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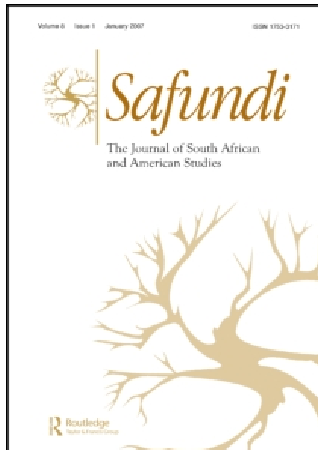

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Competing Explanations of Zimbabwe's Long Economic Crisis[1]

Patrick Bond

Introduction: The Crisis

When did Zimbabwe's apparently endless economic downturn actually begin?

- February 2000, when Robert Mugabe began authorizing land invasions?
- November 1997, when "Black Friday" decimated the currency's value (by 74% in four hours)?
- The prior months, when war vets were given pensions and Zimbabwe put troops into the Democratic Republic of the Congo to back the Kabila regime and secure investment sites?
- September 1991, when the stock market crashed once interest rates were raised to high real levels at the outset of the Economic Structural Adjustment Programme (ESAP)?
- The early 1980s, not long after Mugabe took power?
- Or around 1974, when per capita Gross Domestic Product (GDP) began a fall that has not yet reversed itself?

As an example of conventional elite wisdom, consider Harvard academic and Pulitzer Prize-winner Samantha Power: "The country's economy in 1997 was the fastest growing in all of Africa; now it is the fastest shrinking ... How could the breadbasket of Africa have deteriorated so quickly into the continent's basket case? The answer is Robert Mugabe."[2]

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[1] For more on these themes, see Bond, *Uneven Zimbabwe*; Bond & Manyanya, *Zimbabwe's Plunge*; Bond, "Transition Dangers and Opportunities for Zimbabwe's Economy and Society"; Bond, "Zimbabwe's Hide and Seek with the IMF"; and Bond & Saunders, "Labor, the State and the Struggle for a Democratic Zimbabwe."

[2] S. Power, "How to Kill a Country." *Atlantic Monthly*, December 2003, http://www.theatlantic.com/doc/200312/power (accessed 4 April 2007).

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A somewhat deeper summary position was offered by the US State Department's lead Africa official in 2001:

> The current crisis in Zimbabwe has its roots in many areas. Broadly speaking, poor fiscal policies and rampant government spending—including the cost of Zimbabwe's military involvement in the Congo—set the stage for the present economic meltdown. Due in large part to an illegal and chaotic "fast track" land reform program pursued by the government, the agricultural sector has been badly disrupted.[3]

Others—like local economist Rob Davies—may put the date of crisis in 1997 but turn immediately to blame wealth accumulation—"a peculiarly rampant form of absolute extraction"—by the ruling Zimbabwe African National Union (Patriotic Front) (ZANU-PF),[4] in contrast to some like Sam Moyo who posits that the post-2000 land invasions take forward the "national democratic revolution."[5] For David Moore, the Marxist notion of "primitive accumulation" better captures that particular process,[6] although Davies is correct to point out that a bourgeoisie is not being created; rather, accumulated wealth is being destroyed.

Like Power, many others simply blame Mugabe, often for his allegedly socialist orientation. For the US Agency for International Development (AID), "the country's deep economic crisis is the result of the government's flawed economic and public management policies."[7] The most extreme logic of the neoliberal argument, as Eddie Cross of the Movement for Democratic Change put it in the immediate wake of the opposition's early-2000 constitutional referendum victory, is post-Mugabe liberalization:

> We believe in the free market. We do not support price control. We do not support government interfering in the way in which people manage their lives. We are in favour of reduced levels of taxation. We are in favour of introducing Value Added Tax and we will do so quickly, within six months. We are in favour of a National Revenue Authority. These things are things which the government has been talking about for years. We believe they are sound developments. We would like to cap tax levels, both for individuals and for companies. We would like to reduce the levels of border duties . . . The tax burden is simply not sustainable. It is negative in terms of the way it impacts on our society. Now that means we have got to reduce the size of government and not just talk about it . . . We are going to fast track privatisation. All fifty government parastatals will be privatised within a two-year time frame, but we are going far beyond that. We are going to privatise many of the functions of government. We are going to privatise the

[3] Kansteiner, "Testimony Before the US Senate Committee on Foreign Relations."
[4] Davies, "Memories of Underdevelopment," 32, 37.
[5] Moyo & Yeros, "Land Occupations and Land Reform in Zimbabwe."
[6] Moore, "Zimbabwe's Triple Crisis."
[7] USAID/Zimbabwe, *Operational Plan*, 4.

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> Central Statistical Office. We are going to privatise virtually the entire school delivery system. And you know, we have looked at the numbers and we think we can get government employment down from about 300,000 at the present time to about 75,000 in five years.[8]

For those who instead would seek a more just Zimbabwe, the introduction of ESAP is often the preferred starting point of critique. To be sure, such analysis also emanates from the ruling party. Information officer and former minister Nathan Shamuyarira once remarked of ESAP, "I'm glad that it failed . . . it was a capitalist project."[9] At the same time, vice president Simon Muzenda and then state information minister Jonathan Moyo strongly condemned ESAP, and Mugabe vowed never to return to structural adjustment in October 2001. The Zimbabwe government typically blames the crisis upon Western states and institutions angry about land reform, or mythical "sanctions" (there are only minor smart sanctions against a few dozen individuals in operation), or "the country's detractors" for causing shortages "every time the country comes out of elections,"[10] or even the US and UK governments for allegedly controlling weather patterns to cause droughts.[11]

The regime's self-serving analysis aside, it is true that Zimbabwe's major advances in education and health of the early 1980s were in part reversed by ESAP user fees, and the solid growth rates of the mid/late-1980s under a more controlled economic regime look excellent in retrospect. As articulated by Keynesian economists such as Godfrey Kinyenze in the major civil society analysis of the Zimbabwe economy, the Structural Adjustment Participatory Review Initiative:

> The Zimbabwean economy is in crisis. Economic growth remains erratic and below targets. The balance-of-payments problems that have plagued the economy since the last quarter of 1997 persist. The failure of ESAP to redress the inequalities inherent in the Zimbabwean economy means the majority of the people cannot take advantage of the opportunities that are offered. This is a major impediment to the success of reforms. Forum participants said that the highly dualistic nature of Zimbabwe's economy (in which the white minority dominates formal-sector economic activity and owns two-thirds of high-potential land and the black majority is concentrated in rural, communal areas and urban informal sectors) was never adequately addressed when planning economic reform. By focusing exclusively on the formal sector for economic growth, ESAP neglected the sectors with the greatest potential for employment creation: the informal, small and medium-sized enterprises.[12]

[8] Transcript provided in Bond, "Zimbabwe at the Crossroads."

[9] "Shamuyarira accused of Cheap Politicking over *ESAP*." *Daily News*, 31 October 2001.

[10] "Mass Media Project of Zimbabwe (2005)." *The Zimbabwean*, 29 April 2005 ("Media Watch").

[11] "UK, US 'caused Zimbabwe droughts.'" BBC Online, 28 June 2005, http://news.bbc.uk/2/hi/africa/4630443.stm (accessed 6 June 2007).

[12] Structural Adjustment Participatory Review Intiative, Harare, 2–3 September 1999: "Zimbabwe Opening National Sapri Forum," http://www.saprin.org/zimbabwe/zimbabwe_forum1.htm (accessed 3 April, 2007).

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Indeed in recent years there has been a tremendous outpouring of oppositional analyses about what ails Zimbabwe, especially from independent intellectuals.[13] These are primarily and overtly contemporary *political* analyses of the problems, which are certainly welcomed. But might *political-economic* arguments originating several decades ago matter to contemporary strategy and discourses?

I think so, in no small part because while the specific form of the current crisis is obviously very much based upon President Robert Mugabe's desperation to hold on to power at all costs, there is also a much deeper problem that transcends the rise of the new Zimbabwe elite. For Jonathan Moyo, who during the early 2000s acted as Mugabe's main spin doctor, that rise could be captured in a presidential election slogan: "the land is the economy and the economy is the land." Trivial at one level and substantively incorrect, still, the slogan calls forth what Terence Ranger terms "patriotic history":

> This condensed resistance history could be communicated at various levels, from the relatively sophisticated to the crudely racist. The essential message was spelt out by Godfrey Chikowore in an article in the *Herald* of 16 February 2002 entitled "Defending our Heritage. Armed Struggle should serve as Guiding Spirit." Each presidential candidate, said Chikowore, "should produce manifestos which spell out clearly that they are going to uphold Zimbabwean values and heritage and restore a sense of patriotism among Zimbabweans."[14]

Party manifestos and advertisements for subsequent elections, especially the parliamentary campaign of 2005, were far less based upon interpretations of political and historical processes than earlier (perhaps because of Moyo's departure from ZANU-PF), and far more upon economics: whether there was a genuine recovery thanks to Reserve Bank governor Gideon Gono's temporary accessing of foreign exchange and proto-Keynesian monetary stimulation; whether improved access to

