**The Economics of Africa**

**Economics 3559**

**Spring 2017**

**Wednesdays, 3:30 – 6:00 p.m.**

**Monroe 116**

**Instructor**

Mark W. Plant

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Office Hours – Wednesdays 1:30 p.m. to 3 p.m. in Monroe 219 or by appointment

**Overview of the course** -- Students will examine the economic problems confronting the countries of sub-Saharan Africa and become familiar with economic tools used to analyze developing economies. After briefly surveying the history, geography and demographics of Africa, the course will provide students with a framework for analyzing macroeconomic problems. We will then consider the panoply of problems confronting the continent, sector by sector – growth, fiscal discipline and debt dynamics, balance of payments and monetary policy – underscoring the linkages among policy problems as well as the similarities and differences between countries. In doing so we will examine key impediments and facilitators to accelerated growth and poverty reduction.

**Prerequisites** -- Principles of Microeconomics and Macroeconomics (ECON 2010 and ECON 2020) are prerequisites for the course. Intermediate Microeconomics and Macroeconomics (ECON 3010 and ECON 3020) would be helpful. The course will cover concepts from international trade, development economics, labor, and public finance, but no prior knowledge of these areas will be essential. There will be some quantitative analysis presented and used in class; calculus is not necessary.

**Structure of the course** – The course will meet once a week for 2.5 hours (including a 15-minute break) and will be a combination of lecture and discussion, with active participation encouraged and rewarded.

**Class Requirements and Grade Determination** There will be one midterm exam (30 percent), a final exam (40 percent) and a short paper required (20 percent) and class participation will be evaluated (10 percent).

**Recommended texts:**

**African Development (AD)** by Todd Moss (2011), Lynne Rienner Publishers, Inc.

**The Bottom Billion (BB)** by Paul Collier (2007), Oxford University Press.

Both books are available for purchase in paperback at the bookstore. While there are references to **The Bottom Billion** on the syllabus, I suggest you read it from beginning to end, rather than chapter by chapter.

Additional readings can be found on the internet, online or on reserve at Clemons Library.

A good reference text on general issues in development economics is **Economics of Development,** by Perkins, Radelet and Lindauer, Norton Press.

**Laptops** are allowed but audio and video recordings of class lectures are not permitted. Please mute **cellphones** and refrain from texting or other internet activity during class.

**The following schedule is tentative and will be updated as we progress through the course. If you miss a class, please check with another classmate or the instructor for the assigned readings for the next class.**

**The midterm exam date is firm – Wednesday, March 1, 2017. No exceptions will be made.**

**Papers are due on April 12, 2017. A separate handout on the paper assignment will be given in late January.**

**Course Plan and Readings**

**January 18 – Introduction to the Course. Why Africa?**

Readings: AD, chapters 1 and 2 (required), chapter 3 (optional)

BB, chapter 1

“Will Africa Ever Change – Africa in Data” Our World in Data Project, <https://africaindata.org/#/title-slide>

Discussion topic: Why are you interested in the course? What do you expect to get out of it? What do you expect from the instructor?

**January 25 – Economic Growth in Africa – solution or illusion?**

Readings: AD, chapter 6

“Africa’s Rise – Interrupted?” by Steven Radelet, **Finance and Development,** June 2016, <http://www.imf.org/external/pubs/ft/fandd/2016/06/radelet.htm>

**Regional Economic Outlook – Sub-Saharan Africa**, International Monetary Fund, October 2016, Chapter 1. <http://www.imf.org/external/pubs/ft/reo/2016/afr/eng/sreo1016.htm>

**Africa – Why Economists Get It Wrong,** by Morten Jerven, 2015, Zed Books, London, chapter 1

Discussion topic: Will African growth rebound in the years ahead? What will be the critical factors? Can African governments contribute or are they helpless to external factors?

