"The Conundrum of Financial Liberalisation: From reform to crisis"

Inaugural Lecture Summary

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The lecture interrogates financial liberalisation—one of the most influential yet contested economic policies of the last 50 years. Grounded in McKinnon and Shaw's seminal work, the original promise was clear: remove state controls on interest rates, credit and capital flows, and financial systems would deepen, savings and investment would rise, and growth would accelerate.

Focusing on Africa and the Southern African Development Community, the lecture traces liberalisation's trajectory—from financial repression, through the reform waves of the 1980s–1990s, to the crisis-driven re-regulation after 2008. The central question posed is whether liberalisation has delivered on its developmental promise in Africa. The answer presented is conditional. Where macroeconomic stability, strong prudential supervision, institutional quality, and careful sequencing were present, liberalisation deepened markets, intensified competition, and attracted capital. Where these preconditions were absent, it widened lending spreads, excluded small borrowers and SMEs, and at times precipitated banking crises.

Drawing on research across SADC, the lecture argues that credit allocation, bank stability, financial inclusion, institutional quality, and the management of illicit financial flows jointly determine whether liberalisation reduces or reproduces poverty for Africa's majority. Success stories such as Mauritius, Botswana and Ghana are highlighted, and contrasted with challenges including Zimbabwe's bank failures and the persistent exclusion of SMEs due to collateral constraints and oligopolistic banking structures.

The lecture moves beyond critique to propose a forward-looking agenda. The challenge for Africa is less a shortage of capital than a shortage of architecture to mobilise it. Future scholarship will therefore focus on strengthening financial stability and inclusive growth in Africa in the wake of the global financial crisis, around four interlinked priorities: (i) Improving Africa's financial architecture to mobilise the continent's substantial but underutilised domestic capital into long-term productive investment; (ii) Reducing sovereign debt burdens and rebuilding policy autonomy to mitigate the risks of financial liberalisation under fiscal stress; (iii) Deepening regional financial integration to overcome market fragmentation and enhance resilience to global shocks; and (iv) Sequencing reform through low, stable inflation, strong prudential regulation, and gradual liberalisation to avoid crises.

Building on these foundations, attention will also be given to the competition–stability–growth trilemma in an era of digital transformation and geopolitical uncertainty. This involves examining how digital innovation, reduced barriers to entry for new and niche banks, and credible resolution mechanisms can simultaneously foster banking competition, safeguard stability, and drive sustainable economic growth.

In conclusion, liberalisation is neither panacea nor malady. It is a powerful instrument whose impact depends on conditions. The future of financial reform in Africa therefore lies not in “more or less” liberalisation, but in reform that is better sequenced, better supervised, more inclusive, and aligned with climate and development imperatives. The commitment is to advance scholarship, training, and policy engagement to ensure that finance serves, rather than masters, Africa’s development.