[13] A partial list merely since 2000 includes Moore & Leddy, *Zimbabwe*; Moore, *Suffering for Territory*; Raftopoulos & Savage, *Zimbabwe*; McKinley, "South African Foreign Policy towards Zimbabwe under Mbeki"; Phimister & Raftopoulos, "Mugabe, Mbeki and the Politics of Anti-Imperialism"; Raftopoulos, "Nation, Race and History in Zimbabwean Politics"; Raftopoulos, "Zimbabwe Now"; Ranger, "Nationalist History, Patriotic History and the History of the Nation"; Campbell, *Reclaiming Zimbabwe;* Hammer *et al.*, *Zimbabwe's Unfinished Business*; Manyanya, *NEPAD's Zimbabwe Test*; Ranger, *The Historical Dimensions of Democracy and Human Rights in Zimbabwe*; Booysens, "In the Crossfire of Wars of Political Survival"; Nhema, *Democracy in Zimbabwe;* Raftopoulos, "Briefing: Zimbabwe's 2002 Presidential Election"; Sachikonye, "Whither Zimbabwe?"; Taylor, "Zimbabwe and the Death of Nepad"; Yeros, "Zimbabwe and the Dilemmas of the Left"; Ajulu, "Zimbabwe at the Cross Roads - What Next?"; Bhebe, *The Historical Dimensions of Democracy in Zimbabwe;* Dansereu, *Labor, Capital and Society*; Moore, "Democracy is Coming to Zimbabwe"; Moore, "Is the Land the Economy and the Economy the Land?"; Nest, "Ambitions, Profits and Loss"; Raftopoulos & Sachikonye, *Striking Back*; Rutherford, *Working on the Margins*; Yeros, *Labor Struggles for Alternative Economics in Zimbabwe*; Alexander *et al.*, *Violence and Memory*; Alexander, "The Zimbabwean Working Class, the MDC and the 2000 Election"; Bowyer-Bower & Stoneman, *Land Reform in Zimbabwe*; Catholic Commission for Justice and Peace in Zimbabwe and Legal Resources Foundation, *Breaking the Silence, Building True Peace*; Chattopadhyay, "Zimbabwe"; Dashwood, *Zimbabwe*; Kriger, "Zimbabwe Today"; Moore, "The Alchemy of Robert Mugabe's Alliances"; Moyo, *Land Reform and Structural Adjustment in Zimbabwe*; Moyo, "The Political Economy of Land Acquisition and Redistribution in Zimbabwe"; Moyo *et al.*, *NGOs, the State and Politics in Zimbabwe*; Saunders, *Never the Same Again* and *Zimbabwe: Human Development Report 1999*.

[14] Ranger, "Historiography, Patriotic History and the History of the Nation."

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international markets and finance—in turn contingent upon removing Mugabe—would save Zimbabwe; and whether ordinary people would gain access to market mechanisms that were often beyond the constraints of affordability.

Today, in the wake of Gono's failed August 2006 "zero to hero" anti-inflation gimmickry aimed at rejigging the currency, as Gono himself comes under fire for corruption from disgruntled elements in the ruling party, it may be useful to revive an historical perspective on the economy. There are several reasons to do so, including the historian's search for insights about the present. In his own recent revival of structuralist history, Colin Bundy quoted John Iliffe on the long-term effects of economic conquest:

> As each colony became a specialised producer for the world market, it acquired an economic structure which often survived throughout the twentieth century . . . most colonies retained throughout their history the economic trajectory acquired before the First World War.[15]

For Bundy, this raised the question of whether "scholars pay as much attention as they might to the persistence of structures, or the constraints of the *longue durée* . . . [by indentifying] patterns of accumulation and dispossession over the decades, and the economic structures and social relations that these generated and reproduced."[16]

There are indeed scholars working on these issues in Zimbabwe, including Brian Raftopoulos and Ian Phimister:

> Broadly speaking, the crisis has three overlapping dimensions: that of Pan-African and Third World solidarity in the face of renewed imperialist aggression; the break-down of the liberation struggle consensus; and the limitations of post-colonial development in the context of globalization.[17]

Because those three dimensions are so well analysed by Raftopoulos and Phimister, I will use the pages below to revisit a different explanation of Zimbabwe's long-term economic crisis, which really set in around 1974 (when imperialism, globalization and postcolonial politics were not factors operating with the same intensity as they are today). I argue that Zimbabwe—like South Africa and indeed the entire world—faced a durable problem that can best be termed the "overaccumulation of capital." This refers, simply, to a situation in which excessive investment has occurred and hence goods cannot be brought to market profitably, leaving capital to pile up in sectoral bottlenecks or speculative outlets without being put back into new productive investment.

Overaccumulation is based upon the continual drive in capitalist firms towards the introduction of state-of-the-art production processes, especially labor-saving machinery, at the risk of overproducing. Intercapitalist competition intensifies within increasingly tight markets, as fewer workers can buy the results of their

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[15] Iliffe, *Africans*, 187, 202.

[16] Bundy, "The Presence of History."

[17] Raftopoulos & Phimister, "Zimbabwe Now."

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increased production. In turn this results in a still greater need for individual capitalists to cut costs. It is true that there are countervailing tendencies to this process, such as an increase in the turnover time of capital, automation, and work speed-up, as well as expansion of the credit system. But these rarely overwhelm the underlying dynamic for long. Symptoms of overaccumulation include unused plant and equipment; huge gluts of unsold commodities; an unusually large number of unemployed workers; and, as discussed below, the inordinate rise of financial markets. When an economy reaches a decisive stage of overaccumulation, then it becomes difficult to bring together all these resources in a profitable way to meet social needs.

Historian Robert Brenner finds contemporary evidence of this problem insofar as "costs grow as fast or faster in non-manufacturing than in manufacturing, but the rate of profit falls in the latter rather than the former, because the price increase is much slower in manufacturing than non-manufacturing."[18] This is not an easy matter for measurement, because of the jerky (not smooth, incremental) manner in which firms add or subtract capacity (e.g. *temporarily* mothballing factories and equipment). Moreover, there are many ways in which overaccumulation problems can be shifted/stalled into other sectors of the economy, geographically and temporally.[19] In different ways, other leading political economists—Simon Clarke, Ernest Mandel, Harry Shutt, Robert Biel, David Harvey—have argued that the roots of the 1970s-90s global capitalist slow-down lie in the classical problem of overaccumulation, even if the *displacement* of overaccumulation does not make the crisis as evident as it was in, say, October 1929.[20]

Is there any basis for using this framework in a highly regulated siege economy on the periphery of the world economy, especially during a time of intensifying war? I think so, and would further posit that by avoiding the problem of the *organic* nature of overaccumulation processes and associated class structure in Zimbabwe, virtually all strategists of social change have missed an opportunity to weaken the Mugabe dictatorship.

The rest of this paper asks how overaccumulation appeared in what was then termed Rhodesia, during the 1970s. As shown in more detail below, the manufacturing sector witnessed immense increases in accumulated stocks and inventories, and then an extraordinary decline in capacity utilization. By all accounts, the resulting drought of industrial investment has remained the single major constraint on the economy's growth. Efforts to displace the economic problems

[18] Personal communication, 9 November 2004. See also Brenner, "The Economics of Global Turbulence," 102–111, Figure 8, Table 9; and Brenner, "New Boom or New Bubble," 65–69.

[19] For the purposes of measurement, I constructed a proxy based on inventory stocks drawn from the manufacturing sector in the annual, quite reliable Census of Industrial Production series, and documented overaccumulation during the 1970s in Bond, *Uneven Zimbabwe*, Chapters 5–6. The results are summarized below.

[20] Clarke, *Keynesianism, Monetarism and the Crisis of the State*, 279–360; Mandel, "Theories of Crisis"; Shutt, *The Trouble with Capitalism*, 34–45; Biel, *The New Imperialism*, 131–189; and Harvey, *The New Imperialism*.

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in various ways have come to naught, in part because the diagnosis of the underlying problem is incorrect.

What Kind of 1970s Crisis?

The late 1970s crisis was of Great Depression scale. From 1974 to 1978, manufacturing production declined 27% and capacity utilization fell by 38%.[21] How might we best explain this awesome slump? Economists have loosely interpreted Rhodesia's problems by recourse to a wide variety of factors exogenous to an internal logic of market failure.[22] Roger Riddell, for example, cites:

- major political disruption and uncertainty (especially war);
- a series of poor agricultural seasons;
- the international rise in oil prices; and
- the increasing foreign-exchange dependence of manufacturing growth and decreasing role of manufactured exports in the economy.[23]

But these are unsatisfactory, for several reasons. Sanctions, for example, cannot be held wholly responsible for long-term deterioration in income terms of trade, since they mainly affected export volumes (not export values or imports). In any case, by 1968 their effect was "negligible, causing a fall in export volumes of only about 5%," according to Davies. "Sanctions are likely to have had a once-and-for-all effect on the terms of trade, causing an initial but not a continuous deterioration."[24] And international influences were muffled, as a brief global downturn in 1971 had no visible effect on the Rhodesian economy (GDP growth increased from 2.2% in 1970 to 8.8% in 1971 and 8.5% in 1972).

Even foreign-exchange dependence of manufacturing production could not have been the crucial factor, since in 1975, when net capital investment in manufacturing reached a peak of R$125 million, manufacturing import allocations were a third lower than in 1974, when net capital investment was R$102 million. There were even greater capital investments in normally import-intense major projects (mining, electricity, and water supply) in 1976 and 1977, despite steadily diminishing foreign import allocations.[25] Indeed, most manufacturing subsectors had reached unprecedented levels of import self-sufficiency by the late 1970s, well after the crisis had set in. Exports as a percentage of imports in the manufacturing sector had risen from 15% in 1952 to 40% at UDI to more than 70% just prior to independence. Even in the metals and metal products subsector, the self-sufficiency ratio reached 70% by 1979. Foodstuffs, beverages and tobacco, textiles, clothing

[21] World Bank, "Staff Appraisal Report," 9.