**February 1 – The Washington Consensus – stabilization and then what?**

Readings: AD, chapter 7

“Africa and the Washington Consensus, Finding the Right Path” by Trevor A. Manuel, **Finance and Development,** September 2003,

<http://www.imf.org/external/pubs/ft/fandd/2003/09/pdf/manuel.pdf>

“A Short History of the Washington Consensus” by John Williamson, Petersen Institute for International Economics, 2004, <https://piie.com/publications/papers/williamson0904-2.pdf>

“The Washington Consensus” by Jason Symoniak, **New Voices in Public Policy, volume V, 2010/11,** George Mason University

<http://journals.gmu.edu/newvoices/article/viewFile/14/14>

Discussion topic: What is macroeconomic stability? Why might it be controversial? Is there any consensus around the Washington consensus?

**February 8 – Fiscal policy – balances, spending and taxes**

## Readings: “Fiscal Policy: Taking and Giving Away” by Mark Horton and Asmaa El-Ganainy, **Finance and Development,** <http://www.imf.org/external/pubs/ft/fandd/basics/fiscpol.htm>

“Fiscal Policy in Africa” by Willi Leibfritz in **The Oxford Handbook of Africa and Economics, Volume II, pp. 171-185,** Oxford University Press, 2015.

## “What Ails South Africa” by Abebe Aemro Selassie, **Finance and Development**

## <http://www.imf.org/external/pubs/ft/fandd/2011/12/selassie.htm>

“How Fiscal Policies in Africa Can Respond to The Global Financial Crisis,” by John Weeks, The Centre for Development Policy and Research, University of London, September 2009, <https://www.soas.ac.uk/cdpr/publications/dv/file53747.pdf>

Discussion topic: Why is fiscal policy often pro-cyclical in Africa? What can be done to make it counter-cyclical? What should be done now in oil importing countries? Exporting countries?

**February 15 – Monetary policy – financing and inflation**

## Readings: “Monetary Policy: Stabilizing Prices and Output” by Koshy Mathai, Finance and Development, <http://www.imf.org/external/pubs/ft/fandd/basics/monpol.htm>

“Why Monetary Policy Is Irrelevant in Africa South of the Sahara” by John Weeks, Centre for Development Policy and Research, SOAS. <https://www.soas.ac.uk/cdpr/publications/dv/file59766.pdf>

“The Challenge of Central Banking in Africa” by Benno Ndulu and Joseph Leina Maswe in **The Oxford Handbook of Africa and Economics, Volume II, pp. 156-170,** Oxford University Press, 2015.

Discussion topics: What should the objective of monetary policy be in African countries? Is monetary policy like pushing on a string?

**February 22 – Exchange rates – structures and limits**

Readings: “Choosing an Exchange Rate Regime” by Atish Ghosh and Jonathan Ostry in **Finance and Development,** December 2009, <http://www.imf.org/external/pubs/ft/fandd/2009/12/pdf/ghosh.pdf>

“Exchange Rate Regimes in Sub-Saharan Africa: Experiences and Lessons,” in **Regional Economic Outlook: Sub-Saharan Africa,** October 2016, <http://www.imf.org/external/pubs/ft/reo/2016/afr/eng/pdf/chapter2_1016.pdf>

“The CFA Franc Zone – A Biography” by Jean-Claude Tchatchaouang in in **The Oxford Handbook of Africa and Economics, Volume II, pp. 114-29,** Oxford University Press, 2015.

Discussion topics: In the current context of rapidly changing oil prices, when should African countries allow their currencies to fully float? What are the challenges to maintaining the parity of the CFA franc in both zones in such an environment?

**March 1 – Midterm exam (90 minutes). Optional discussion forum at a venue to be determined, hosted by the instructor.**

**March 8 – Spring Break**

**March 15 – Poverty – diagnosis and challenges**

Readings: AD, chapter 10

BB, chapters 2-6

Overview Chapter in **Poverty in a Rising Africa,** by Kathleen Beegle, et. al., The World Bank Group, March 2016.

“Poverty: Shifting Fortunes and New Perspectives” by Abebe Shimeles, **The Oxford Handbook of Africa and Economics, Volume I, pp. 175-196,** Oxford University Press, 2015.

Discussion topics: Is Africa in a poverty trap? Can it escape?

