Emerging African resistance to economic crisis, global finance, free trade and corporate profit-taking… and why Barack Obama's advisors could hurt Africa (again)

by Patrick Bond

for discussion at the Open Society Initiative of Southern Africa
Global Financial Crisis Policy Seminar, 14 November 2008, Johannesburg

The September-October 2008 crash of world markets confirmed warnings offered by progressive civil society critics to African elites over the past three and a half decades, namely *to protect national economies from vulnerabilities associated with global financial system volatility and multinational corporate abuse*. Although such warnings were rarely heeded, nevertheless, counterhegemonic processes have recently emerged in the spheres of finance, trade and investment that offer grounds for optimism:

- ongoing financial chaos offers new ideological space and material justifications for African finance ministries to reimpose exchange controls and reregulate finance, and to find sources of hard currency not connected to the Bretton Woods Institutions or Western donors;
- after pressure by the Africa Trade Network and allied radical intellectuals, rising resistance to European Union Economic Partnership Agreements by African states appears to be foiling Peter Mandelson's trade strategy, at a time the World Trade Organisation's Doha Agenda has been declared dead in no small part thanks to persistent African opposition to a Northern-oriented deal (first in Seattle and then in Cancun); and
- opposition to objectionable multinational extractive investments is reflected in ferocious anti-corporate activism in venues ranging from communities (keeping resources in the ground) to the world's courts (demanding apartheid reparations), in turn challenging national states to take a stand on the choice of eco-social welfare or corporate profits.

Finance

The 2008 world financial meltdown has its roots in the neoliberal export-model (dominant in Africa since the Berg Report and onset of structural adjustment during the early 1980s) and even more deeply, in thirty-five years of world capitalist stagnation/volatility (Bello 2008, Brenner 2008, Foster 2008, Goldner 2008). As South Centre director (and Ugandan political economist) Yash Tandon (2008a:1) put it, 'The first lesson, surely, is that contrary to mainstream thinking, the market does not have a self-corrective mechanism.' Such disequilibration means that Africa receives sometimes too much and often too little in the way of financial flows, and the inexorable result during periods of turbulence is intensely amplified uneven development (Nabudere 1990, Bond 1998). Africa has always suffered a disproportionate share of pressure from the world economy, especially in the sphere of debt and financial outflows (Rodney 1972, Bond 2006). But for those African countries which made themselves excessively vulnerable to global financial flows during the neoliberal era, the meltdown had a severe, adverse impact.

In Africa's largest national economy, for example, South African finance minister Trevor Manuel had presided over steady erosion of exchange controls (with 26 consecutive relaxations from 1995-2008, according to the Reserve Bank)[1] and the emergence of a massive current account deficit: -9% in 2008, second worst in the world. The latter was in large part due to a steady outflow of profits and dividends to corporations formerly based at the Johannesburg Stock Exchange but which relisted in Britain, the US or Australia during the 1990s (Anglo American, DeBeers, Old Mutual, Didata, Mondi, Liberty Life, BHP Billiton). In the second week of October 2008, South Africa's stock market crashed 10 percent (on the worst day, shares worth $35 billion went up in smoke) and the currency declined by 9 percent, while the second week witnessed a further 10 percent crash. The speculative real estate market had already begun a decline that might yet reach those of other hard-hit property sectors like the US, Denmark and Ireland, because South Africa's early 2000s housing price rise far outstripped even these casino markets (200 percent from 1997-2004, compared to 60 percent in the US).

On the other hand, the cost of market failure could at least be offset, somewhat, by ideological advance. The main gains so far were in delegitimating the economic liberalisation philosophy adopted during the 1994-2008 governments of Nelson Mandela and Thabo Mbeki (presided over by Manuel). Indeed Mbeki's dramatic September 2008 departure occurred partly because of substantially worsened inequality and unemployment since 1994, which in turn was responsible for thousands of social protests each year. When a solidarity letter Manuel wrote, resigning from Mbeki's government on its second-last day, was released to the press (by Mbeki)) on 23 September, the stock and currency markets imposed a $6 billion punishment within an hour. The crash required incoming caretaker president Kgalema Motlanthe to immediately reappoint Manuel with great fanfare.

In the same spirit, Mbeki's replacement as ruling party president, Jacob Zuma, had visited Davos and paid tribute to Merrill Lynch and Citibank in 2007-08 (ironically the latter two institutions insisted on having their jitters calmed). Zuma assured international financiers that Manuel's economic policy would not change. Hence the opening of ideological space to contest neoliberalism in practice became a crucial struggle for the trade unions and SA Communist Party, which in mid-October held an Alliance Economic Summit that suggested Manuel make only marginal shifts at the edges of neoliberalism.

However, as the financial meltdown unfolded in the US and Europe, the merits of South Africa's residual capital controls became clearer. As SA deputy trade minister Rob Davies (2008:3) wrote approvingly in the main Communist journal, 'Interestingly, *The Business Times* of 21 September attributed this [safety from contagion] partly to 'exchange control' which meant 'there is a healthy degree of trapped liquidity within the financial system'.' Another factor was that many exotic financial products had been banned. As a leading official of the central bank, Brian Kahn (2008:1), explained,

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1 http://www.reservebank.co.za/internet/Publication.nsf/LADV/0256A81189F3E7724225742D0041E31F/$File/C.pdf

The interbank market is functioning normally and the Reserve Bank has not had to make any special liquidity provision. We have a relatively sophisticated and well-developed banking sector, and the question then is, what has saved us? (This may be tempting fate, so perhaps I should say what has saved us so far?) This all raises the old question whether or not exchange controls work. The conventional wisdom is that they do not, particularly when you need them to work. We seem to have been exception to this rule. It turns out that we were protected to some extent by prudent regulation by the Bank regulators, but more importantly, and perhaps ironically, from controls on capital movements of banks. Despite strong pressure to liberalise exchange controls completely, the Treasury has adopted a policy of gradual relaxation over the years. Controls on non-residents were lifted completely in 1996, but controls on residents, including banks and other institutions, were lifted gradually, mainly through raising limits over time. With respect to banks, there are restrictions in terms of the exchange control act, on the types of assets or asset classes they may get involved in (cross-border). These include leveraged products and certain hedging and derivative instruments. For example banks cannot hedge transactions that are not SA linked. Effectively it meant that our banks could not get involved in the toxic assets floating that others were scrambling into. They would have needed exchange control approval which would not have been granted, as they did not satisfy certain criteria. The regulators were often criticised for being behind the times, while others have argued that they don't understand the products, but it seems there may be advantages to that! Our banks are finding it more difficult to access foreign funds and we have seen some spikes in overnight foreign exchange rates at times. But generally everything seems 'normal' on the banking front…

Our insurance companies and institutional investors were also protected to some extent, in that there is a prudential limit on how much they can invest abroad (15 per cent of assets), and the regulator in this instance (the Financial Services Board) places constraints on the types of finds or products they can invest in. (Generally it appears that exotics are excluded). One large South Africa institution, Old Mutual, moved its primary listing to the UK a few years back (when controls were relaxed), and the plc has had fairly significant exposure in the US.

