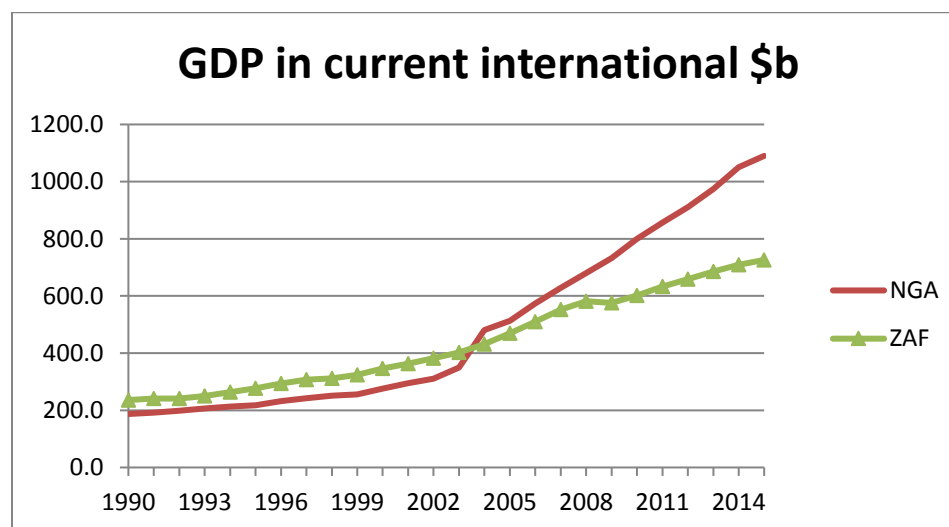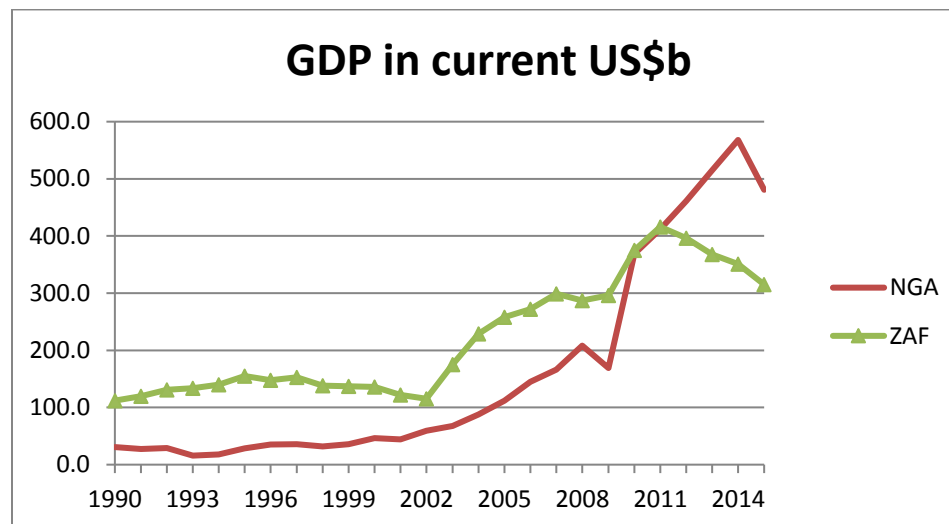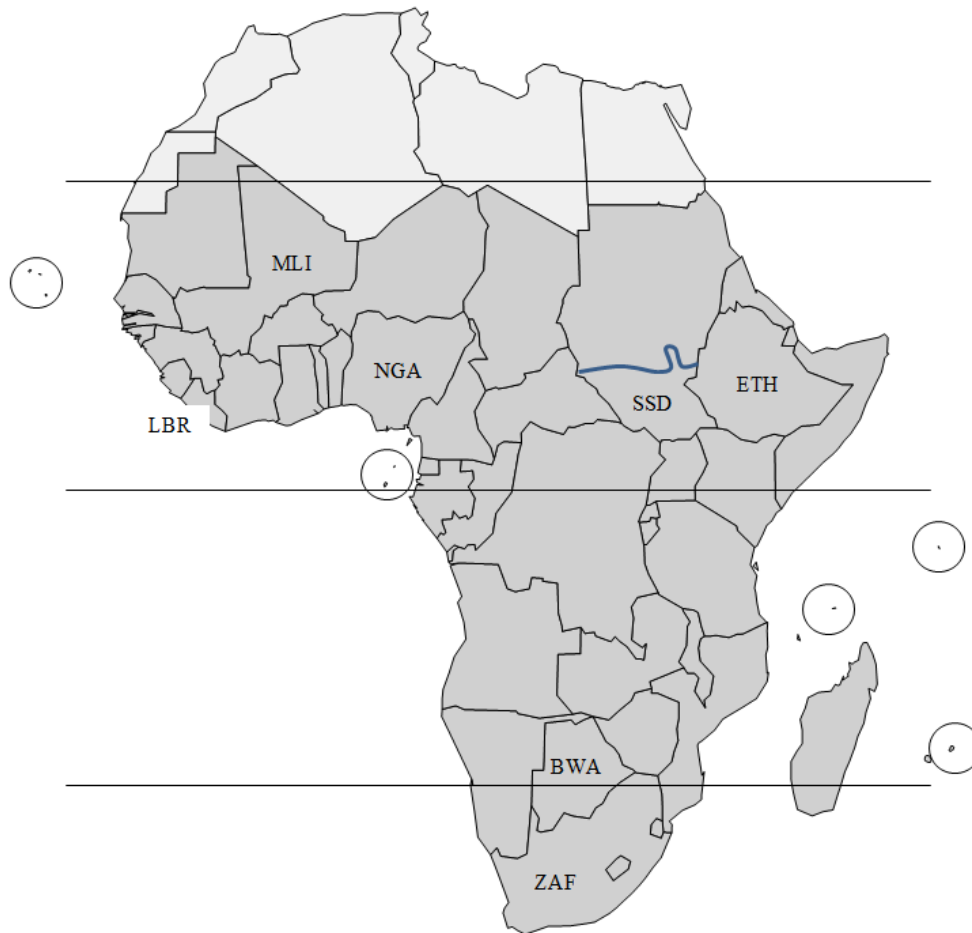**Handout 1A: Answers to first-day exercise**
Econ 082, Political Economy of Africa / Prof O'Connell / Spring 2018