[22] For a review, see Burdette & Davies, "The Zimbabwe Economy."

[23] Riddell, "Zimbabwe," 352–353.

[24] Davies, "Discussion Note on Chapter 13."

[25] Central Statistical Office, *Census of Production 1979/80, 21;* RAL, *Executive Guide to the Economy*.

and footwear, and wood and furniture all recorded export levels far greater than import levels.[26]

As for the war, this was the main reason for increased government spending—to more than 40% of GDP by 1979 (there was also extensive investment by the parastatal electricity supply authority, which recorded huge capital spending from 1975 to 1978). While in aggregate economic terms the war may have been countercyclical during this period (i.e. slowing down the underlying economic decline as the state artificially boosted effective demand), nevertheless the skills shortages, social tensions and physical destruction probably overpowered any military-Keynesian economic stimulation. However, Davies argues that "Because of the substitution of black for white workers that has taken place, I would argue that the effects of the war on output have not been great, and that one has therefore to look elsewhere for the primary reasons for the recession."[27]

Davies and Colin Stoneman instead take recourse in "underconsumption" as an explanation: "It is generally accepted that the discrimination against the rural population and the low level of black wages must have restricted the size of the internal market."[28] Industrialists themselves viewed the problem primarily in these terms at particular junctures, with 57% of those polled by the University of Zimbabwe in 1981 (a year in which large real consumption increases actually occurred) citing insufficient domestic buying power as a factor constraining industrial expansion. It is true, too, that from 1974 to 1978, as the recession hit black workers especially hard, larger purchases such as furniture (blacks made up 51% of the domestic market) and even clothing and footwear (68% of the market) suffered reductions of 28% and 12%, respectively.[29]

On the other hand, however, total consumption expenditure by private residents actually increased in real terms from 1974 to 1976. The single most substantial annual decline in total consumption during the crisis was then 12% (in 1977), a smaller drop than that experienced elsewhere in the economy (for example, in manufacturing capacity utilization).[30] And while black wages were extremely low, the share of gross operating profits relative to wages was actually lowest (36%) in 1977 and 1978, the two years of deepest recession. Moreover, from 1978 to 1980, profits took a high and increasing share of national income, yet this was the period in which recovery began. Moreover, while manufacturing and agricultural investment were devastated by the downturn, private consumption expenditure in the (mainly white) luxury-goods market was not nearly so badly affected, which in turn suggests that underconsumption was not obviously the driving force behind the crisis.

[26] Davies, "Discussion Note on Chapter 13," 300.
[27] Ibid.
[28] Davies & Stoneman, "The Economy," 95–96.
[29] Wield, "Technology and Zimbabwean Industry," 128, 107.
[30] CSO (various years), *National Income and Expenditure Report.*

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However, Colin Stoneman quickly advanced beyond simple underconsumption theory by noting the disarticulation of production and consumption, in Rhodesia's notoriously skewed racial context:

> The market became more distorted in the direction of luxury consumption, a tendency reinforced by sanctions against imports. A number of manufacturing industries (in particular in food processing and clothing) had developed to supply black needs both domestically and in the Federation, and their attention was redirected to the white market . . . Much of the new industry has therefore been at the expense of far more urgently needed rural investment and is furthermore geared to supplying luxury products on a very small scale, rather than the basic requirements of the population as a whole.[31]

This kind of uneven sectoral development closely matches other more general arguments about failed *luxury-oriented* import substitution industrialization models in the Third World, as for example explained by Alain de Janvry and Fred Nixson.[32] Nevertheless, the blame for Rhodesia's crisis cannot be laid primarily at the door of low-income blacks' failure to gain access to "basic need" commodities relative to their consumption of these in prior years. Throughout the 1970s, the major food processing industries reflected the residual strength of consumption in both white high-income and black low-income markets. Beer suffered virtually no under-consumption crisis, and along with cigarettes, represented the largest single item (15%) of personal consumption expenditure. Similarly, meat processing and dairy products experienced significant build-up of inventories mainly during the few years occasioned by factors in the fields, but both subsectors continued growing in real terms during the four worst years of economic slump.

Finally, underspending in key countercyclical sectors (like construction) is not a convincing reason for the crisis, because if such were the case, post-Independence state fiscal expansion and sustained building activity would have led to a more sustainable growth path than was ultimately experienced. In sum, with factors such as investment, capacity utilization and production falling far faster and further than consumption, it is on the supply side, not the demand (underconsumption) side, that we might better focus our attention.

Overaccumulation as Explanation

While by no means denying the reality of (unquantifiable) exogenous problems, a classical Marxist approach attempts to unveil structural constraints to growth that continued well beyond the 1970s era of war, drought, high oil prices and lack of foreign exchange. To follow this approach we can employ official data covering manufacturing output, investment, year-end inventories ("stocks") and capacity

[31] Stoneman, "The Economy," 281.

[32] de Janvry, *The Agrarian Question and Reformism in Latin America*; Nixson, "Import-Substitution Industrialization," 50.

utilization for evidence of overinvestment, overproduction and overaccumulation in the UDI economy.

Some aggregate data illustrate the intensity of the overaccumulation problem. Taking 1970 as a base year, in real terms, new investment rose by a factor of more than three by 1975, manufacturing output rose to levels 60% higher, and capacity utilization and profits rose significantly. During the process, plant and equipment grew enormously as the manufacturing process deepened substantially. In contrast to earlier small-scale, extensive investments, the mid-1970s investments were extremely capital-intensive. Then, following the 1975 peak, ratios of inventories to output, and especially of inventories to new investment, soared as the problem rapidly became full-blown. (This is as clear evidence of overaccumulation as may have existed at this point anywhere, yet was by and large ignored by Rhodesia's period economists.)[33] Net profit rates as a percentage of gross national income rose to more than 20% in the early 1970s, but declined rapidly thereafter, to 12% in 1977.

Can the origins of overaccumulation be pinpointed to a specific sector of the economy? In Rhodesia, the rhythm of overaccumulation in various manufacturing subsectors relative to the growing overaccumulation crisis in the economy as a whole, can be crudely measured as a ratio of year-end stocks to gross output, an "overaccumulation ratio" which for the manufacturing sector as a whole increased from 21% from 1970–73 to 28% in 1976.

Of the sectors responsible for the greatest volume of manufacturing output—base metals, metal products, textiles, grain milling, dairy, fertilizers, and meat processing—the worst overaccumulation (with ratios double the average in the late 1970s) was experienced in base metals (mainly steel). Moreover, the dramatic increase in steel overaccumulation from 1974 is timed exactly with the onset of general manufacturing stagnation. Metal products showed overaccumulation tendencies no worse than those of the economy at large, while textiles hit record levels of overaccumulation in 1975, 1976 and 1978, approximately 50% higher than the economy's average. Each of these sectors was producing some R$250 million in output by the end of the 1970s. The next four major subsectoral sources of output, ranging from R$120 million to R$140 million by decade's end, were grain milling, dairy, fertilizers and meat processing. These agriculture-driven sectors were profoundly affected by weather conditions, but their periodic introduction of new machinery also had some effect on the tendency to overaccumulation of stocks relative to output, as previous figures have demonstrated.

Most importantly, however, because the capacity to hold such stocks is extremely limited, the overaccumulation ratios of these four subsectors in relation to those of the rest of the manufacturing sector were extremely low. Clothing and transport (ranging from R$100 million to R$120 million by 1980) both witnessed extremely

[33] There was a single Zimbabwean researcher who put a finger on the theoretical basis for the crisis of manufacturing overaccumulation—if only partially and momentarily—and it is worth recording this. Angela Cheater examined "Zimtex" (a pseudonym for a major textile firm in the Midlands), and discovered a clear "crisis of overproduction" in the early 1980s: Cheater, *The Politics of Factory Organization*, 143–149.

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high ratios in the early 1970s (in the vicinity of double the national average), followed by average ratios in the mid-1970s and an increase at the decade's end. Other subsectors that drove the overaccumulation process in the mid-1970s (i.e., with a significantly higher ratio than the average from 1974–78) were tobacco and knitted products. In sum, there is a relatively uneven sectoral pattern evident, with areas of potential export such as metals and textiles having vast overcapacity problems in the mid-1970s. Instead, the importance of this data is in its reflection of the geographical limits to growth, a subject touched on shortly.

The state made valiant efforts to balance investment in the appropriate capitalist sectors, while basically ignoring the needs of the African majority. UDI-era manufacturers placed exorbitant emphasis on luxury-goods production for the domestic white market, rather than expanding into extensive low-cost consumer goods, which might have helped generate increased buying power in the process and which would have had greater export potential into independent Africa. Not only did the political-economic climate overencourage producers of certain capital goods, it ultimately widened the socioeconomic and political divisions between whites and blacks within Rhodesia. Soon, the depth of the economic crisis proved a greater threat to the business establishment than the prospect of government by nominally "Marxist-Leninist" forces, with whom business leaders increasingly sought reconciliation.[34]

This survey of overaccumulation in Rhodesia during the 1970s suggests the relationship between investment and build-up of year-end stocks that was at the root of the economic slump. But overaccumulated capital may have been displaced, temporarily, or at least more effectively managed, were it not for other exogenous factors that drained the regenerative capacity of the productive sectors. We have observed evidence of overaccumulation in Rhodesia in the form of a massive increase in unutilized plant, equipment, stocks and unemployed workers. Capital had piled up in a variety of sectoral bottlenecks, with fewer and fewer opportunities for reinvestment in the productive process.