Demands for deeper exchange controls were made by the SACP in South Africa. As for the rest of Africa, similar opportunities to contest financial system orthodoxy now arise. At this stage, it is practically impossible for staff from the most powerful external force in African economic policy, the International Monetary Fund (IMF), to advise elites with any credibility. The IMF's (2006:1,2,26,36) October 2006 *Global Financial Stability Report*, after all, claimed that global bankers had shown 'resilience through several market corrections, with exceptionally low market volatility.' Moreover, global economic growth 'continued to become more balanced, providing a broad underpinning for financial markets.' Because financial markets always price risk correctly, according to IMF dogma, investors could relax: '[D]efault risk in the financial and insurance sectors remains relatively low, and credit derivatives markets do not indicate any particular financial stability concerns.' The derivatives and in particular mortgage-backed securities 'have been developed and successfully implemented in U.S. and U.K. markets. They allow global investors to obtain broader credit exposures, while targeting their desired risk-reward trade-off.' As for the rise of credit default swaps (the $56 trillion house of cards bringing down one bank after the other), the IMF was not worried, because 'the widening of the credit default swaps spreads [i.e. the pricing in of higher risk] across mature markets was gradual and mild, and spreads remain near historic lows.'

Fast forward to the April 2008 launch of the IMF's 'Regional Economic Outlook for Sub-Saharan Africa' study. IMF Africa staffer John Wakeman-Linn's (2008:18) slideshow, 'Private Capital Flows to Sub-Saharan Africa: Financial Globalization's Final Frontier?', concluded that the vast rush of finance is generally good for Africa, but policies would have to be changed – making Africa more vulnerable to the international financial system – in order to take full advantage:

- *More transparency and consistency: exchange controls in SubSaharan Africa complex and difficult to implement.*
- *Gradual and well-sequenced liberalization strategy can help limit risks associated with capital inflows.*
- *Accelerated liberalization in the face of large inflows may help their monitoring (e.g. Tanzania); selective liberalization of outflows may help relieve inflation and appreciation pressures, but further work needed on modalities.*

The IMF proclaimed the merits of liberalization and rising financial flows to Africa, especially portfolio funding (i.e., short-term hot money in the forms of stocks, shares and securities issued by companies and government in local currencies but readily convertible). Such 'hot money' - speculative positions by private-sector investors – flowed especially into South Africa's stock exchange, and also to a lesser extent into share markets in Ghana, Kenya, Gabon, Togo, and Seychelles.

However, financial outflows continue apace. An updated report on capital flight by Leonce Ndikumana of the Economic Commission for Africa and James Boyce of the University of Massachusetts shows that thanks to corruption and the demise of most African countries' exchange controls, the estimated capital flight from 40 Sub-Saharan African countries from 1970-2004 was at least $420 billion (in 2004 dollars). The external debt owed by the same countries in 2004 was $227 billion. Using an imputed interest rate to calculate the real impact of flight capital, the accumulated stock rises to $607 billion. According to Ndikumana and Boyce (2008:5),

> *Adding to the irony of SSA's position as net creditor is the fact that a substantial fraction of the money that flowed out of the country as capital flight appears to have come to the subcontinent via external borrowing. Part of the proceeds of loans to African governments from official creditors and private banks has been diverted into private pockets – and foreign bank accounts – via bribes, kickbacks, contracts awarded to political cronies at inflated prices, and outright theft. Some African rulers, like Congo's Mobutu and Nigeria's Sani Abacha, became famous for such abuses. This phenomenon was not limited to a few rogue regimes. Statistical analysis suggests that across the subcontinent the sheer scale of debt-fueled capital flight has been staggering. For every dollar in external loans to Africa in the 1970-2004 period, roughly 60 cents left as capital flight in the same year. The close year-to-year correlation between flows of borrowing and capital flight suggests that large sums of money entered and exited the region through a financial 'revolving door'.*

Where did this leave African debtors in 2008? According to the IMF (2008:36), the 'debt sustainability outlook' of low-income African countries 'has improved substantially, with 21 out of 34 countries classified on the basis of the Debt Sustainability Framework at a low or moderate risk of debt distress at end-2007.' Yet the major lesson from the prior quarter-century of debt distress, was not the abstract ratios, but instead, the ability to pay the debt in context of pressing human needs. It was here, according to London-based Jubilee Research (2008:1), that the Bretton Woods institutions had not accurately assessed the damage done by debt, or the injustice associated with repaying debt inherited from prior undemocratic governments:

> *Current [mid-2008] approaches to debt relief (HIPC and MDRI for poor countries, and Paris and London Club renegotiations for middle income countries) are not solving the problems of Third World indebtedness. HIPC and MDRI are reducing debt burdens but only for a small range of countries and after long delays, and at a high cost in terms of loss of policy space. While non-HIPC poor countries continue to have major debt problems and middle-income country indebtedness continues to grow. The present approach is marred by the involvement of creditors as judge, prosecution and jury in direct conflict with natural justice and by the failure to take into account either the human rights of the people of debtor nations or the moral obscenity of odious debt. It is all too little and too late… Even after the debt relief already granted under HIPC and MDRI, 47 countries need 100% debt cancellation on this basis and a further 34 to 58 need partial cancellation, amounting to $334 to $501 billion in net present value terms, if they are to get to a point where debt service does not seriously affect basic human rights.*

Hence the system of debt peonage remains, and the only prospect for its relief is the weakening of Washington's power, along with the overhauling of the aid system which is so closely connected to debt (for the richest set of recommendations, see Tandon 2008b). The Accra Agenda for Action (AAA) conference in September 2008 provided an opportunity to address the problems of donor/financier cross-conditionality, 'phantom aid' (including tied aid), corruption, waste, economic distortions and political manipulation, as well as to add the South's demand for repayment of the North's ecological debt to the south. But the opportunity was lost, and even mild-mannered NGOs realised they were wasting their time, as a staffer at Civicus, Nastasya Tay (2008:1), revealed:

> *A colleague from a major international NGO gave an excellent summary of the whole High Level Forum process: 'Why should I attend interminably long meetings, to passionately lobby for reform, when countries like the US and Japan are refusing to sign on because of some 'language issues' with the AAA? In the end, we will have worked incredibly hard to, if we're lucky, change a few words. And it's just another document.'*

