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Economic crisis

The Latest Fibs From World Financiers

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The recent wave of Afro-optimism boasting of economical and technological growth on the continent fails to stand up under closer scrutiny, veiling the harsh reality faced by Africans today.

Apparently, "one in three Africans is middle class" and as a result, Africa is ready for "take off", according to African Development Bank chief economist Mthuli Ncube last week at the World Economic Forum-Africa summit in Cape Town. "Hey you know what, the world please wake up, this is a phenomenon in Africa that we've not spent a lot of time thinking about."

Ncube defines middle class as those who spend between $2-20/day, a group that includes a vast number of people considered extremely poor by any reasonable definition, given the higher prices of most consumer durables in African cities. The number of people spending between just $2 and $4/day constitutes a fifth of all Sub-Saharan Africans, even Ncube admits, while the range from $4 to $20/day amounts to 13%, with 5% spending more than $20/day.

Below the $2/day level, 61% of Africans are mired in deep poverty, a stunning reflection of ongoing underdevelopment due to imperialism, the Resource Curse and nefarious African elites.

It's just as Walter Rodney explained in his book How Europe Underdeveloped Africa nearly four decades ago: "the operation of the imperialist system bears major responsibility for African economic retardation by draining African wealth and by making it impossible to develop more rapidly the resources of the continent. Secondly, one has to deal with those who manipulate the system and those who are either agents or unwitting accomplices of the said system."

Playing both roles, the likes of Ncube have not changed their neoliberal tunes, they simply hold up a small sliver of (desperately entrepreneurial) Africans engaged in petty commodity exchange as the hope for the future.

Such distortion-heavy Afro-optimism seems to arrive in waves. After 1950s-70s independence dreams soured, the early 1990s witnessed hopeful democratization tendencies, yet most subsequent elections were tainted.

By the mid-1990s, as Time magazine reported, "when a new generation of leaders emerged, Africans dared to hope that things could finally be changing. People like Issaias Afewerki in Eritrea, Laurent Kabila in Democratic Republic of Congo, Paul Kagame in Rwanda, Yoweri Museveni in Uganda and Meles Zenawi in Ethiopia promised a new style of leadership that focused on building economies and democratic nations instead of shoring up their power by force and ensuring that they and their friends got rich. When President Bill Clinton visited Africa in 1998, he touted this generation as Africa's great hope."

Though these elites were all soon subsequently unveiled as ruthless dictators, Afro-optimism spread with the 2001 New Partnership for Africa's Development (Nepad) and its 2003 African Peer Review Mechanism (APRM). But the programmes' champion, Thabo Mbeki, was fired by his own party in 2008, and the two other highest-profile African Union (AU) leaders were the tyrants Zenawi (the lead AU climate negotiator and APRM chair still today) and Moammar Gaddafi (recent AU president). Nepad and the APRM were written off.

The broken ICT techno-fix

One basis for Afro-optimism today is the availability of cellular telephony in many areas formerly off-grid for communications. Of course, similar high hopes for raised productivity through technology leapfrogging led to the last quarter-century's microfinance fantasies. But it has become clear in recent months in India (with its 200,000 farm suicides) as well as the the microdebt mecca of Bangladesh that there was too little economic space to allow women to borrow at high interest rates so as to compete in glutted petty commodity markets.

The Bank's most recent policy paper argued, "Success of Information and Communications Technology (ICT), especially mobile phone penetration, shows how rapidly a sector can grow. It also shows how the public sector can set the conditions for the exponential growth of a vital industry that could transform the continent."

The reality is less encouraging. Although Africa is better with cellphones than it was without (say, fifteen years ago), the actual performance of the industry unveils telling weaknesses. These include the role of multinational capital in sucking out profits and dividends, the lack of genuine competition (collusion is notorious even in the largest economy, South Africa), relatively high prices for cellphone handsets and services, and limited technological linkages to internet service.

Last year, a report ("Towards Evidence-based ICT Policy and Regulation") by Johannesburg researchers Enrico Calandro, Alison Gillwald, Mpho Moyo and Christoph Stork unveiled a host of ICT deficiencies, because although "the mobile market, has experienced significant growth, outcomes have been sub-optimal in many respects."

For example, the authors argue, cellphone penetration "figures tend to mask the fact that millions of Africans still do not own their own means of communication." Moreover,

â€¢ Africa continues to lag behind other regions both in terms of the percentage of people with access to the full range of communications services and the amounts and manner in which they can be used – primarily as a result of the high cost of services;

â€¢ the cost of wholesale telecommunication services as an input for other economic activities remains high, escalating the cost of business in most countries;

â€¢ the contribution of ICT to gross domestic product, with some exceptions, is considerably less than global averages;

â€¢ national objectives of achieving universal and affordable access to the full range of communications services have been undermined either by poor policies;

â€¢ as a general trend across the continent, while the voice divide is decreasing, the Internet divide is increasing and broadband is almost absent on the continent;

â€¢ the fixed-line sector continues to show no signs of recovery as most countries experienced negative growth between 2006 and 2008.

Indeed for nearly all of Africa, cellphone penetration rates "remain below the 40% critical mass believed to trigger the network effects associated with economic growth" and even in more mature markets (Ghana, Kenya, Nigeria, Tunisia and South Africa), "The high â€˜penetration' figures result form the use of multiple-SIM cards, resulting in over-counting, often by several million."