Devaluation of overaccumulated capital appeared inevitable, but as always would be resisted. Countervailing state-led strategies—in particular, expansion of public works projects and decentralization of industrial activity away from the main business centres (Salisbury and Bulawayo)—were deployed, rather weakly, as a response to these problems.

In contrast, in much of the world during the mid-1970s, geographical responses to overaccumulation were emerging at qualitatively greater scales. These often entailed dangerously high levels of government debt as the basis for expanding public infrastructure, often in outlying areas beyond the major urban centres. In part this strategy reflected the inability of the market to lead new geographical investment, at a time when a global property market collapse sent clear signals that new construction offered an unattractive outlet for overaccumulated capital. In Rhodesia,

[34] The Centre for African Studies printed a series of statements of local business leaders, who, from mid-1976, finally established that "white-minority rule is an anachronism." Centre of African Studies, "Zimbabwe."

what was most difficult about the potential displacement of overaccumulation across geographical space, it appears, was that massive and ultimately extravagant *intensive* manufacturing and mining investments characterized the mid-1970s.

These intensive investments consequently made it difficult for state and capital to accomplish a smooth and sustainable switch of funds into more spatially and sectorally *extensive* productive circuits. Moreover, the ability of the state to increase infrastructural investments (water and electricity) or black housing in countercyclical fashion during the late 1970s was constrained by mounting budget deficits and by war. The war itself may have provided some stimulation to the besieged economy, yet to the degree that it amplified uneven sectoral development by drawing resources into military production, this further curtailed buying power in the consumer market, as witnessed by ever higher levels of taxation, not to mention the interruption of rural trade in many areas. Furthermore, there were diminishing prospects for further import substitutions, given the small absolute size of local markets.

As a result, uneven geographical development was also accentuated during the late-1970s crisis. By the mid-1970s, intensification of production processes in industrial districts, in mines, and on commercial farms centralized investment and led to even more inequality in urban, rural, and regional development. The towns were overwhelmed by flows of war refugees; at the same time employment levels in the urban manufacturing sector suffered enormously, and there were also deep (white) emigration-related cuts in domestic services employment (black maids and gardeners). Commercial farms were in the midst of their purge of farm-workers, which affected, between 1974 and 1983, some 100,000 employees and their families.

The Rhodesian Front regime is largely to blame for the way the brunt of the crisis was borne by those in society who were already worst off. Yet the preceding litany of geographical unevenness and human degradation is not the full story. Many of the other factors determining the economy's spatial limits—world recessionary barriers to exports, the intensive (not spatially extensive) nature of the mid-1970s investment wave, the limited buying power for housing commodification in black townships, overproduction (and subsequent land underutilization) on commercial and communal farms—can be traced not merely to state oppression and neglect, but quite directly to the very laws of motion of Rhodesian capitalism.

Of course this argument is not meant to excuse the Rhodesian Front regime for failing to creatively invest surpluses that had built up in the economy. However, it is to argue that the geographical barriers to growth were substantial, and that in a sense, capital imposed some of these upon itself. The proof of the argument lies in the endurance of the distorted geographic logic of capitalism following independence. In sum, given the contingencies of the UDI period, all these diverse geographical factors ultimately limited—rather than enhanced—the capacity of capitalists and policy-makers alike to cope with the economic crisis by systematically displacing it across space.

In conclusion, overaccumulation was the underlying economic dynamic of the 1970s, and the potential displacement of overaccumulated capital across space and

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through time was half-hearted and infeasible. At the end of the day, only a political transition would remove the geographical and temporal constraints to crisis displacement, albeit partially (exchange controls still prevailed, after all) and temporarily. Notwithstanding the barrage of official propaganda about the unpopularity of the Patriotic Front amongst the masses, smart investors turned decidedly liquid during the late 1970s, fearing the eventual outcome, the nominally socialist ZANU-PF government of Robert Mugabe.

Post-Independence Overaccumulation

Overaccumulation of capital, economic decline, and worsening unemployment were not solved during the 1980s. The reasons for persistent lack of post-Independence economic dynamism are complex, as they reflected in large part subjective issues such as white investor confidence (extremely negative until around 1984), an ongoing fall in the rate of corporate profit, and the failure by the ZANU-PF government to substantially alter wealth and income distribution to improve the buying power of the masses. Some related to international economic factors, although Zimbabwe initially grew rapidly from 1980 to 1981, in the midst of the world's worst recession since the Great Depression.

The response by state and capital to the 1980s stagnation, as in the late 1970s, could be characterized as ''muddling through.'' The main socioeconomic principle seemed to be maintaining the existing economic structure intact so as to renew (and extend slightly downwards into the mass of potential black consumers) the trajectory of growth that was interrupted during the 1970s. Stagnation in the key sector of the economy—manufacturing—essentially represented a continuation of crisis tendencies that had surfaced in the mid-1970s. Profits in all the productive sectors (manufacturing, mining and agriculture) were anaemic during most of the 1980s. Although agriculture experienced a healthy upturn when there were rainy seasons, most corporate profit rates were stagnant (manufacturing) or falling (mining and all other private sector firms).

Other aspects of the economy reflect the overall deterioration. Exports rose an average of 3.5% annually during the 1980s in local currency terms, but this was largely as a result of an erratic but significant devaluation of the Zimbabwe dollar, and was barely noticed given chronic balance-of-payments problems. As the private sector languished, government expenditure was increasingly responsible for Gross Domestic Product formation, though this occurred less in terms of traditional (and costly) civil engineering projects (which would have kept capital formation at respectable levels), and more in terms of recurrent expenditure, including straight income transfers. The government deficit thus typically exceeded 10% of expenditures, as much as three fifths of which paid for interest due on past debt. Government debt repayment to foreign creditors rose from 4% of export earnings in 1980 to an excruciating peak of 35% in 1987, before falling off to around 20% at the time a fresh round of foreign borrowing began in 1990. Inflation averaged 15%

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during the 1980s, with nominal interest rates at 12%, yet the savings rate averaged a respectable 20% of income.

Underlying the generalized stagnation, by all accounts, was a lack of fixed investment. The World Bank attributed stagnation to "low levels of investment in the productive sectors of the economy. Investment has probably not been adequate to maintain the capital stock, let alone increase it and raise productivity." What the Bank would probably not concede is that this stemmed from the overinvestment of the mid-1970s and the skewed nature of effective demand in the economy. The Bank noted that total new investment by corporations listed on the Zimbabwe Stock Exchange amounted to US$466 million from 1980 to 1982, and just US$355 from 1983 to 1987 (in 1980 prices).[35]

As noted earlier, it was particularly difficult to attract multinational corporate investment. The African-American Institute and American Bar Association sponsored a conference on "Investment in Zimbabwe" in New York City in early 1982, but of the many major corporations present at the conference[36] only HJ Heinz Company made a high-profile new investment (in Olivine Holdings, along with the government). In the wake of a global shift from direct foreign investment by multinationals in the 1950s and 1960s, to portfolio investment (loans and other credits) by banks in the 1970s, to a reverse net flow of funds from South to North in the 1980s, it was naïve to think that Zimbabwe could buck the trends. The reasons for lack of new multinational direct investment are varied. According to an unusually candid assessment by the World Bank,

> Some observers emphasise low returns to multinational parent companies, the extensive government restrictions over decisions over most aspects of production and investment, and the high degree of political and economic uncertainty surrounding any new investment. Others point to high profits, a comfortably protected economic environment and the dearth of new investment inflows from parent companies, despite a stream of remittances. Both views have some truth in them . . . Perceived from the viewpoint of foreign-controlled companies, there is also an important element of strategic behaviour; thus their reluctance to invest may be seen as a strategic tactic intended to elicit more favourable terms and to establish a set of ground rules which would be more akin to their long-term interest.[37]

And indeed, of industrialists active in Zimbabwe during the 1980s, the multinational corporations performed much worse in terms of reinvestment in plant and equipment than even the local industrialists (who are widely known to favor personal luxury consumption over and above a long-term commitment to Zimbabwean capitalism). The World Bank found that in the first three years after

[35] World Bank, "Zimbabwe: Private Investment and Government Policy," 44; World Bank, "Zimbabwe: Agriculture Sector Memorandum," 5. Other data noted in subsequent paragraphs are sourced from Bond, *Uneven Zimbabwe*.

[36] These included Leon Tempelsman & Son, Johnson & Johnson International, Ford Motor, Caltex, Xerox, Westinghouse, Ingersoll-Rand Company, Mobil, NCR Corporation, General Motors, Goodyear, Union Carbide Southern Africa, and PepsiCo.

[37] World Bank, "Zimbabwe: Private Investment and Government Policy," 44.

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independence, investment by foreign companies totalled US$338 million (in 1980 dollars), while the following five years (1983–87) witnessed a mere US$191 million in new investments by foreign firms.[38]

It would, however, have been unreasonable to expect foreign firms to invest in a stagnant economy when local producers were putting their surpluses elsewhere. Fixed capital expenditure across the manufacturing sector—still the motor of the economy, representing more than a quarter of GDP—was low because it had been so high a decade earlier, and because at the end of sanctions a minor burst of investment activity also took place that soon left markets saturated again. In general, consumer capacity was too quickly saturated, and export markets difficult to penetrate.

