African Crisis

Over the last twenty years the dominant interpretation of the African crisis has traced it to an alleged propensity of the elites and ruling groups of Africa for 'bad policies' and 'poor governance'. The definition of these, as well as the reasons for the alleged African addiction to them, has varied. But the idea that the primary responsibility for the African tragedy lies with African elites and governments has been common to most interpretations. As we shall see, in recent years this idea has been challenged by some authoritative investigations of the determinants of economic performance in Third World countries.

This paper—first presented at the conference on 'The Political Economy of Africa Revisited', Institute for Global Studies, Johns Hopkins University, April 2002—originates from a joint project with John Sal, aimed at evaluating our writings on the political economy of Africa thirty years after their publication. In preparing this version of the paper I greatly benefited from the assistance of Ben

Brewer, Jake Lowinger, Darlene Miller and Cagla Ozgur, and from comments on earlier versions by John Saul, Beverly Silver and José Itzigsohn. The term 'African Tragedy' comes from Colin Leys: 'Confronting the African Tragedy', NLR I/204, March–April 1994, pp. 33–47.

This was done in a series of articles later collected in Essays on the Political Economy of Africa, New York 1973. In that collection, as in this paper, 'Africa' refers to SubSaharan Africa.arrighi: African Crisis

In terms of currency, Africa faced depreciation against US dollar. The currency of South Africa Rand depreciated in its value against US dollar. Education and health is yet another major sector where the influence of crisis has been felt. The education system of Africa was already very orthodox and the crisis took it to another extent. People of Africa became very poor and do not have sufficient funds to support their education. So they remain illiterate. Similarly health system was poorly. The most influential text in launching the standard interpretation was

Its assessment of the causes of the African crisis was highly 'internalist', sharply critical of the policies of African governments for having undermined the process of development by destroying agricultural producers' incentives to increase output and exports. Overvalued national currencies, neglect of peasant agriculture, heavily protected manufacturing industries and excessive state intervention were singled out as the 'bad' policies most responsible for the African crisis. Substantial currency devaluations, dismantling industrial protection, price incentives for agricultural production and exports, and substitution of private for public enterprise—not just in industry but also in the provision of social services—were singled out as the contrasting.

example citing the weaker economy from others. Sudden fall in currency rate, decline in exports, less government revenues leads to less GDP. The economic growth in African countries began to decrease in almost second half of the 2008 with the estimated average growth falling from 7% in 2008 to under 5.5% in 2009. [5] The foremost countries to feel the effect of crisis were South Africa and Nigeria with relatively developed financial markets. Average economic growth in Africa would plunge from 6.5% as projected by IMF. Or we can say that per capita average GDP in Africa was projected to decline by nearly 1% in 2009. Similarly some observers argue that most African.

The diagnoses and prognoses of the Berg Report converged with those of another highly influential text also published in 1981—Robert Bates's Markets and States in Tropical

Africa, which rapidly acquired classic status as an exposition both of the ‘new’ political economy and of the perils of state intervention in underdeveloped countries.

In Bates’s view, state officials in newly independent African countries used the powerful

instruments of economic control that they had inherited from colonial regimes to benefit urban elites and, first and foremost, themselves. By destroying farmers’ incentives to increase agricultural output, these policies undermined the process of development. Bates’s answer to the problem—dismantling state power and leaving the peasantry free to take advantage of market opportunities—was similar to that advocated by the World Bank in the Berg and subsequent reports on Africa.