As for internet, they report:

â€¢ broadband uptake trails even other developing regions in the world with a penetration rate below 2%;

â€¢ low penetration rates are mainly a result of the prohibitively high costs of Internet services;

â€¢ the landing of several undersea cables and a number of terrestrial fibre investment projects have led to a significant reduction in the costs of accessing the Internet. In some countries, the drop in wholesale prices has not, however, filtered to end-user prices;

â€¢ digital literacy and the affordability of access devices like personal computers, is expected to remain a challenge.

The researchers conclude, “large numbers of citizens across the continent still lack access to or cannot afford the kind of communication services that enable effective social and economic participation in a modern economy and society.”

Macroeconomic mumbo-jumbo

Given this reality across the board, there are practically no micro-economic successes to speak of. So the current Afro-optimist wave is a tsunami of macroeconomic propaganda, led not by African politicians and their northern helpers, but by resurgent multilateral development banks.

In February, the World Bank issued its strategy document, “Africa’s Future and the World Bank’s Support to It”, followed in April by the International Monetary Fund (IMF) “Regional Economic Outlook” for Africa.

The latter report notes “a structural upbreak in growth encompassing 21 of the region’s 44 countries. Many of the strongest performers have sustained their superior performances for a decade or more through good times and bad and increasingly they exhibit characteristics associated not only with faster growth, but more sustained growth. For now, at least, the lions continue to roar. “

But once we correct the economists’ definitions of GDP growth by factoring in environmental destruction and non-renewable resource depletion, even a 2006 World Bank report (“Where is the Wealth of Nations?”) concedes a net ongoing reduction of African wealth.

One motivation behind this hype is a return to austerity and intensified globalization, following a brief period of much higher African deficit spending required to counteract the world crisis. The IMF Regional Economic Outlook’s â€˜Main Findings’ argued that African countries’ budgets “should be moving away from the supportive stance of the last few years.”

And African central banks should raise interest rates, says the IMF: “Monetary policy remains looser than desirable in many countries in the region, even before the recent surge in fuel and food prices.” Normally with higher prices on imported oil and grains, a lower interest rate would compensate to boost weaker domestic economies. But no, the IMF’s main fear is always inflation, since the institution represents bankers, who fear the erosion of the value of their main asset, money.

Out of 22 recent IMF Africa programmes, according to a 2010 Center for Economic and Policy Research study, 17 were contractionary orders and just 5 expansionary. Even South Africa was advised in September 2008 to intensify its neoliberal bias.

By that time, African fiscal deficits were blooming: a slight spending increase conjoined with a huge revenue drop, generated a switch from a positive fiscal balance (6% of GDP) to a huge deficit (-6%) between 2008 and 2009. That's how Africa survived the world crisis without more damage.

Popular protest as antidote

Imposing a new round of Washington Consensus policies risks causing what even World Bank chief Africa economist Shanta Devarajan in 2009 termed "the specter of political instability and social unrest". For Devarajan, "market-based reforms, which were painful in the first place but which African countries implemented because they could see the impact they were having on growth, are likely to lose political support because they no longer deliver results."

At the same press briefing, Bank Africa Vice President Obiageli Ezekwesili worried, "It is precisely in a season of crisis like this that African governments must stay the course of market-based reforms."

Last month, a journalist asked IMF Managing Director Dominique Strauss-Kahn about the North African uprisings: "Do you have any fears that there is perhaps a far left movement coming through these revolutions that want more, perhaps, closed economies? I mean, there have been a lot of pictures of Che Guevara there."

Strauss-Kahn's reply was telling: "Good question. Good question. There's always this risk, but I'm not sure it will materialize."

Instead, Strauss-Kahn's institution claims that Africa has 17 "Great Takeoff" countries with at least 2.25 percent/year per capita GDP rates over the prior 13 years, featuring "macro stability, good institutions, and pro-growth structural reforms."

Likewise, authors of the World Bank's new Africa strategy "conclude that Africa could be on the brink of an economic takeoff, much like China was 30 years ago, and India 20 years ago."

And the African Development Bank parroted at the World Economic Forum, "Due to strong progress in and across many African countries, people are beginning to predict that Africa's economy may take off as did China's 30 years ago and that of India 20 years ago."

These raised expectations are absurd. In a low-profile study published in February, three IMF economists (Gonzalo Salinas, Cheikh Gueye, and Olessia Korbut) at least recognized (while disagreeing), "The apparent stagnation of SubSaharan Africa (the poorest region in the world) in an era of freer markets has fueled strong criticisms against market reforms. Indeed, condemnation of economic liberalization has become part of mainstream development thinking, and several commentators urge African countries to accelerate growth by modifying their comparative advantage on natural resources."

Given how disastrous globalization has been for Africa, a "far left movement" is long overdue, to democratize societies (as is underway in not only Tunisia and Egypt but Swaziland, Uganda, Zimbabwe and other countries), to preserve natural resources (especially fossil fuels) and rethink the merits of extractive industries, and to meet basic needs and balance local economies through domestic ("import-substitution") production.

Only with such a movement can we move from the Bretton Woods Institutions' feeble-minded hucksterism to a genuine Afro-optimism, bottom-up and people-powered. Until then, the global financial agencies' desperation for an African success story should be taken with not a grain, but a calabash full of salt.

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