The overaccumulation problem was by no means evenly felt. Some light consumer-goods industries (especially food processing) continued to experience a steady expansion. Heavy investments continued in beer, wine and spirits, printing and publishing, meat processing, milling, dairy products, soft drinks and bakery products. But given persistent income inequality and the previously better-balanced nature of Zimbabwe's industrial base, the swelling of smallish food subsectors made little impact on macroeconomic growth. Capital goods appeared terminally weak. Overall, the most important reflection of manufacturing investment inactivity was the existing low level of capacity utilization experienced virtually across industry. While bottlenecks and shortages appeared periodically, and while the first two years of independence certainly witnessed large imports of foreign machinery to replace old equipment (although much of it was on tied-aid terms such as that of US AID's Commodity Import Program), overall there remained an excess of capital already invested in the manufacturing production process to realise a rate of return competitive with other investments. By the time the CZI began quarterly surveys in late 1984, capacity utilization rates were down to 75%, and they fell to as low as 62% in 1987.

CZI members' capacity utilization rates rose following the 1987 downturn, in part because such extremely small amounts of money had been invested in equipment, plant and machinery throughout the Zimbabwe economy from 1985 to 1988. With low levels of existing utilization in the mid-1980s, the perceived need for new capital investment had diminished even further, and remained very low (from 1985 to 1988, according to official statistics, the rate of increase in gross fixed capital formation as a percentage of GDP averaged just 13%, one of the lowest on record, and well below fixed capital replacement rates). In real annual terms (measured in 1980 Z$), such investments amounted to only two thirds (around Z$200 million) of the amount invested in 1974 (R$325 million). In the manufacturing sector in particular, the entire investment in new plant and equipment amounted to just Z$60 million in 1986, and total fixed capital formation in manufacturing was just Z$116 million—as compared to total fixed capital formation in manufacturing of R$180 million in 1975 (also 1980 Z$). Moreover, other outmoded plant and machinery had been taken off-stream at this stage.

[38] Ibid.

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The late 1980s finally witnessed a genuine recovery in the economy—to some degree due to good agricultural seasons—following an extremely bad period (1982–87) in which gross national income either declined or rose by less than 1.5% in five out of six years.[39] There was, particularly, an expansion of real manufacturing output—5.9% in 1989, 6.1% in 1990—in excess of growth of the economy as a whole (4.6% and 2.2%, respectively). Although manufacturing grew by just 2.7% in 1991 (against GDP growth of 4.3%), capital investment was by now picking up. Capacity utilization and new investments had little choice but to show some improvement at this point, but it was too little too late. Although there was a substantial increase in manufacturers' real fixed investment in 1989, it was only in 1990 that total real gross capital formation reached levels achieved from 1980–82, and these were still far short of the investments made back in 1974–75.

Moreover, many companies leading the investment mini-boom—for example, the Z$1.5 billion sunk into textiles and Z$230 million into paper and packaging from 1990 to 1993 were nearly all by the largest firms—regretted doing so, according to Sachikonye, since it "resulted in huge financial exposures as interest rates soared above 40% in 1992 and early 1993."[40] Not only was investment financially burdensome for many large enterprises (industry leaders Cone Textiles and Hunyani packaging essentially went bankrupt), but government had then to be lobbied hard for the reimposition of protective tariffs against imported clothing, textiles and paper.

Moreover, few jobs accompanied the new investments. The World Bank argued that the excessively capital-intensive nature of the late 1980s investments was due to several factors:

> . . . foreign exchange was overvalued and depreciation expected, subsidized foreign exchange cover was provided, real interest rates were negative, foreign companies were forced either to reinvest or deposit blocked and surplus funds in accounts at 5% interest, corporate taxes were high (50%) and investors were allowed to immediately write-off 100% of investment cost from taxable income . . . The manufacturing sector uses capital very inefficiently and has a very high incremental capital to output ratio . . . Over the last few years, the capital productivity has been declining and labor productivity increasing, leaving overall productivity very low.[41]

Thus, despite becoming vastly more productive during the late 1980s, labor's share of total output crashed from a high of nearly 20% in 1982 to 14% a decade later. As a corollary, in relation to the earlier period of stagnation, manufacturing profitability was extremely impressive during the late 1980s (gross profit margins of 21% of sales, compared with 15% from 1980 to 1985), with firm earnings "much higher than the rate observed in developed countries."[42]

[39] As a reflection of the (inflation-adjusted, Z$1980) effective demand shrinkage over this period, private final consumption expenditure, which had reached Z$382 per capita in 1983, sunk to Z$226 in 1987, a decline of 41%.
[40] Sachikonye, "Industrial Relations and Labor Relations under ESAP in Zimbabwe," 144.
[41] World Bank, "Zimbabwe: Achieving Shared Growth," 6.
[42] Ibid., 121–123.

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Yet the economy's contradictions could not be suppressed for long. What with adding these new capital-intensive investments to a chronically overaccumulated economy, it would only be a matter of another few months (late 1991) before manufacturing again found itself the victim of massive overcapacity, plummeting investor confidence, and the need for enormous downsizing. By 1993, enormous underutilized capacity reappeared in manufacturing. Indeed, reported the Bank, using existing equipment and modes of operation, firms could at that point still increase their output by an astonishing 80% before hitting technical barriers: "These numbers are dramatic as they do not incorporate stretching of capacity through extra shifts. However, it is not clear whether the firms in Zimbabwe will be capable of expanding, as it requires exporting and maintaining their shares in the domestic market in the face of increasing import competition."[43] Notwithstanding additional state spending and prescribed asset rates for institutional investors of up to 60%, "It should be emphasized that there is little evidence of direct crowding out of the private business sector, owing to its weak demand for credit in this period," the World Bank concluded of the 1980s.[44]

Moreover, through most of the 1980s the majority of domestic manufacturers were not oriented to international markets (in terms of which they would have required cutting-edge imported capital goods and advanced technology), but on the contrary to protection from international competition. In the early 1990s, the move to export-led growth justified industrialists' access to vast amounts of foreign exchange through the Open General Import License system, yet a vast share was used instead as a means of stockpiling raw materials and speculating. And as interest rates soared to 8–10% in real terms in 1991, and remained at this level over subsequent years, it also became clear that many domestic private sector borrowers of foreign capital were simply seeking lower interest rates abroad for local investments that they would have made anyway. Dan Ndlela bemoaned periodic foreign currency inflows which increased prices in higher-growth sectors of the economy, while "the sector that stands to lose in this spending and resource movement effect is the manufacturing sector and in particular the still fragile heavy-industrial base of the economy, the capital goods sector."[45]

Hence in economic terms, we can paint the industrial-productive transition from Rhodesia to Zimbabwe in colors of continuity rather than change. As in the mid and late 1970s, the problem of overaccumulation stood as the key constraint to both absolute growth and to a more balanced form of development during the 1980s, prior to full-fledged liberalization and structural adjustment. Neither ZANU-PF's ersatz socialist vision nor increasingly militant nationalist rhetoric confronted this reality effectively. It was, in the early 1990s, left to sponsors of austerity—international financiers and their local allies—to conclusively break with certain of the traditions

[43] Ibid., 129–130.
[44] World Bank, "Zimbabwe: Private Investment and Government Policy," 23.
[45] Ndlela, "Sectoral Analysis of Zimbabwe's Economic Development," 72.

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and institutions that were considered, by orthodox economists, to be most responsible for Zimbabwe's persistent stagnation.

The deeper-rooted problems in the economy were not seriously addressed during the 1980s, and instead a temporary fix began to emerge through the expansion of financial markets. The underlying issue remained the excess productive capacity of the economy, in a context in which inequality prevented sufficiently high levels of consumption to match the economy's productive capacity. At the same time, the financial system was "nicely protected and profitable," the World Bank confirmed, in part because "the depth of the country's capital market places Zimbabwe ahead of many countries, including Chile, Korea, India, Singapore and Greece."[46] With little further incentive to invest in productive plant and equipment under prevailing circumstances, the late 1980s witnessed a dramatic rise of stock-market and real-estate speculation.

Linkages between financial and trade liberalization are important, as is the evolution of international advice. Chidzero spelled these connections out as early as 1982, in a self-imposed promise of conditionality in a letter to the World Bank: "We are convinced that we could appreciably increase the volume of our exports through liberalization of credit facilities."[47] The Bank soon heralded "important policy directions—including an outward-looking, export-oriented industrial strategy."[48] A 1987 Bank report that was credited with winning over Cabinet and bureaucratic support suggested that "it is highly difficult to predict which manufacturing subsectors will enjoy rapid growth, but there is sufficient evidence on the responsiveness of Zimbabwe's manufacturing sector to be optimistic on its export prospects."[49] As business economist Roger Riddell presciently replied, "Strikingly, the Bank fails to provide evidence to support such a bland conclusion."[50]

Rigorous marketing research had not been undertaken by exuberant boosters of liberalization in the Finance Ministry and CZI, and in fact there was no reason to think that past failures would be reversed, and that the raft of problems affecting Zimbabwe in the early 1990s would be reversed by market mechanisms.[51] Indeed, healthy trade surpluses during the 1980s turned into mild trade deficits in 1989–90, which in turn exploded to untenable levels (more than 10% of GDP) beginning in early 1991, in spite of periodic currency devaluations. All the while, the power to

[46] World Bank, "Zimbabwe: Private Investment and Government Policy," 23, 56.
[47] World Bank, "Report and Recommendation of the President of the IDA to the Executive Directors on a Proposed Credit in an Amount Equivalent to US$1.2 million," 39.
[48] World Bank, "Report and Recommendation of the President of the International Bank for Reconstruction and Development to the Executive Directors," 13.
[49] World Bank, "Zimbabwe: A Strategy for Sustained Growth," 70.
[50] Riddell, *Manufacturing Africa*, 382.
[51] Details are provided in these reports by Patrick Bond: "ZSE: Bears run Amok," *Africa South*, May 1992; "Grim Economic Tales for 1992: The Only Strength is in the Speed of the Corporate Chicken Run," "Say Hullo to the 'Zimkwacha': Foreign Exchange Fix might Repress the Symptoms of Adjustment Fatigue," "Counting the Rising Prices," *Africa South*, February 1992; "Throwing the Land to the Market," "SAP: Chidzero goes for Broke," *Africa South*, May 1991; "Zimbabwe: The Undecided Economy," "Riding the Waves of Uneven Prosperity," "The Zimbabweans," "Land Reform: Art of the Impossible," *Africa South*, May–June 1990.