**March 22 – Aid – assistance or another trap?**

Readings: AD, chapter 8

BB, chapter 7

“Aid Statistics at a Glance – Aid to Africa” OECD,

[https://www.oecd.org/dac/stats/documentupload/2%20Africa%20- %20Development%20Aid%20at%20a%20Glance%202015.pdf](https://www.oecd.org/dac/stats/documentupload/2%20Africa%20-%20%20Development%20Aid%20at%20a%20Glance%202015.pdf)

“Aid for Africa? No thanks.” TED talk by Andrew Mwenda, <https://www.ted.com/talks/andrew_mwenda_takes_a_new_look_at_africa>

# “10 Essential Facts About Chinese Aid in Africa” by Brad Park in **The National Interest,** November 30, 2015. <http://nationalinterest.org/feature/10-essential-facts-about-chinese-aid-africa-14456>

Discussion topic – What, if anything, can make aid effective?

**March 29 – The Bretton Woods Institutions and Africa**

Readings: “The IMF at a Glance” on the IMF website, <http://www.imf.org/en/About/Factsheets/IMF-at-a-Glance>

“IMF Support for Low-Income Countries” on the IMF website

<http://www.imf.org/en/About/Factsheets/IMF-Support-for-Low-Income-Countries>

“What We Do” on the World Bank website,

<http://www.worldbank.org/en/about/what-we-do>

“Overview of World Bank Operations in Africa: Context, Strategy, Results, Partners” on the World Bank website, <http://www.worldbank.org/en/region/afr/overview#1>

“What are the main concerns and criticism about the World Bank and IMF?” The Bretton Woods Project, <http://www.brettonwoodsproject.org/2005/08/art-320869/>

Discussion topic – What role should the World Bank and the IMF play in today’s Africa? Is it different than in the past? Why or why not

**April 5 – Debt accumulation and debt relief**

Readings: AD, chapter 9

## “Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative,” IMF Factsheet, September 2016. <http://www.imf.org/external/np/exr/facts/hipc.htm>

“Debt Cancellation” a review by ONE. <https://www.one.org/international/issues/debt-cancellation/>

# “Big African Debt Burdens, Written Off, Are Back Again,” **Wall Street Journal,** November 17, 2015, <http://www.wsj.com/articles/big-african-debt-burdens-written-off-are-back-again-1447705258>

“Debt sustainability in Sub-Saharan Africa : unraveling country-specific risks” by William G. Battaile, et al., World Bank, December 2015, <http://documents.worldbank.org/curated/en/443061468197407446/Debt-sustainability-in-Sub-Saharan-Africa-unraveling-country-specific-risks>

Discussion topic – Does debt relief enable development or let countries dig themselves deeper into dependence?

**April 12 – Trade and Regionalism**

Readings: AD, chapters 11 and 12

BB, chapter 10

“Unblocking Trade” by[Sanjeev Gupta and Yongzheng Yang](http://www.imf.org/external/pubs/ft/fandd/2006/12/gupta.htm#author), **Finance and Development,** December 2006. <http://www.imf.org/external/pubs/ft/fandd/2006/12/gupta.htm>

“Aid versus Trade,” Ngozi Okonjo-Iweala, TED talk, June 2007, <https://www.ted.com/talks/ngozi_okonjo_iweala_on_aid_versus_trade>

“Inching toward Integration” by Carlos Lopes, in **Finance and Development,** June 2016. <http://www.imf.org/external/pubs/ft/fandd/2016/06/lopes.htm>

Discussion topic – How should African policy makers focus trade promotion efforts – within Africa or with the rest of the world?

**April 19 – Conflict and Governance and Conclusion**

Readings: AD, chapters 4 and 5

BB, chapter 8, 9 and 11

# “The shortest route out of poverty is through better governance” by Zachary Donnenfeld and Ciara Aucoin in **Mail and Guardian Africa,** November 20, 2016. <http://mgafrica.com/article/2016-11-20-00-the-shortest-route-out-of-poverty-is-through-better-governance>

“Development and Conflict” by Paul Collier, October 2004, <http://www.un.org/esa/documents/Development.and.Conflict2.pdf>

Discussion topic – Does conflict resolution have to precede economic development or is it the opposite?

Where is there hope for Africa? What should the economic policy priorities be? How can the rest of the world help? How can you help?