According to World Bank, the estimated Global remittance level were $305 billion but it was projected a downfall of 5-8% in 2009. Similarly, the same picture was showed by Africa’s remittances level, it was a 4.4% fall in 2009

Shortly after the promulgation of the Plan, and in the midst of a rapidly deteriorating economic situation, the Sahelian drought and famine struck with staggering virulence, peaking in 1983–4. The following year, a new summit of the OAU was convened in Addis Ababa with the specific purpose of preparing a proposal for action on Africa’s economic

and social problems, to be presented to a special session of the General Assembly of the UN. The summit produced a document, Africa’s Priority Programme for Economic Recovery, 1986–1990 (APPER), which emphasized once again the role of external shocks in deepening the crisis and the need for greater self-reliance in order to overcome it. In sharp contrast to the Lagos Plan, however, APPER openly acknow ledged the responsibilities of African governments for the crisis, and the limitations of any actions undertaken by African states on their own. In line with this acknowledgment, it agreed to implement a variety of policy

reforms consistent with the Berg Report and asked the international community to take action to ease the crushing burden of Africa’s external debt, and to stabilize and increase the prices paid for their exports. Nations. The statistics show that the data set 639,000 births to 264,000 women in 30 countries. Infants more likelihood of deaths is a function of fluctuations in

National Income and is proved by some Regression Models. Stock market have shown greater downfall since May 2008. share prices in USA, UK, Japan tumble between 12-19% whereas stock market index in south Africa, Brazil, India and China fell to 23%.

structural-adjustment programmes, with mixed results at best, both the NPE and the World Bank started to revise their neo-utilitarian, state-minimalist prescriptions and to emphasize the role of institutions and 'good governance'.

By 1997, the World Bank had for all practical purposes abandoned a minimalist view of the state. In its World Development Report for that year, earlier concerns with the size of

state apparatuses and the extent of public intervention in the economy were completely overshadowed by the call for effective bureaucracies and activist states in the implementation of structural-adjustment programmes. The new imperatives, however, put even greater responsibility on the shoulders of African elites and governments both for the failure

of their economies to recover and for the social disasters accompanying that failure. Bouts of optimism premised on Africa's greater integration into the world economy, the freeing of markets from governmental control and the wider opportunities for private enterprise—that is, African

compliance with IMF and World Bank prescriptions—were followed in short order by ever more pessimistic assessments of the capabilities of African governments and elites to resolve the long-standing crisis.The Bank lending also affected financial sector as finance lend to people caused bad impression on financial sector due to high debt rate and people fail to return their loans. This collapsed many banks.

At the same time, a change in the pattern of surplus absorption capable of stimulating agricultural productivity required 'an attack on the privileges of those very classes constituting the power base upon which most

African governments are likely to rely'. We therefore characterized the economic development of tropical Africa in the 1960s as '"perverse growth"; that is, growth which undermines rather than enhances the potentialities of the economy for long-term growth'. At a time of general optimism about the prospects of economic development in Africa, and

especially about the developmental role of African elites, we were thus rather sceptical about both. Indeed, we even noted how 'the character of inter-elite competition in contemporary Africa and, in particular, the rise of the military to a position of special prominence, show the strength of forces driving the situation in a counter-revolutionary direction'.

In Table 1, I have classified the sixteen Sub-Saharan success stories by the years in which they started and the years in which they ended. As can be seen from the table, most success stories (12 out of 16) cluster in two groups: a larger group of experiences (8) that began in the 1960s and ended in the 1970s, and a smaller group (4) that began in the 1980s and had not yet ended in 1996. With the exception of demographically insignificant Mauritius, the smaller group consists of countries that had disastrous developmental experiences in earlier years. Since their later growth did not compensate for their earlier contraction, their 'success'

was largely fictitious. The larger group, in contrast, consists of true success stories and provides strong circumstantial evidence in support of our 1968 contention that the economic growth experienced by African countries at the time was 'perverse'—that is, a pattern which undermined rather than enhanced their potential for long-term development.

Indeed, all but one of the eight success stories that started in the early 1960s ended in the 1970s, and the one that survived the 1970s (Kenya) ended in the early 1980s. Moreover, none of the countries that experienced these early successes appears again in the later group.

There is nonetheless one aspect of the temporal distribution. Challenge to Development sector: development is an ongoing process for every country. If a country needs to progress, it has to follow the path of developments. Africa is a poor country so its developing power is less in comparison with other developing.