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alter the economic structure ebbed from Harare to Washington, resulting in debilitating changes to the Zimbabwean economy during the 1990s.

Austerity and Restructuring During the 1990s

The 1991 "Framework for Economic Reform"—better known as the Economic Structural Adjustment Programme (ESAP)—was introduced by finance minister Bernard Chidzero and a very small group of technocrats. The key documents were prepared by the World Bank in 1987 and then revised so that a majority of Mugabe's cabinet concurred.[52] ESAP promised that by the end of 1995 there would be a 25% cut in the civil service, along with the demise of all labor restrictions, price controls, exchange controls, interest rate controls, investment regulations, and import restrictions, as well as many government subsidies. Privatization of parastatals was practically the only major ingredient in the typical adjustment recipe that Zimbabwe declined, but even so, parastatal commercialization was pursued with vigor. By 1995, "rapid privatization of the key parastatals" providing telecommunications, electricity, water and transportation had become a central World Bank demand.[53]

To what end? ESAP failed miserably, in relation to its promises.[54] GDP growth reached only 5% during one year (1994), and averaged just 1.2% from 1991–95. Inflation averaged more than 30% during the period, and never dropped anywhere

[52] World Bank, "Zimbabwe: A Strategy for Sustained Growth." For interpretations, see Cliffe, "Were they Pushed or did they Jump?"; Dashwood, "The Relevance of Class to the Evolution of Zimbabwe's Development Strategy."

[53] World Bank, "Project Completion Report: Zimbabwe: Structural Adjustment Program," 35.

[54] A list from the original document might include these claims:

- Reaching 5% growth annually, the economy would have grown in excess of 4.3% for eight consecutive years (1988–95)—in spite of the fact that the longest stretch of positive growth since 1973 had been just three years.
- The overall budget deficit would shrink to 5% of GDP.
- Although Zimbabwe's foreign debt would initially increase from US$2.4 billion in early 1991 to a projected US$4 billion in 1995, repaying the debt would become easier.
- The debt service ratio (repayments as a percentage of export earnings)—which peaked at 35% in 1987 and fell to 24% in 1990—would drop further, to 18.5% by 1995, in spite of the addition of US$3.5 billion in new loans in the intervening years (while US$1.9 billion would be repaid).
- Private-sector investment would rapidly overtake government investment, doubling from levels of the late 1980s.
- Total investment, which averaged less than 20% of GDP from 1985–90, would reach 25% by 1993 and remain there.
- Inflation, running at 20% in early 1991, would be down to 10% by 1994.
- Relative to the rest of the economy, exports would grow by about one third from late 1980s levels; specifically, mining exports would increase from less than US$400 million in 1990 to more than US$500 million in 1994, manufacturing exports would double from US$400 million in 1988 to US$800 million in 1995, and agricultural exports, which were in decline since 1988, would grow steadily through 1995.
- Except for 1991, Zimbabwe would have better terms of trade in its dealings with the world economy over the subsequent five years.
- New direct foreign investment would flood in (US$30 million a year from 1992–95), notwithstanding the fact that such investment flooded out during the 1980s.

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near the 10% goal. The budget deficit was more than 10% of GDP during the ESAP era (with no prospect of getting down to the targeted 5% from a drought-related high of 13% in 1994–95).[55] The two core questions raised in subsequent debate are: firstly, did government stay the course with the treatment; and secondly, if so, was it the wrong medicine?[56]

It is true that forces external to the logic of reforms—the 1992 and 1995 droughts and durable fiscal deficits in large part caused by heavy parastatals losses—all threw the model off track (yet the 1992–93 and 1993–94 rainy seasons were fine). Conceptually, it is extremely difficult to control for the drought factor. However, the previous period of sustained economic crisis, from 1975 to 1978, was a time of extremely good rains, while the late-1960s and early-1970s period of booming growth witnessed years of severe drought, suggesting that weather is by no means the primary determinant of economic activity in Zimbabwe.

Nevertheless, the World Bank was impressed in 1995 that "trade liberalization proceeded without delays . . . [The] the foreign exchange control system has been largely dismantled. All current account transactions have been freed from exchange controls and import licensing and the exchange rate is now market-determined" (although "anomalies remained in the tariff/tax structure").[57] The programme remained "on course," commented Bank officials regularly, although *Financial Gazette* deputy editor Iden Wetherell complained in 1993 that their "emollient statements over the past 18 months reflect the devotion of a faith unmoved by facts."[58] Likewise, leading businesspeople benefited from luxury goods imports, declining real wages, their newfound ability to move money out of the country, and commercial deregulation.

However, tampering with the complex system of protective tariffs, duties and quotas created several dilemmas that should have been foreseen. The 1991 Open Guaranteed Import License allowed speculative imports of luxury goods, raw materials and machinery. Once South Africa refused to renew its 1964–92 Free Trade arrangement, Zimbabwe retaliated by taxing South African products at the border, meaning, according to a Zimbabwe Congress of Trade Unions study, "tariffs on imported inputs were raised so that by 1995, tariffs on inputs were generally higher than those on finished products."[59]

As a result, the trade deficit exploded during the early 1990s, and not only because, as Gibbon reports, the "increase in imports was roughly double that anticipated."[60] Exports also dropped from US$1.753 billion in 1990 to US$1.531 billion in 1992.[61] This was not purely due to agricultural failure—or the temporary rise in demand for

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[55] Further statistical information is provided in Bond, *Uneven Zimbabwe*.
[56] For example, as recounted in Bond & Manyanya, *Zimbabwe's Plunge*, I took up these issues with Eric Bloch in a lengthy *Zimbabwe Independent* debate in early 2001.
[57] World Bank, "Project Completion Report: Zimbabwe: Structural Adjustment Program," 7.
[58] Wetherell, I. "Good Governance: Separating the Reality and the Rhetoric." *Financial Gazette*, 9 June 1993.
[59] ZCTU, *Beyond ESAP*, 3.
[60] Gibbon, "Introduction," 13.
[61] World Bank, "Project Completion Report: Zimbabwe: Structural Adjustment Program," 163.

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formerly exported food products—in 1992; manufactured exports had fallen from US$537 million in 1990 to US$434 million in 1991.[62] The demise of some export incentives was often blamed. In addition, however, the capacity to export was weak for several other reasons. Zimbabwe failed to qualify as a "least-developed country" for trading purposes. Moreover, the Zimbabwe Congress of Trade Unions (ZCTU) charged, trade liberalization "tended to turn manufacturers into traders . . . [as] firms have tended to stop manufacturing products locally, preferring to import them directly and then sell them to local consumers."[63] Later, Zimbabwe also failed to receive export concessions under the US Africa Growth and Opportunity Act, due to its democratic deficit. (The benefits of the US law, however, were offset by structural adjustment conditionalities.)

Thus, the manufacturing sector's real (factor-cost) contribution to GDP during the 1990s fell 18% from a peak of Z$4.530 billion in 1991 (in constant 1990 terms) to Z$3.724 billion in 1995, and did not subsequently recover much ground. The subsectors "distribution, hotels and restaurants" became the largest contributor to GDP, rising 25%, from Z$3.267 billion in 1990 to Z$4.075 billion in 1998. Other increases were experienced in transport and communication (74%), real estate (44%), finance and insurance (40%), education (35%), and agriculture (26%). But these did not balance the disappointing declines in volume outputs experienced in several manufacturing subsectors. Total manufacturing output fell from an indexed peak of 143 (with 1980 = 100) in 1991 by 24% to 109 in 1999, as deindustrialization ravaged the textiles (−64%), metals (−35%), transport equipment (−31%), and clothing (−28%) subsectors. The latter should have been a source of great expansion, particularly as further promises of enhanced market access to Europe and other Northern markets were made by ESAP's promoters.

The 1991–97 period during which ESAP was implemented can thus be considered a failure in many crucial respects. Popular opinion was reflected in "IMF Riots"—named after the International Monetary Fund conditions, which often catalyzed major protests—including the 1993 bread riots that broke out in the high-density suburbs of Harare, and in the city centre, in 1995. Public workers went on strike in 1996, and other private employees (including plantation workers) followed at an unprecedented rate in 1997. By the time that political opposition consolidated in 1998–99, leading to a new, labor-led political party that nearly won the 2000 parliamentary elections, leading ZANU-PF ministers had come to the conclusion that ESAP was their most important policy error. Still, the government was able to claim the following accomplishments during the period, in line with ESAP's 1991 commitments:

- 18,000 government jobs were abolished (with 7000 retrenchments) and the civil service wage bill was reduced from 15.3% of GDP in 1990 to 11.3% in 1994;
- the foreign exchange control system was dismantled;

[62] ZCTU, *Beyond ESAP*, 52.
[63] Ibid., 49.