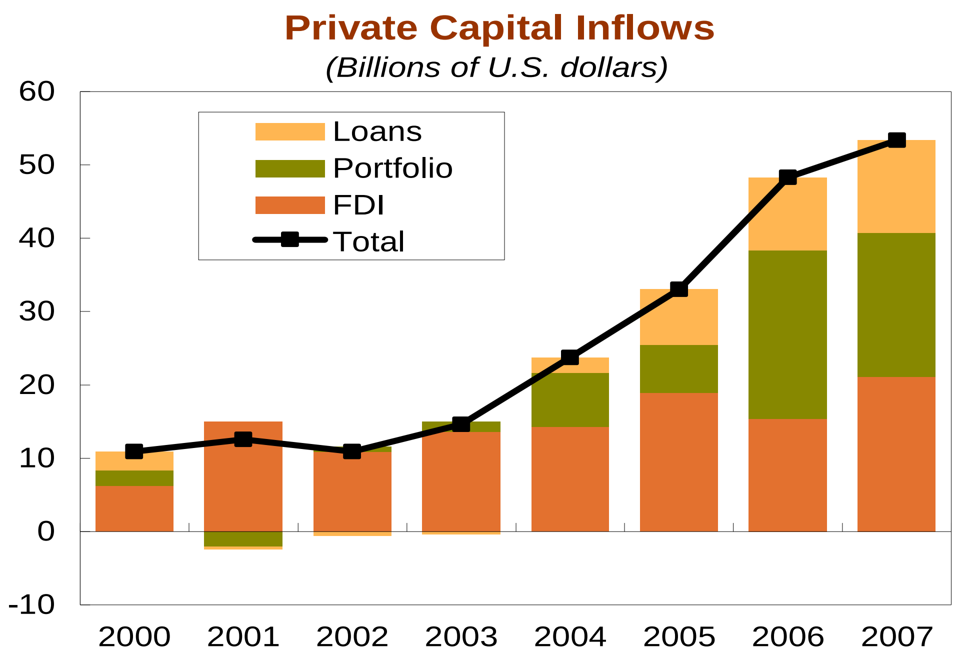
Hence, for some African countries, the solution lies in an alternative source of hard currency finance. Not only does China provide condition-free loans to several of Africa's most authoritarian regimes. More hopefully, Venezuela is considering a proposal to replace and displace the IMF, as happened in Argentina in 2006, in which case repaying the IMF early or even defaulting would be feasible. In other African countries, progressive social movements have argued for debt repudiation and are concerned about any further financial inflows beyond those required for trade financing of essential inputs. This would also entail inwardoriented light industrialization oriented to basic needs (and not to luxury goods, a major problem that emerged in Africa's settler colonial economies during the 1960s-70s).

The crucial ingredient for establishing an alternative African financing strategy from the left is pressure from below. This means the strengthening, coordination and increased militancy of two kinds of civil society: those forces devoted to the debt relief cause, which have often come from what might be termed an excessively polite, civilized society based in internationally-linked NGOs which rarely if ever used 'tree shaking' in order to do 'jam making'; and those forces which react via short-term 'IMF Riots' against the system, in a manner best understood as *un*civilized society. The IMF Riots that shook African countries during the 1980s-90s often, unfortunately, rose up in fury and even shook loose some governments' hold on power. When these, however, contributed to the fall of Kenneth Kaunda in Zambia (one of many examples), the man who replaced him as president in 1991, former trade unionist Frederick Chiluba, imposed even more decisive IMF policies. Most anti-IMF protest simply could not be sustained (Seddon 2002).

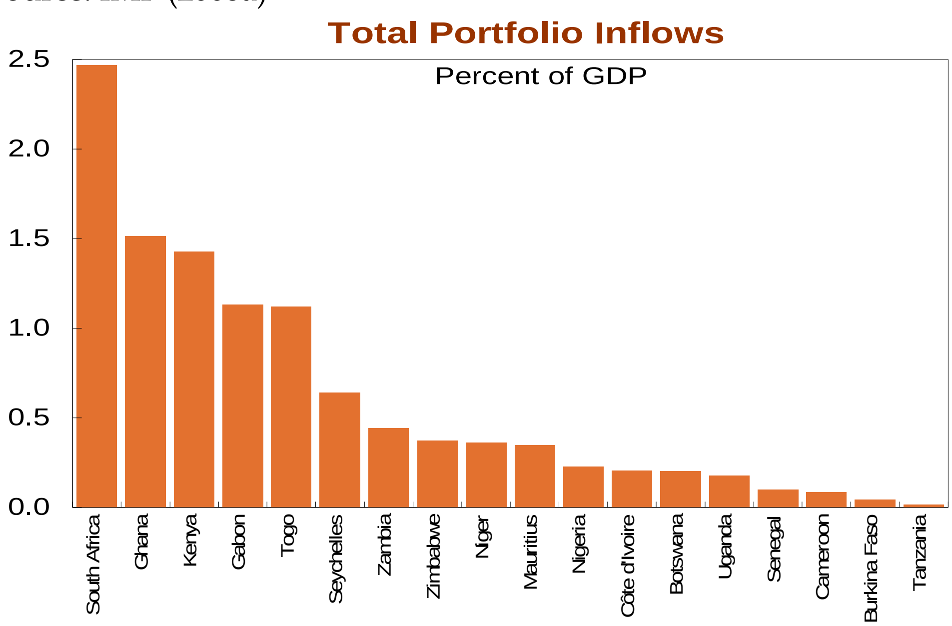
In contrast, the former organizations are increasingly networked, especially in the wake of 2005 activities associated with the Global Call to Action Against Poverty (GCAP), which generated (failed) strategies to support the Millennium Developmental Goals partly through white-headband consciousness raising, through appealing to national African elites and through joining a naïve appeal to the G8 Gleneagles meeting (Bond 2006). Since then, networks tightened and became more substantive through two Nairobi events: the January 2007 World Social Forum and August 2008 launch of Jubilee South's Africa network. These networks could return to the cul-de-sac of GCAP's 'reformist reforms' – i.e., to recall Andre Gorz's (1964) phrase, making demands squarely within the logic of the existing neoliberal system, in a manner that disempowers activists if they gain slight marginal changes.

Or they could embark upon 'non-reformist reform' challenges, by identifying sites where the logic of finance can be turned upside down. The most striking case might have been the South African 'bond boycott' campaign of the early 1990s, wherein activists in dozens of townships offered each other solidarity when collective refusal to repay housing mortgage bonds was the only logical reaction. This forewarned the 1995-96 'El Barzon' ('the yoke') strategy of more than a million Mexicans who were in debt when interest rates soared from 14 to 120 percent over a few days in early 1995: they simply said, 'can't pay, won't pay'. That slogan was also heard in Argentina in early 2002, following the evictions of four presidents in a single week due to popular protest. The ongoing pressure from below compelled the government to default on $140 billion in foreign debt so as to maintain some of the social wage, the largest such default in history.