Manage industrial production and demand: Due to credit crunch, the industrial production decreased by 20% globally and much more disaster happened in Developing countries which has a giant share in global trade. But it affected the production in African countries as they

are much more dependent on their exporters. Export goods like minerals, oil and fuel, and raw materials were exported to countries like US.

There is nonetheless one aspect of the temporal distribution of Table 1 that our diagnosis of 1968 leaves largely unexplained. This is the precipitous decline in the number of success stories that started in successive sub-periods: from eight in 1960–64, to three in 1965–69, to one in 1970–74, to none in 1975–79. In part, the decline can be attributed to the dynamic of 'perverse growth'. The extent of the decline, however, points to some major change in the conditions of African development—a change, that is, which drastically reduced the chances not only

for on going experiences of strong sustained growth to continue, but also for new such experiences to begin. The idea that something more than 'perverse growth' was involved in the deterioration of economic conditions in Sub-Saharan Africa in the late 1970s is confirmed by the overall performance of the region. Table 2, opposite, shows the GNP per capita of different Third and First World regions and countries as a percent of 'world' GNP per capita, while Table 3 shows percentag

Many countries have taken several steps to increase liquidity in their banking system. The countries like Niger and Togo, Benin injects liquidity on daily basis in their regional market. In Cameroon and Liberia, the funding system of central bank has made new credit and deposit system to increase the flow of funds into bank and to increase the liquidity in the country.

Although unique in its severity, the collapse was integral to a broader change of tendencies among First and Third World regions. The African tragedy must therefore be explained in terms

of both the forces that brought about this transformation, and those that made its impact on Africa particularly severe. That is to say, we must provide answers to the following two basic questions. First, what

accounts for the change in the fortunes of world regions of the late 1970s? And second, why did the change affect the performance of some Third World regions positively and others negatively, and the

performance of Sub-Saharan Africa far more negatively than that of any other Third World region?

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A good part of the answer to the first question lies in the nature of the crisis that overtook world capitalism in the 1970s, and in the response of the hegemonic power, the United States, to it. The global crisis of the 1970s was simultaneously a crisis of profitability and of legitimacy.

The crisis of profitability was due primarily to the worldwide intensification of competitive pressures on business enterprises in general, and industrial firms in particular, that ensued from the great expansion of world trade and production of the 1950s and 1960s.

The initial response of the United States to the crisis—withdrawal from Vietnam and opening to China, but continued adherence to Keynesianism at home and abroad—only worsened it, provoking a precipitous decline of US power and prestige. Integral to this decline was a widespread disenchantment (particularly acute in Africa) with he achievements of what Philip McMichael has called the 'development project' launched under US hegemony.

This was not due to a deterior ation of economic conditions in the Third World. For initially

the global crisis seemed to improve the economic prospects of Third World countries, African states included. In the early 1970s, the terms of trade—especially, but not exclusively, for oil-producing countries—improved for them. Moreover, the crisis of profitability in First World countries, combined with the inflation of oil rents routinely deposited in Western banks and 'extra-territorial' financial markets, created an overabundant liquidity. This excess liquidity, in turn, was recycled as loan capital on highly favourable terms to Third and Second World countries—African states included. As a result, in the early 1970s the position of all Third World regions, except South Asia, if anything improved

(see Table 2). Yet it was at this time that Third World countries, becoming increasingly impat ient with the 'development project', sought to renegotiate the terms of their incorporation in the global political economy through the establishment of a New International Economic Order (NIEO).

Investing strategy: Africa is the mainstream for investment. The oil and natural resource companies located in Africa are the main attraction for

foreign investors. Due to crisis its economy decreased and the foreign direct investment contracted There are approximately 13 liquid markets in Africa e.g. South Africa, Nigeria, Ghana, Egypt and Kenya and by adopting the right policies to invest in Africa, the business of African countries can boom and can save its economy from the crunch of financial crisis.