Source: World Bank, *World Development Indicators* online (www.worldbank.org, go to Data link).

GDP in current US$b (billions) is calculated by taking (e.g.) Nigeria's GDP in naira and multiplying it by the average US$/naira official exchange rate for the year. This comparison can be highly volatile because of short-run movements in the exchange rate. Also, when used to measure per-capita GDP, official exchange rate calculations can be systematically misleading regarding relative living standards. Nigeria's GDP in international $ is calculated by multiplying Nigeria's naira GDP by an exchange rate between current international dollars and the naira (known as a "PPP-adjusted" exchange rate). The exchange rate between US dollars and international dollars is 1:1 by construction. The PPP-adjusted exchange rates for developing countries are typically much twice or more as big as the official exchange rates, because the purchasing power of the naira over goods and services in Nigeria is that much stronger than the purchasing power of the naira (when converted into $ at the official exchange rate) over the same basket of goods and services in the USA. So when looking at GDP per capita, conversions at official exchange rates understate the true purchasing power of developing-country incomes. For this reason, economists use PPP-adjusted exchange rates when comparing living standards across countries.

Here are the solutions to the day 1 assignment. I drew the South Sudan border by hand – it is not very accurate (for an accurate border see the Africa map in Handout 3).

	Botswana	Ethiopia	Mali	Liberia	Nigeria	South Africa	South Sudan
Largest economy in SSA (1)					X		
Largest population in SSA (1)					X		
Never colonized or settled by Europeans (2)		X		X			
Fastest growth 1960-2000 (1)	X						
Francophone, Sahelian economy (1)			X				
Africa's newest country (2011), not even shown on the map! (1)							X