At the time of writing, a November 2008 summit was called by the G8 in New York, to refashion the world's financial architecture, likely adding China, India, Brazil and South Africa for legitimacy (and access to substantial dollar reserves). Activists began contemplating whether to 'Seattle' the event; African social movements and a few patriotic African trade ministers were, after all, not only present but instrumental in preventing the World Trade Organisation's Seattle summit from proceeding nine years earlier (Bond 2004).



Source: IMF (2008a)



Source: IMF (2008a)

Total capital flight from selected African countries, 1970-2004
(million 2004 US $ and as % of external debt)

Country	Cumulative capital flight ($ million)	Capital flight stock with imputed interest earnings	Capital flight stock as % of external debt
Angola	42179	50951	535.2
Burundi	2074	2567	185.3
Cameroon	18379	27288	287.4
Chad	1338	2346	137.9
Congo, Dem. Rep.	19572	36738	310.3
Cote d'Ivoire	34349	54001	460.0
Ethiopia	17031	22526	342.6
Kenya	2665	6369	93.3
Nigeria	165697	240781	670.9
South Africa	18266	17492	176.0
Uganda	4982	6854	142.1
Zimbabwe	16162	24556	511.9

Source: Leonce Ndikumana and James Boyce (2008)

Trade

As in the case of finance, a tumultuous and highly politicized process exists in relation to trade. Across the continent, exploitation by European capitalists and politicians, in particular, became so extreme in the past year that something had to break. In December 2007, the European Union's then trade negotiator, Peter Mandelson, cajoled 18 weak African leaderships – including crisis-ridden Cote d'Ivoire, neoliberal Ghana and numerous frightened agro-exporting countries - into the trap of signing interim 'Economic Partnership Agreements' (EPAs). A backlash soon began, fostered in part by the Africa Trade Network.

Since 2002, the EPAs have supplanted the agenda of the gridlocked World Trade Organisation (WTO), just as bilateral trade deals with the US, China and Brazil are also now commonplace. A united Europe deals with individual African countries in an especially pernicious way, because aside from free trade in goods, Mandelson (2007) hinted in October 2007 at other invasive EPA conditions that will decimate national sovereignty: 'Our objective remains to conclude comprehensive, full economic partnership agreements. These agreements have a WTO-compatible goods agreement at their core, but also cover other issues.' Such 'Singapore' issues (named after the site of a 1996 WTO summit) include investment protection (so future policies don't hamper corporate profits), competition policy (to break local large firms up) and government procurement (to end programmes like South Africa's affirmative action). These were removed from the WTO by African negotiators during the Cancun summit in 2003, but have reemerged through EPA bilaterals.

Europeans' regular abuses of donor power include threats of trade preference withdrawal if EPAs are not signed. European capital has made its own needs clear: not only access to cheap commodities, as was enjoyed under the Lomé Convention, but also unrestricted African market access, protection from potential restrictive public policies, and a buffer from Chinese competition.

There are other problems, and corresponding resistance. For example, African farmers' ability to sell on the local market will be undercut by rapid trade liberalisation that opens the way to surges of cheap, often subsidised imports. Women are most adversely affected. Earlier allegedly 'developmental trade' strategies, such as the EU's 'Everything But Arms' deal, haven't worked, because of strict rules of origin and serious supply-side constraints. There is simply no capacity in African firms to penetrate Europe given the continent's small production runs and high transport costs. Moreover, climate change will soon invoke hefty taxes on ships (whose dirty bunker oil sends vast amounts of CO2 into the atmosphere). Yet EPAs will require an even greater African investment in port infrastructure and other management costs necessary to facilitate trade.

From early on, African progressives – especially within the African Trade Network - called on elites to halt the negotiations. A conference of the Council for the Development of Social Science Research in Africa (Codesria) in June 2008 generated tough commentary from academics and civil society experts (Bond and Kamidza, 2008):

- *Zimbabwean anti-EPA campaigner Nancy Kachingwe, 'These are not trade agreements, they're structural adjustment programmes. It's about policy and all sorts of other controls, and the impacts are the same.'*
- *Bernard Founou-Tchuigoua of the World Forum for Alternatives in Dakar, 'In these agreements there is inherent corruption, in their very substance.'*
- *Gyekye Tanoh of Third World Network in Accra: 'The key thing for Mandelson is to gain exclusive preferential market access. Europe is gaining 80% of our markets in exchange for what is effectively just 2% of theirs. The effect of trade liberalisation on African agriculture is a disaster, with only one sector anticipated to grow: agro-processing. That's the one that most easily invites European capital to scale up investments in joint ventures. Agricultural output would only increase by 1%, our studies show. But the big contradiction is in the export of cash crops, at a time of severe pressure on food products.'*
- *Senegalese scholar Cherif Salif Sy: 'Most of Africa has an electricity crisis, and yet to get economies of scale for European agro-processing companies if they locate in Dakar, they require vast amounts of electricity. And they come with the power to demand a lower price, which puts much more stress on our grid and causes the price to go up for local buyers, and the supply to be redirected.'*
- *Third World Network director Yao Graham concedes: 'Unions have been too syndicalist, while our justice movements have been exhausted fighting structural adjustment. The local private sector has been absent. But in some regions, like West Africa, agricultural producers have been well organised and opposed to EPAs. Links to the Caribbean are weak. But we are working behind enemy lines with progressive allies in Europe, including within the Brussels parliament. It should be possible to shrink the EPA agenda to nonreciprocal market access to goods, and no more. This we can win in coming months.'*

Surprisingly, the activists were joined by the South African government (especially deputy trade minister Davies) – in the wake of the 2004 departure (for the public enterprises ministry) by former trade minister Alec Erwin. Erwin had been so effective in alliance with northern interests that he was once endorsed for WTO director in the *New York Times* and *Foreign Policy*. But because Mandelson squeezed so hard prior to his September 2008 return to the British government as business minister, he helped break crucial links between elites. Led by Senegalese and Malian politicians, most African officials at the Codesria conference agreed with the left intelligentsia that dangers now arise of:

- regional disintegration (due to EU bilateral negotiations and subregional blocs) and internecine race-to-the-bottom competition;
- threats of not only deindustrialisation but further EU penetration of the African services sector;
- increasing social polarisation (including along gender lines), and the rise of parasitical classes; and
- much greater gains for some sectors of the capitalist class: owners of plantations, mines and oil fields; commercial circuits of capital; and financial institutions.

