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Africa In The World Economy

8 Aug. 2020

Reading Response for Lecture on Aug. 10th

The first topic that comes up during this reading is the idea of rent and how it can completely alter the path of an economy, whether good or bad. This conversation reminds me of the same conversation had during the History of Modern Middle East lectures over rent. This reading mentions the “Dutch disease” which is a loss of economic competition due to a sudden shift in allocation of resources without having a shift in economic structure to support such a change. Countries such as Congo obtain a large amount of their wealth from industries that do not require heavy labor, thus resulting in one of Africa’s richest countries also having a debt of 247 percent of its GDP. This alone leaves the country itself rather rich, while its people struggle with things necessary for everyday life. Operating as a rent state was clearly not working as well as it did for countries such Saudi Arabia, these African countries are seeing their incomes plummet at 30-50% annually. This leaves them with the options of becoming a virtuous rentier state, stable rentier state, or decomposing rentier state. On the contrary to this, Mozambique can be seen as an exception with its 7 percent annual growth rate over the last 15 years. The steps that enabled this to happen were its abandonment of a socialist economy and large macroeconomic reform during the 1990’s. These reforms put emphasis on attracting investors looking for fast return on investment due to the country’s large amount of minerals and agriculture. The main point of most of this reading however, seems to be that there is not one “cookie cutter” example to follow as different countries have yielded different results from similar actions. As stated in the reading, Botswana has seen success with a more active state and strict regulations while Burkina Faso has found success with a less active state. The statement “there is no best recipe, only good cooks” (169) is a very good description of these sorts of situations. It is evident that there is not a single solution to these issues, rather there are a number of possible things to try that rely heavily on the variables of each country and their population and resources. Bringing this discussion full circle, it becomes apparent that some countries must rely on the idea of becoming a rent state while others can be more self-sufficient and work toward increasing their GDP’s internally rather than strictly selling goods to other countries. It becomes clear that some countries can benefit from becoming rent based while others suffer. Those that suffer ought to put more focus on internal economic design that should fit their individual needs.

Word Count: 468