- tariffs were lowered (except for some "import-competing activities") to the 15–25% range below the WTO requirement of 30%, which was only meant to take effect by the year 2005);
- there was extensive liberalization of foreign investment regulations;
- price controls were eliminated;
- many local zoning and trading restrictions were abolished; and
- labor markets were largely deregulated.[64]

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If ESAP was implemented in the main, and if the implementation was unsatisfactory, the subsequent period suggests that the political costs and social instability generated by ineffectual international economic integration are substantial. One sign of impending economic collapse was the crash of the massively overvalued Zimbabwe Stock Exchange beginning in September 1997. This was soon followed by three controversial political calculations by Mugabe—first, to raise rhetorical (and later actual) conflicts surrounding land maldistribution; second, to grant large pension-fund payouts to veterans of the 1963–79 Liberation War; and third, to involve Zimbabwean troops in the Democratic Republic of Congo war. As punishment, investors simply ran from Zimbabwe. On the late morning of 14 November 1997, the Zimbabwe dollar lost 74% of its value over a four-hour period.

As a result, unprecedented inflation was imported, leading in January and October 1998 to urban riots over price increases for maize and fuel, respectively. Mugabe and the ZANU-PF government reacted to the threat—essentially from the political left—by itself moving back into dirigist policy territory: imposing a mid-1998 price freeze on staple goods, a late 1998 tariff on luxury imports, and several minor technical interventions to raise revenues, slow capital flight, and deter share speculation.

Conclusion: Strategic Implications

Economic devastation in the contemporary period could be the basis for a long treatise. What I have tried to do instead, by resurrecting the prior period of overaccumulation, stagnation and financial chaos, is set the stage for a different discourse. The fear is that crucial oppositional actors—especially in civil society—have become distracted from the *long* history of economic decline by the exigencies of broad-based political mobilization. By reviewing the structural features of Zimbabwe's decline, it may be feasible to rejuvenate critical discourses about capitalist development in the African periphery at a time when Mugabe's hot leftish rhetoric confuses and disorients the classical debates.

Thus let me sum up the argument so far. A deep-seated economic crisis, dating to the mid-1970s, was not resolved by 1980s developmentalism or 1990s structural adjustment. The dirigiste economic zig-zags since are one logical outcome (though not the only one; in most African countries state bureaucrats maintained austerity

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[64] World Bank, "Project Completion Report: Zimbabwe: Structural Adjustment Program," 20.

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notwithstanding serious political opposition). After all, the obvious objective of Mugabe's unbudgeted 1997 gratuities to the war veterans was to buy off their protest movement, shortly after corruption revelations concerning the looting of veterans' health and compensation funds (one of the beneficiaries was Mugabe's vice president, Joyce Majuru). Weeks later, plans were announced to seize 1,500 commercial farms for redistribution, at once unsettling local financial markets and raising popular expectations. Periodic IMF Riots against worsening economic conditions continued, and the 2000 constitutional referendum defeat pushed Mugabe further over the edge. Challenges from the base were regularly met with intense state repression.

The intervening years of full-blown sociopolitical and economic crisis do not require detailed commentary here, in part because of exceptionally rich analysis provided recently by Brian Raftopoulos.[65] As a central strategic challenge presented by the current conjuncture, Raftopoulos argues that the kind of political economic argument offered above is fraught with "tensions," particularly when

> moving between broad structural analysis to more concrete levels of political analysis, which also lays these studies open to accusations of reductionism. As Hall has pointed out, drawing strongly of the work of Gramsci, Marx's central concepts such as "primitive accumulation" were pitched at high levels of abstraction and were "epochal in their range and reference." Setting out the Gramscian challenge Hall argues that "until one has shown how 'objective economic crises' actually develop, via the changing relations in the balance of forces, into crisis in the state and society, and germinate in the form of ethical-political struggles and formed political ideologies, influencing the conception of the world of the masses, one has not conducted a proper kind of analysis, rooted in the decisive and irreversible 'passage' from structure to superstructure."[66]

A full book is required for this "proper" analysis, to be sure—especially when in Zimbabwe there are multiple modes of ongoing primitive accumulation at stake. But instead of completing the argument that would take us from objective economic crisis to the present balance of forces via the intermediate steps Hall suggests, it might be instructive to risk the charge of reductionism and jump ahead to address a few of the main implications. The "audiences" for political economic reasoning are those Raftopoulos cites as having emerged during the second decade of liberation, particularly through

> the struggles of civil society against the post-colonial state, initially from the activism of students and workers in the late 1980s, and then with the more general mobilisation of civil society against state authoritarianism from the late 1990s. As students, workers and some intellectuals developed a growing critique of the post-colonial state, more critical attention was paid to rethinking the legacies of the liberation struggles, and placing more central attention on the struggles for human and civic rights. It was in particular the issue of human rights that marked the critical debates from the late 1990s, and the central role of lawyers in leading these debates. A growing awareness of the human rights abuses of the Gukurahundi

[65] Raftopoulos, "Reflections on Democratic Politics."

[66] Raftopoulos, "The Zimbabwean Crisis and the Challenges for the Left," 11; citing Hall, "Gramsci's Relevance for the Study of Race and Ethnicity," 419.

> massacres of the mid 1980s in Matabeleland was combined with increasing criticisms of the corruption and undemocratic structures of the ZANU-PF state, to produce both a plethora of human rights NGOs and a strong commitment to human rights concerns. Thus the brief period of political liberalisation in the 1990s was characterised by a combination of liberal democratic critique, with its emphases on correcting the deformities of the electoral system and addressing human rights issues, trade union struggles, and a peripheral Trotskyite Marxism. The latter emanated from the student politics of the University of Zimbabwe in the aftermath of the post-1989 demise of existing socialist models. The amalgam of these trends coalesced in the broad politics of the constitutional movement, the formation of the opposition Movement for Democratic Change and the more recent anti-globalisation politics of the Zimbabwe Social Forum.[67]

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Consider an emblematic incident in which international power relations over-determined local political economy. The moment was one of civil society paralysis in the wake of the state's Murambatsvina evictions of an estimated 700,000 urban residents in mid-2005. Mugabe's irrational decision to repay the IMF vast sums of hard currency—$120 million in the first tranche in September 2005 and several tens of millions of dollars since—unveiled shortcomings in political analysis and strategy. Regrettably, there was silence from the two key civil society agencies with active "economic justice" campaigns: the Zimbabwe Social Forum and the Zimbabwe Debt and Development Coalition (Zimcodd). These groups were the two main hosts for the Southern African Social Forum in October 2005, and kept a low profile in order to gain permission for 3,000 local and regional activists to visit Harare municipal gardens.

The Movement for Democratic Change issued a statement which suggested that a major bloc of opposition politicians desired a Pretoria-mediated elite transition (notwithstanding the overwhelming lack of evidence of Thabo Mbeki's *bona fides*):

> As the Mugabe regime gets more and more desperate, its economic and political positions get increasingly incoherent. Having in the past been brazenly disdainful of the IMF, it is now suddenly desperate to remain a respectable fee-paying member. This objective could have been facilitated by accepting the economic lifeline on offer from South Africa, but that would have required political compromises to be made. The regime's desperation is greatest in the political realm, as evidenced by its spurning outside assistance and opting instead to squander the country's extremely scarce foreign currency resources to repay a large chunk of the arrears owed to the IMF.[68]

Ironically it was to Eddie Cross that we turned for a much more sensible perspective:

> The government paid off its outstanding arrears to one of the funds of the IMF. In doing so they spent US$209 million, enough money to pay for our essential food imports for 9 months, or our fuel imports for 10 months and our electricity imports for two years or our requirements for all essential drugs for 4 years. What did we get for this effort? Absolutely nothing! The IMF issued a statement last week saying that while the payments meant that we were no longer a candidate for

[67] Raftopoulos, "The Zimbabwean Crisis and the Challenges for the Left."
[68] MDC, "Statement."

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> expulsion we still owed the fund many millions of dollars against other obligations and would still be suspended in terms of our voting and access rights at the IMF. They would not even re-open their office in Harare. As a direct consequence of this act by the Zimbabwe regime, we have had virtually no maize meal in our shops for over a month. The World Food Programme is feeding about 5 million people every day now, but this still leaves 6 million people without their basic staple food. This is a catastrophe in any sense of the word. The President's remark that Zimbabweans can eat potatoes or rice is just an insult, both are three times as expensive as maize meal and not nearly as satisfying to the Zimbabwean palate. We also now have to sit in the dark for several hours every second day or so as we suffer "load shedding." Fuel now costs nearly Z$200,000 a litre and is in short supply everywhere. As for essential drugs—just try and find these in our pharmacies and hospitals. We owe external creditors US$5,000 million. Paying US$209 million to the IMF is 0.04 percent of our liabilities. By paying the IMF we avoided expulsion—but so what? It changes nothing on the ground and just exacerbates our humanitarian and economic crisis. If we were expelled we would have been only the second country in the history of the IMF to be so, but if we then put our house in order and brought back the policies we need to implement to get back on our feet, they would have come back in within months and our membership would have been restored—together with all our rights as a member. Then we found out that to make the last payment to the Fund the Reserve Bank simply printed local currency and bought hard currency on the street and from exporters. In doing so they pushed the parallel market up to $220,000 to one US dollar at one stage last week with it falling back to 200,000 to 1 now. That is it lost half its value in about 10 days.[69]

As for Mbeki, evidence of his own commitment to political democracy in Zimbabwe is scanty, especially compared to the goal of getting the IMF back into Harare. Addressing a forum of African editors in mid-October, he explained:

> We had indeed said that we were ready to assist, and the reason we wanted to assist was because we understood the implications of Zimbabwe's expulsion from the IMF. What it would mean, among other things, is that everybody who is owed something by Zimbabwe would demand immediately to be paid. You would even get to a situation where they would seize anything that was being exported out of Zimbabwe because of that debt.[70]

In reality, the IMF has never acquired much less used such power, but the hyperbole is telling.[71] What it represents is a South African schizophrenia in relation to Zimbabwe that has several features, based on a worrying trajectory not uncommon in Africa, which Simba Manyanya and I worked through with Zimcodd during the early 2000s:

- A liberation movement that won repeated elections against a terribly weak opposition, but under circumstances of worsening abstentionism by, and depoliticization of, the masses;

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[69] E Cross, "Learning Curve," email communication to Patrick Bond, 23 February 2006.
[70] Reuters, "Zimbabwe would collapse if expelled from IMF: Mbeki," 15 October 2005.
[71] Private-sector creditors presently dealing with Zimbabwe typically arrange various forms of security with corporate debtors, because the government's likelihood of nonpayment was demonstrated since 1999.