If African elites seem to be awakening to how much damage North-dominated trade is doing, two other processes will amplify the concern about overreliance upon trade. First is the rise of commodity prices from 2002-07, and their subsequent crash, in a manner that recalls traditional primary export price volatility. Moreover, with global growth slowing, the very high trade growth rates of the 2005-07 period will nearly certainly decline, possibly into negative territory, with African raw materials exports most adversely affected. Moreover, the partial freezing of credit markets in October 2008 threatened interbank transfers, and in turn trade finance.

Finally, from the 2009 Copenhagen climate conference, there will very likely emerge trade-related carbon taxes, especially on ships that utilize bunker fuels. Africa's long distance from wealthier markets is already a concern for what are entirely appropriate 'buy-local' campaigns, but for which more analysis is needed regarding adverse impacts on African small-scale farming (given that a great deal of the agricultural produce, especially horticulture, is produced in plantations and by multinational corporations). Even more rigorous civil society campaigning is required to halt climate change, and to generate ecological debt repayment for Northern overconsumption of environmental space. After all, according to the United Nations Intergovernmental Panel on Climate Change, 'It is projected that there could be a possible reduction in yields in agriculture of 50% by 2020 in some African countries... Crop net revenues could fall by as much as 90% by 2100, with small-scale farmers being the most affected' (Pachauri 2007). In turn, that prospect raises the biggest economic question for Africa, asked by Niger Delta and South Durban community activists: why not 'Keep the oil in the soil!' (and leave the coal in the hole)?

Investment

There are signs that the kind of free reign enjoyed by the forces of Foreign Direct Investment, especially in the extractive industries, is under substantial attack. Some of the attacks were described in the recent *Review of African Political Economy* special issue (Bush 2008). Since that edition went to press, three major initiatives have made progress: Ogoniland opponents of

Shell evicted the firm from a part of the Delta, with other groups taking the baton; the water corporatisation, prepaid meters and predatory pricing by Suez in Johannesburg was rejected in the courts; and opponents of corporations that financed and profited from apartheid were challenged in the US courts. Each deserves a short briefing.

First, in early June 2008, the British-Dutch firm Shell Oil was instructed to depart from the Ogoniland region within the Niger Delta, where in 1995 Shell officials were responsible for the execution of Ken Saro-Wiwa by Nigerian dictator Sani Abacha. After decades of abuse, women protesters, local NGOs and the Movement for the Survival of the Ogoni People (MOSOP) had achieved sufficient pressure to evict Shell. As Nigerian president Umaru Musa Yar'Adua remarked 'There is a total loss of confidence between Shell and the Ogoni people. So, another operator acceptable to the Ogonis will take over.' Shell was also attacked on several occasions in subsequent months by the Movement for the Emancipation of the Niger Delta, crippling several oil facilities. In Paris, Total's Christophe de Margerie hinted at a similar withdrawal: 'We have people who work over there...who are unfortunately more and more often subjected to major aggressions (or being) kidnapped. We are asking ourselves the question (about whether to follow Shell)' (Bond and Kamidza 2008).

The expansion of the OilWatch campaign to 'Keep the oil in the soil!' made great progress in Durban in September 2008, when the NGO groundWork invited dozens of community activists from oil and gas-rich sites across the continent for consultation with the Nigerians. As one example, the South Durban Community and Environmental Alliance launched a campaign – and formal Environmental Impact Assessment intervention - to prevent construction of a $1.2 oil pipeline from the refineries in Durban's black residential areas, through low-income communities, to Johannesburg, in part by invoking climate considerations. And in October 2008, Niger Delta activists went to San Francisco to sue Chevron for billions of dollars of damages to communities and the environment, under the terms of the Alien Tort Claims Act. They are partly inspired by the Ecuadoran example, where pressure by Accion Ecologia compelled a hesitant president Rafael Correa to announce in August 2007 that he would leave $12 billion in oil reserves under the Yasuni National Park, an Amazonian park with strong indigenous people's traditions and livelihoods at stake. What Correa requested in return was $5 billion in payments from the North by way of ecological debt repayment; only Norway has begun the discussion at this writing.

Second, water is a site where a recent partial victory can be declared. In Johannesburg, the Campaign Against Water Privatisation and Anti-Privatisation Forum were supported by two NGOs with legal and advocacy expertise, the Freedom of Expresion Institute and Centre for Applied Legal Studies. Residents from Phiri township in Soweto took Suez's low level of free water provision (an average of 25 liters per person per day) and prepayment meters to the High Court in 2007 (Bond and Dugard 2008). Unlike conventional meters in rich suburbs which provide due warning of future disconnection (and an opportunity to make representation) in the form of notification in red writing at the bottom of the monthly bill, pre-paid meter disconnection occurs automatically and without warning following the exhaustion of the FBW supply. If the disconnection occurs during the night or over a weekend when water credit vendors are closed, the household has to go without water until the shops are open again, and if the household does not have money for additional water, it must borrow either money or water from neighbours in order to survive. This represents not only a threat to dignity and health, but also a direct risk to life in the event of a fire; two children's deaths in a Soweto shack fire resulting from pre-paid meters catalysed the lawsuit. On 30 April 2008, High Court judge Moroa Tsoka ruled that imposing credit control via prepayment meters 'in the historically poor black areas and not the historically rich white areas' was racist, as installation apparently occurred 'in terms of colour or geographical area'. Moreover, Johannesburg Water's community consultation process was 'a publicity stunt' characterised by a 'big brother approach'. Tsoka ordered removal and prohibition of the prepayment meters and the provision of 50 litres per person per day free. (National and municipal governments announced an appeal, which will begin the Supreme Court in March 2009.)

Third, the strategy to recover apartheid-era profits from transnational corporations is advancing in the US courts thanks to the breadth of the Alien Tort Claims Act (ATCA). In 1997, ATCA Holocaust Litigation cases against Swiss banks were settled out of court for $8 billion. A group of South African activists including Dennis Brutus and Lungisile Ntsebeza, as well as the Khulumani Support Group for apartheid victims and Jubilee South Africa, used the ATCA to sue dozens of multinational corporations, including Reinmetall Group, British Petroleum (BP), Shell, Chevron Texaco, Exxon Mobil, Fluor Corporation, Total Fina-Elf, Ford Motor Company, Daimler-Chrysler, General Motors, Fujitsu, IBM, Barclays Bank, Citibank, Commerzbank, Credit Suisse, Deutsche Bank, Dresdner Bank, J P Morgan Chase, UBS, Anglo American, Gold Fields and Sasol.

