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Africa in the World Economy

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Africa in the World Economy Midterm

Africa’s broad economic growth is a result of the abundance of raw materials, large scale trade policy and internal reform, and subsequently an influx of population. With the incredible amounts of raw materials found in Africa, it is pivotal to maintain solid relations with other countries that will act as buyers for these necessities. Africa is responsible for twenty-two percent of the world’s gold production, coming in at mining 438 tons of gold in 2008. However without a solid backing, these resources cannot be capitalized on. During the 1950’s and 60’s, Africa saw what is known as the ‘catching-up’ phenomenon where the investments in its own business and trades saw massive returns, such as income from exports skyrocketing and the general economic growth rate averaging at 4.3 percent between 1960 and 1973. This phenomenon was quickly followed by social improvements, such as seeing an increase in life expectancy and school enrollment growing remarkably. These factors all apply heavily into the economic shift in Africa, as it allows for more market mobility and economic diversity, driven by the exports and social improvements found in the previous generation. These social changes are now working toward creating a more sustainable internal economy, rather than relying on exports of their own natural resources that they must try to preserve. As stated on page 87, “a powerful engine is throbbing beneath the rattling hood of the African economy”. This statement alone shows how internally driven the African economy is becoming with its shift away from solely exporting raw materials and now becoming its own economic powerhouse. Previously suffering from the volatile nature of its economy, we can now see a much more lasting and consistent economy forming. As a result, the demographic explosion, urbanization and subsequently increased population density can now support a more structurally sound economy. The demographic explosion led Africa to have the youngest population in the world, and thus meaning there are more young that depend on a caregiver than there are people able to work. Now, the steady decrease in birth rate will lead to a more balanced dependency ratio. Africa’s dependency ratio is estimated to be similar to that of Asia during its economic miracle by 2050 where there are approximately equivalent workers and dependents. These shifts towards an internal market based economy set the stage for a very reliable economy. Everything from the population, Africa’s role in the world economy, social changes towards a more urbanized lifestyle all seem to align at the proper time to allow Africa a chance at being one of the world’s most powerful economies.