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- Concomitantly, that movement's undeniable failure to deliver a better life for most of the country's low-income people, while material inequality soared;
- Rising popular alienation from, and cynicism about, nationalist politicians, as the gulf between rulers and the ruled widened inexorably and as more numerous cases of corruption and malgovernance were brought to public attention;
- Growing economic misery as neoliberal policies were tried and failed; and
- The sudden rise of an opposition movement based in the trade unions, quickly backed by most of civil society, the liberal petit-bourgeoisie and the independent media—potentially leading to the election of a new, postnationalist government.

This was the case in Zambia from 1964–91, in Zimbabwe from 1980 to 1999, and in South Africa from 1994 until—no one knows when the last bullet will be loaded. Looking at Zimbabwe from African National Congress headquarters at Albert Luthuli House in Johannesburg, one option was to hunker down and defend the ZANU-PF government against its critics; another was to move into "constructive-engagement" mode that might serve as the basis for an "honest-broker" role on some future deal-making occasion; while the third—actively supporting Zimbabwe's democratic movement, perhaps through sanctions or other pressure techniques, so as to ensure that the government held free and fair elections—presumably did not warrant attention, for fear that it might inspire South African trade unionists to do the same, in the near future.

But without a strong analysis of the underlying causes of the crisis and an inability to think outside neoliberal precepts, the opposition did not take advantage of the crisis circumstances. Typical was this comment by one of the MDC faction leaders, Arthur Mutambara, in mid-2006:

> Under globalization there is no country that can thrive without dealing with the international community including the multilateral institutions such as the IMF and World Bank. We know that historically, these two specific institutions have espoused anti-African and anti-poor people policies. What is critical is to engage these institutions with the view to extract favourable arrangements for our country. In the current global economy, the IMF is ostensibly a gatekeeper. If they are not involved with your country, there is no investment and trade that will occur there. We cannot go it alone. [72]

A few weeks earlier, Mutambara had remarked:

> As we are refocusing the MDC, we are saying no to puppetry. We will no longer be driven by white farmers, Blair or Bush . . . We are now making sense to Mbeki . . . We are also anti-imperialist and against the colonisation of Africa. We are an African patriotic opposition party, a people that know their history. The Zimbabwe issue is too big for Zimbabweans to solve alone—what are our friends doing to help us. South Africa, the International Monetary Fund and the World Bank, we also need help from other players?[73]

[72] Mutambara, A. "Independence Day Message: The Case for the Resignation of the Zanu(PF) Government," Harare, 18 April 2006.

[73] Maodza, T. "No to polls, says Pro-Senate MDC." *Daily News*, 20 March 2006.

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In reality, according to Mark Weisbrot, more cases were appearing of "going it alone" without IMF influence, including Brazil, Indonesia, Turkey and Argentina:

> Argentina suffered through a terrible four-year depression, beginning in 1998. A country that had recently ranked among the highest for living standards in Latin America soon had the majority of the country falling below the poverty line. Many Argentines blamed the IMF, which had played a major role in designing the policies that led to the collapse, and seemed to prescribe just the wrong medicine during the crisis: high interest rates, budget tightening and maintaining the Argentine peso's unsustainable link to the US dollar. In December 2001, the government defaulted on $100 billion of debt, the largest sovereign debt default in history. The currency and the banking system collapsed, and the country sank further into depression—but only for about three more months.

Then, to most people's surprise, the economy began to recover. The recovery began and continued without any help from the IMF. On the contrary: In 2002, the fund and other official creditors (including the World Bank), actually took a net US $4.1 billion—more than 4 percent of gross domestic product—out of Argentina. But the government was able to chart more of its own economic course, rejecting IMF demands for higher interest rates, increased budget austerity and utility price increases. Argentina also took a hard line with foreign creditors holding defaulted debt, despite repeated threats from the fund.

When push came to shove in September 2003, Argentina did the unthinkable: a temporary default to the IMF itself, until the fund backed down. The result was a rapid and robust recovery, with a remarkable 8.8% growth in gross domestic product for 2003 and 9% for 2004. With a projected 7.3% gross domestic product gain for 2005, Argentina is still the fastest-growing economy in Latin America . . .

Argentina showed that a country could stand up to the IMF, and not only live to tell about it but even launch a solid economic recovery. This changed the world. Although the IMF still carries a lot of weight in poorer countries, its influence in the middle-income countries has plummeted. The fund is now a shadow of its former self.[74] To take the Argentine path, based upon rejecting the logic of the IMF, would entail Zimbabwe following advice, surprisingly, found in the country's 2000 *Human Development Report*, sponsored by the United Nations Development Programme but involving both officials and leading civil-society intellectuals. The report makes six recommendations for government economic development policy, that are antithetical to neoliberal policies. They are:

> (1) Overall objective: restore confidence by creating conditions of fulfillment of basic human material and social needs, and by opening up democratic space for dialogue in all sectors of life . . .
> (2) The hitherto neglected responsibility of ensuring conditions for the reproduction of labor and ensuring a life of dignity must form the core of the new strategy . . .
> (3) Better integration of gender concerns . . .
> (4) A well-focused land reform and agricultural regulation policy framework . . .

[74] Weisbrot, M. "The IMF has lost its influence." *International Herald Tribune*, 22 September 2005.

> (5) Restore production and safeguard the domestic market from external competition in respect of essential commodities and services, as a basic complement to fiscal and monetary tools. Probably considered subsidies and tariff protection might be necessary.
> (6) Carry out an audit of imports and introduce measures to cut down all inessential imports and luxury products. Carry out a similar audit of debt, retire illegitimate debts, and negotiate with the creditors for the payment of the legitimately incurred debts on the *principle of joint responsibility*. Put in place capital controls, regulate the banking sector, and review financial liberalization measures to develop an indigenously led banking sector.[75]

The potential for further ''inward industrialization'' was substantial. For example, housing can be produced with very minor import costs in Zimbabwe. Had there been a more equal distribution of income and strategic targeting of government subsidies after independence, housing could easily have been the basis for a successful Keynesian ''kick-start'' and antidote to stagnation. And thoroughgoing land reform (as well as proactive intervention in financial markets and industrial organization) had been a key element of some East Asian industrializing countries' strategy for developing an internal class base for consumption of basic manufactured goods, and was occasionally suggested as the basis for inward-oriented capital accumulation.

Such approaches would not have solved the deep-rooted industrial overaccumulation crisis, but would probably have delayed and dampened the crisis by combining the best tendencies of manufacturing growth in the early UDI period—the broadening of production, the closer articulation with local markets, the localization of decision-making, and the control of financial markets that would make all the above feasible—with the post-Independence ''Growth with Equity'' rhetoric of meeting democratically determined basic needs.

That rhetoric, in addition to some measure of welfarist (often patronage-related) spending, did have the impact of altering consciousness over a quarter century or so. On the one hand an explicitly *socialist* consciousness has been destroyed by Mugabe's rhetorical gimmickry (notwithstanding efforts of a small Trotskyist group, the International Socialists of Zimbabwe, to reverse that). On the other hand, as of 2004, there was an exceptionally strong sense in Zimbabwe of the need for stronger state social policies to compensate economic failure—a sense that could generate the political support for the sort of program the UNDP suggested. According to an Afrobarometer poll, 68% of Zimbabwean respondents agreed that ''The government should bear the main responsibility for the well-being of people,'' double the percentage of those in Lesotho and—aside from Uganda—far higher than any other country in the region. The alternative suggestion—''People should look after themselves and be responsible for their own success in life''—received 31% support.[76]

[75] Saunders, *Zimbabwe: Human Development Report 1999*, 82.
[76] Chikwanha *et al*., ''The Power of Propaganda,'' 20.

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In 2005, Zimbabwean trade union intellectual Godfrey Kinyenze offered a critical line of argument that corresponds to such aspirations:

> The political-economic crisis is emanating from the failure of neoliberal policies, and yet it has been reduced in liberal interpretations merely to human rights. That is very dangerous, because we might end up in the Chiluba mode [the anti-worker post-nationalist experience in Zambia]. It's very easy [for liberals] to sell the idea that the only problem with structural adjustment was bad implementation by Mugabe, and that the World Bank will save us. Our job is to be more ideologically clear. We are organizing economic literacy programmes across the country, and especially through the Zimbabwe Social Forum. That way we can all act together as a countervailing force against neoliberalism.[77]

It is a hopeful final thought, one that may—if economic analysis deepens—become more relevant as a force against capitalism, through whose long-term crisis both ESAP neoliberalism and Mugabe's dirigisme have logically emerged.

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