Not long after the activists' cases were filed, in mid-2003, the South African government was requested by the Bush Administration to oppose Khulumani and other plaintiffs, and agreed to do so after a period of relative neutrality. Mbeki had initially offered 'neither support nor condemnation,' but soon reversed this tack, proclaiming that it was 'completely unacceptable that matters that are central to the future of our country should be adjudicated in foreign courts which bear no responsibility for the well-being of our country, and the observance of the perspective contained in our constitution of the promotion of national reconciliation.' In July 2003, following an intervention by Colin Powell, Mbeki and justice minister Penuell Maduna went to even greater lengths to defend apartheid-era profits, arguing in a nine-page brief to a US court hearing a reparations case, that by 'permitting the litigation', the New York judge would discourage 'much-needed foreign investment and delay the achievement of the government's goals. Indeed, the litigation could have a destabilising effect on the South African economy as investment is not only a driver of growth, but also of unemployment'. This was ridiculed by the plaintiffs' friend of the court, Nobel economics laureate Joseph Stiglitz (Bond 2004).

But in November 2004, taking the most conservative approach possible, judge John Sprizzo of the Southern District of New York dismissed the apartheid-related lawsuits on grounds that Pretoria 'indicated it did not support the lawsuits and that letting them proceed might injure the government's ability to handle domestic matters and discourage investment in its economy' (Neumeister, 2004). But three years later, on 12 October 2007, litigants won an appeal on grounds Sprizzo's logic was faulty (Fabricius 2007). Desperate to put the case behind them, the companies requested a Supreme Court hearing instead of a return to the lower levels. In February 2008, the US' highest court heard arguments from the Bush White House against the 'unprecedented and sprawling' lawsuits. Bush was supported by the governments of Britain, Germany, Switzerland, and even South Africa (Meers 2008). In May 2008, the Supreme Court found that sufficient of their members were in conflict of interest due to personal investments in the apartheid-tainted companies, so that they could not act on the case, and hence returned it to Sprizzo's court, for 2009 consideration.

No matter the outcome and whether it can be extended to victims of slavery, colonialism and neocolonialism (as plaintiffs' strategists envisage), the main point of the strategy is to disincentivise future corporate involvement in repressive regimes. According to South Africa's *Times* newspaper (Rank 2008)*:*

> *Millions of South Africans are eligible to join a class-action lawsuit against US-based multinational corporations accused of aiding and abetting the apartheid government... Nicole Fritz, the director of the SA Litigation Centre, said that companies that were not perpetrators of human rights violations but were complicit in such violations through their dealings with oppressive governments were now potentially liable in law for their actions. The Supreme Court ruling could open the way for similar cases, Fritz added.*

Similar cases would underscore how important it is to disincentivize profits generated through operations within dictatorial regimes. Burma or Zimbabwe are examples, since popular movements have discouraged financial support for the prevailing governments. In mid-2008, just as Robert Mugabe's Zanu(PF) committed torture and murder to ensure his reelection, AngloPlats announced a US$400 million investment in lucrative Zimbabwean mines. Prior to the very unstable deal between Mugabe and the Movement for Democratic Change in September 2008, the Zimbabwe Congress of Trade Unions had requested border blockades by the Congress of SA Trade Unions. The April 2008 refusal of Durban dockworkers to unload three million Chinese bullets was an exemplary case of such solidarity (Larmer 2008).

Aside from situations in which oppressed people request sanctions as part of their pressure campaign, the more general case against multinational corporate investment in Africa includes the argument that extractive industry activity draws out more net wealth than is returned in royalties, reinvestment and backward/forward linkages. Most of Africa suffers dramatic declines in net wealth year on year, as non-renewable resources are taken forever, with most profits repatriated to mining and oil firms headquartered in North America, Europe, Australia and China (World Bank 2006, Bond 2006). The demand for 'ecological debt' repayment is increasingly on the agenda of activist movements such as Jubilee Africa and donors such as ActionAid in order to begin to account for the damage done by such extraction.

As commodity prices plunge from their 2002-07 speculation-driven bubble prices, as trade deals with the North are unveiled as clearly disadvantageous and as trade finance becomes difficult as a result of bank mistrust of counterparty debt, and as hot money portfolio flows dry up and new sources open for hard currency, the argument for 'delinking' (Amin 1990) and 'deglobalisation' (Bello 2002) becomes all the more compelling. The evidence above suggests it is already beginning to happen, in no small part thanks to civil society advocacy.

(Patrick Bond is professor at the University of KwaZulu-Natal School of Development Studies where he directs the Centre for Civil Society.)

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Obama's economic advisors:
Will well-tested enemies of Africa prevail?

By Patrick Bond, 11 November 2008

One of Barack Obama's leading advisors has done more damage to Africa, its economies and its people than anyone I can think of in world history, including even Cecil John Rhodes. That charge may surprise readers, but hear me out.[2]

His name is Paul Volcker, and although he is relatively unknown around the world, the 82 year old banker was recommended as 'a legend!' to Obama by Austan Goolsbee, the president-elect's chief economic advisor (and a professor at the University of Chicago). Volcker was recently profiled by the *Wall Street Journal:* 'The cigar-chomping central banker from 1979 to 1987, he received blame for driving up interest rates and tipping the US into the deepest recession since the Great Depression.'

We'll consider the impact of Volcker's rule on Africa in a moment. But why dredge up crimes nearly thirty years old?

This kind of reckoning is important, as three current examples suggest:

- Reparations lawsuits are now being heard in New York by victims of apartheid who are collectively requesting $400 billion in damages from three dozen US corporations who profited from South African operations during the same period. Supreme Court justices had so many investments in these companies that in May they had to bounce the case back to a lower New York court to decide, effectively throwing out an earlier judgment against the plaintiffs: the Jubilee anti-debt movement, the Khulumani Support Group for apartheid victicms, and 17 000 other black South Africans.
- Last month a San Francisco court began considering a similar reparations lawsuit – under the Alien Tort Claims Act - filed by Larry Bowoto and the Ilaje people of the Niger Delta against Chevron for 1998 murders similar to those that took the life of Ken Saro-Wiwa on November 10, 1995.
- In Boston last month, Harvard University's Pride Chigwedere released a study into preventable deaths – at least 330 000 – caused by Thabo Mbeki's AIDS policies during the early 2000s. The ex-president has 'blood on his hands,' according to Zackie Achmat of the Treatment Action Campaign, requesting a judicial inquiry.

