is its wealth monopolised by a well-connected clique. Embezzlement is still common but income distribution has improved in the past decade."

Africa is observed to be developing a "middle class."

"Severe income disparities persist through much of the continent; but a genuine middle class is emerging. According to Standard Bank, which operates throughout Africa, 60m African households have annual incomes greater than \$3,000 at market exchange rates. By 2015, that number is expected to reach 100m—almost the same as in India now."

Africa is rich in natural resources and in the past its wealth has been driven to a great extent by the boom and bust cycles of commodity prices. While there are still countries that are heavily dependent on

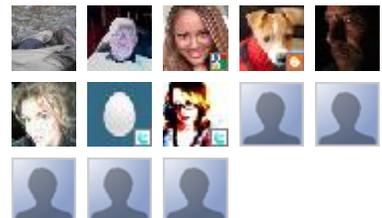
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the commodity markets, others, lacking such resources, have shown stronger growth.

"Overall, though, only about a third of Africa's recent growth is due to commodities. West and southern Africa are the chief beneficiaries. Equatorial Guinea gets most of its revenues from oil; Zambia gets half its GDP from copper. When commodity prices soften or tumble such countries will undoubtedly suffer. But it is east Africa, with little oil and only a sprinkling of minerals, that boasts the fastest-expanding regional economy on the continent, and there are outposts of similar non-resource-based growth elsewhere, such as Burkina Faso."

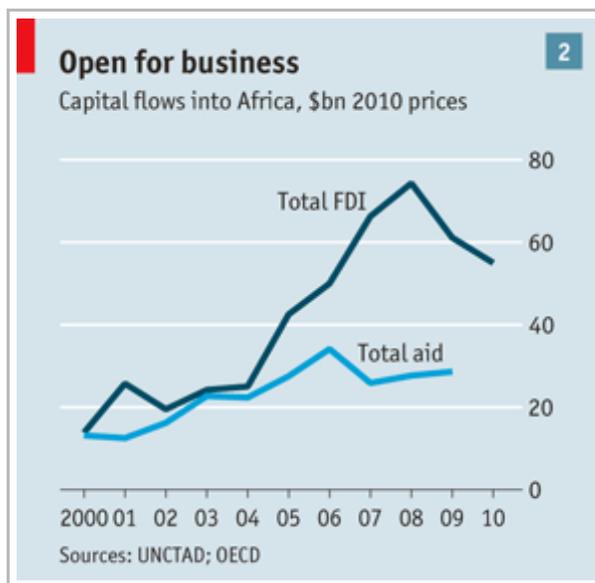
Even the commodity-driven economies have become less susceptible to market fluctuations as the customer base has expanded.

"Africa's commodities now have a wider range of buyers. A generation ago Brazil, Russia, India and China accounted for just 1% of African trade. Today they make up 20%, and by 2030 the rate is expected to be 50%. If China and India continue to grow Africa probably will too."

One of the past hindrances to economic advancement had been the inability, or unwillingness, to cooperate with other African nations on issues such as trade.

"Trade barriers have been reduced, at least a bit, and despite the dearth of good roads, regional trade—long an African weakness—is picking up. By some measures, intra-African trade has gone from 6% to 13% of the total volume....Blocks of African economies have taken steps towards integration. The East African Community, which launched a common market in 2010, is doing well; the Economic Community of West African States less so. The Southern African Development Community has made the movement of goods and people across borders much easier. That said, barriers remain, and the economy suffers as a result."

Modern economies require capital to invest. Africa has become more of an attraction to financial markets. As the graph below indicates, foreign direct investment (FDI) now greatly exceeds aid contributions.



"As in Asia a generation ago, relatively small increases in capital can produce large productivity gains. When, after decades of capital starvation, outside investors started to take that disproportionate return seriously, they helped Asia blossom. Now some of those investors are eyeing Africa. In financial centres such as London barely a week goes by without an Africa investor conference. Private-equity firms that a decade ago barely knew sub-Saharan Africa existed raised \$1.5 billion for projects on the continent last year. In 2010 total foreign direct investment was more than \$55 billion—five times what it was a decade earlier, and much more than Africa receives in aid."

There are a number of issues that could hinder this economic progress. Demographic experts expect sub-Saharan African population to increase greatly in coming years. Feeding this growing population will take effort. While Africa is a net importer of food, it has a significant amount of arable land it can turn to if it chooses. The level of education must also continue to increase if the nations are to compete in the modern marketplace.

"A growing population and a bulge of working-age citizens proved a blessing in Asia. But population growth always has its costs. All those extra people must be fed, educated and given opportunities. If illiberal policies obstruct growth and discourage firms from hiring, Africa's extra millions may soon be jobless and disgruntled. Some may even take up arms—a sure recipe for disaster, both human and economic."

Let us wish the African nations well. They have been long overdue for better times and better lives.

Posted by [Rich](#) at [6:08 PM](#)



3 comments:



Anonymous [December 21, 2011 at 12:32 PM](#)

I am sorry what means short form "60m African households" ? What is that 60m?

Thanks for help!

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Anonymous [December 21, 2011 at 12:37 PM](#)

60m is shorthand for 60 million.

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Anonymous [January 23, 2012 at 4:32 PM](#)

Insightful piece! Well done!

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