The same critical treatment is appropriate for Volcker, because of the awesome financial destruction he imposed, within most Africans' living memory. His policies stunted the continent's growth when it most needed internal economic coherence. Even the International Monetary Fund's official history cannot avoid using the famous phrase most associated with the Fed chair's name:

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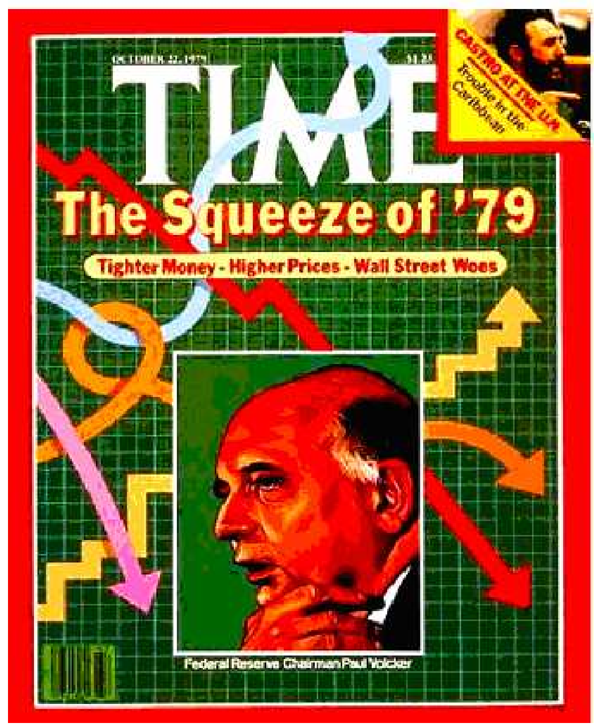
2 . In the US Federal Reserve System a quarter-century ago, I was one of this man's most obscure employees (my job was promoting consumer regulation and community reinvestment), first in Washington in 1981 and again in Philadelphia from 1983-85. So I feel obliged to spill the beans.

> The origins of the debt crisis of the 1980s may be traced back to and through the lurching efforts of the world's governments to cope with the economic instabilities of the 1970s… [including the] monetary contraction in the United States (the 'Volcker Shock') that brought a sharp rise in world interest rates and a sustained appreciation of the dollar.

Volcker's decision to raise rates so high to rid the US economy of inflation and strengthen the fast-falling dollar had special significance in Africa, write British academics Sarah Bracking and Graham Harrison:

> 1979 marked a radical change in global economic policy, inaugurated with the 'Volcker Shock' (so called after Paul Volcker, then chairman of the Board of Governors of the Federal Reserve) when the United States suddenly and dramatically raised interest rates. The sudden change of interest rate policy increased the cost of African debt precipitously, since a majority of debt stock was held in dollars. The majority of the newly independent states had been effectively delivered into at least twenty years of indentured labor. From that point on access to finance became a key policing mechanism directed at African populations.

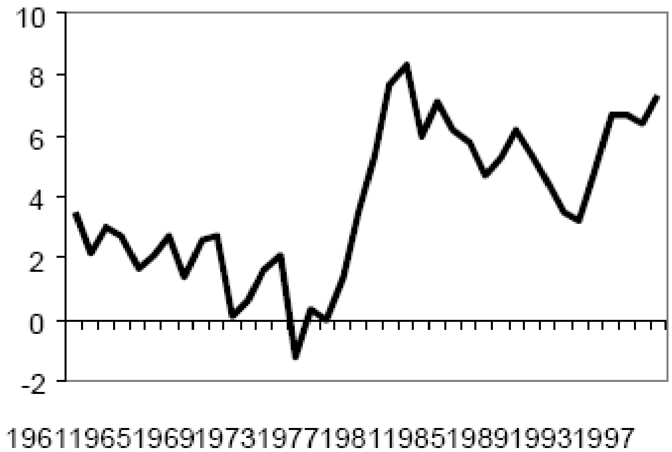
Adds journalist Naomi Klein in her great book *The Shock Doctrine,*



> On their own, the debts would have been an enormous burden on the new democracies, but that burden was about to get much heavier. A new kind of shock was in the news: the Volcker Shock. Economists used this term to describe the impact of the decision made by Federal Reserve chairman Paul Volcker when he dramatically increased interest rates in the United States, letting them rise as high as 21 percent, reaching a peak in 1981 and lasting through the mid-eighties. In the U.S., rising interest rates led to a wave of bankruptcies, and in 1983 the number of people who defaulted on their mortgages tripled.
> The deepest pain, however, was felt outside the US In developing countries carrying heavy debt loads, the Volcker Shock - also known as the 'debt shock' or the 'debt crisis' - was like a giant Taser gun fired from Washington, sending the developing world into convulsions. Soaring interest rates meant higher interest payments on foreign debts, and often the higher payments could only be met by taking on more loans. The debt spiral was born. In Argentina, the already huge debt of $45 billion passed on by the

junta grew rapidly until it reached $65 billion in 1989, a situation reproduced in poor countries around the world. It was after the Volcker Shock that Brazil's debt exploded, doubling from $50 billion to $100 billion in six years. Many African countries, having borrowed heavily in the seventies, found themselves in similar straits: Nigeria's debt in the same short time period went from $9 billion to $29 billion.

US interest rate rise (after inflation) during the Volcker Shock



The numbers involved were daunting for a typical African country. According to University of California economic geographer Gillian Hart, 'Medium and long-term public debt [of low-income countries] shot up from $75.1 billion in 1970 to $634.4 billion in 1983. It was the so-called Volcker Shock… that ushered in the debt crisis, the neoliberal counterrevolution, and vastly changed roles of the World Bank and IMF in Latin America, Africa, and parts of Asia.'

Another leading political economist, Elmar Altvater of Berlin's Free University, recalls how the world 'slid into the debt crisis of the 1980s after the US Federal Reserve tripled interest rates (the so called "Volcker Shock"), leading to what later has been described as the "lost decade" for the developing world.'

How 'lost'? The *British Medical Journal* complained in 1999 of orthodox World Bank structural adjustment policies that immediately followed:

> According to Unicef, a drop of 10-25% in average incomes in the 1980s—the decade noted for structural adjustment lending—in Africa and Latin America, and a 25% reduction in spending per capita on health and a 50% reduction per capita on education in the poorest countries of the world, are mostly attributable to structural adjustment policies. Unicef has estimated that such adverse effects on progress in developing countries resulted in the deaths of half a million young children—and in just a 12 month period.

A few honest mainstream economists also explain Africa's economic crisis in these terms. 'The external shock that might have precipitated the developing country slowdown is the increase in real interest rates after the Volcker Shock in 1979', wrote World Bank senior researcher William Easterly in 2001. 'The interest on external debt as a ratio to GDP has a statistically significant and negative effect on growth.'

A few blocks away from the Federal Reserve, one of Volcker's closest allies was World Bank president Tom Clausen, formerly Bank of America chief executive officer. As the Volcker Shock wore on, in 1983, Clausen offered his Board of Directors this frank confession:

> We must ask ourselves: How much pressure can these nations be expected to

> bear? How far can the poorest peoples be pushed into further reducing their meagre standards of living? How resilient are the political systems and institutions in these countries in the face of steadily worsening conditions? I don't have the answers to these important questions. But if these countries are pushed too far, and too much is demanded of them without the provision of substantial assistance in their adjustment efforts, we must face the consequences. And those will surely exact a cost in terms of human suffering and political instability.

At that point, 'Africa was not even on my radar screen', Volcker told interviewers Leo Panitch and Sam Gindin.

Meanwhile, the Bank's sister institution, the International Monetary Fund, was described by Tanzanian president Julius Nyerere as 'a neo-colonial institution which exploits the poor to make them poorer and serves the rich to become richer.' Volcker had, ironically, played a central role in the destruction of the Bretton Woods system's dollar-gold convertibility arrangement, effectively a US$80 billion default on holders of dollars abroad, when in 1971 he served Richard Nixon as under-secretary of the Treasury (deputy finance minister). Eight years later, even though then-president Jimmy Carter did not know him, he was chosen to chair the Federal Reserve, which sets US (and by extension world) interest rates. Explained Carter's domestic policy advisor Stuart Eizenstat,

> Volcker was selected because he was the candidate of Wall Street. This was their price, in effect. What was known about him? That he was able and bright. And it was also known that he was conservative. What wasn't known was that he was going to impose some very dramatic changes.

In 1985, Ronald Reagan offered Clausen's job to Volcker, but he decided to stay on at the Federal Reserve until he retired in 1987.

Now he is back, and according to a recent profile by the *Wall Street Journal,*

> Obama is increasingly relying on Mr. Volcker. His staff now routinely reviews policy proposals and speeches with Mr. Volcker. Conference calls and face-to-face meetings of the Obama economic team are often reorganized to accommodate his schedule. When the team discusses the financial crisis, 'The most important question to Obama: What does Paul Volcker think?' says Jason Furman, the campaign's economic-policy director… When Sen. Obama raised the prospect of a package of spending and tax measures to "stimulate" the economy, Mr. Volcker disapproved. "Americans are spending beyond their means," he told the group. A stimulus package would delay the belt-tightening and savings needed, he added, proposing instead better regulation and assistance to banks.

By November 8, the odds of Volcker being appointed Treasury Secretary were down to 10%, according to the betting pool at the *Journal.* The race was between New York Federal Reserve Bank president Tim Geithner and former Clinton Treasury Secretary Lawrence Summers, at 40% odds each.

Larry Summers **Paul Volcker**

Geithner served under Summers and Robert Rubin in Bill Clinton's Treasury Department during the 1990s. Summers is best known for the sexism controversy which cost him the presidency of Harvard in 2006. But fifteen years earlier he gained infamy as an advocate of African genocide and environmental racism, thanks to a confidential World Bank memo he signed when he was the institution's senior vice president and chief economist:

> I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that… I've always thought that underpopulated countries in Africa are vastly underpolluted, their air quality is vastly inefficiently low…

After all, Summers continued, inhabitants of low-income countries typically die before the age at which they would begin suffering prostate cancer associated with toxic dumping. And in any event, using marginal productivity of labour as a measure, low-income Africans are not worth very much anyhow. Nor are African's aesthetic concerns with air pollution likely to be as substantive as they are for wealthy northerners.

Such arguments were said by Summers to be made in an 'ironic' way (and in his defense, he may have simply plagiarized the memo from a colleague, Lant Pritchett). Yet their internal logic was pursued with a vengeance by the World Bank and IMF long after Summers moved over to the Clinton Treasury Department, where in 1999 he insisted that Joseph Stiglitz be fired by Bank president James Wolfensohn, for speaking out consistently against the impeccable economic logic of the Washington Consensus.

WORLD BANK OFFICE OF THE CHIEF ECONOMIST

DATE: December 12, 1991
TO: Distribution
FR: Lawrence H. Summers
Subject: GEP

'Dirty' Industries: Just between you and me, shouldn't the World Bank be encouraging MORE migration of the dirty industries to the LDCs [Less Developed Countries]? I can think of three reasons:

1) The measurements of the costs of health impairing pollution depends on the foregone earnings from increased morbidity and mortality. From this point of view a given amount of health impairing pollution should be done in the country with the lowest cost, which will be the country with the lowest wages. I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that.

2) The costs of pollution are likely to be non-linear as the initial increments of pollution probably have very low cost. I've always though that under-populated countries in Africa are vastly UNDER-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City. Only the lamentable facts that so much pollution is generated by non-tradable industries (transport, electrical generation) and that the unit transport costs of solid waste are so high prevent world welfare enhancing trade in air pollution and waste.

3) The demand for a clean environment for aesthetic and health reasons is likely to have very high income elasticity. The concern over an agent that causes a one in a million change in the odds of prostrate cancer is obviously going to be much higher in a country where people survive to get prostrate cancer than in a country where under 5 mortality is is 200 per thousand. Also, much of the concern over industrial atmosphere discharge is about visibility impairing particulates. These discharges may have very little direct health impact. Clearly trade in goods that embody aesthetic pollution concerns could be welfare enhancing. While production is mobile the consumption of pretty air is a non-tradable.

The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods, moral reasons, social concerns, lack of adequate markets, etc.) could be turned around and used more or less effectively against every Bank proposal for liberalization.

In Islam, Kirama Katibin are the two angels sitting on a person's shoulder throughout life. Katibin sits on the left, recording bad deeds, and in modern caricatures takes on the mythical role of the devil whispering in Obama's ear. There we see Volcker, Summers and a whole crew of similar capitalist economists, whispering for a resurgent US based on brutal national self-interest. They need Obama to relegitimate shock-doctrinaire neoliberalism – and in turn, they need Obama's Africa advisors (like Witney Schneidman) to promote military imperialism in the form of the Africa Command.

Where is Africa's Kirama, trying to identify good deeds for the continent's people, economy, environment? Can Obama hear African supporters like Bill Fletcher, Imani Countess and Danny Glover, who made TransAfrica (as one example) a visionary economic justice organization, by fighting the policies of Volcker and Summers? Can AfricaAction, the Institute for Policy Studies, the American Friends Service Committee, Jubilee USA, ActionAid and other genuine advocates for the continent get a word in edgewise, between fits of cackling from the corporate liberals who think they own Obama? Will the president-elect ever get advice from economists James K. Galbraith of the University of Texas or Center for Economic and Policy Research codirectors Dean Baker and Mark Weisbrot, who correctly read the various financial crises way ahead of time, and whose records promoting social justice would serve Africa far better?

Probably not. So it is vital for Africans to wake up to the danger that the likes of Volcker and Summers represent. Anyone paying attention to the continent's economic decline since 1980 knows the damage they did, but Obama apparently needs to hear more of their sins against his father's people before he chooses his Treasury Secretary next week. And while he's at it, how about a revision of Obama's utterly neoliberal 'fundamental objective' for the continent, which is 'to accelerate Africa's integration into the global economy'?