VI. ECONOMIC DECLINE

Most experts explain Zimbabwe's economy through three major periods since Independence: the "socialist" or "welfarist," state-directed model of the 1980s; the globalized, international-finance development model of most of the 1990s; and the decline that has occurred throughout the political and humanitarian crises since the turn of the century. Though this short history appears to contain suggestions from many different corners of economic thought, what has struck a number of analysts is the way in which these varied developmental models have been put in the service a much more singular force: creating a national, post-colonial economy without, in an observation written by Horace Campbell and supported by a number of other experts, "fundamentally transforming the colonial economic relations."

This would be an economy in which the vast majority of the people do not own productive resources, but "rent" them from a privileged few. One "in which the ruling party created incentives for trading goods…as virtually the only way to survive," according to Brian Raftopoulos, a civic activist and a director at Solidarity Peace Trust. "The rewards for long-term investment in production were miniscule compared to the rapid profits of buying cheap and selling dear." In this view, the various economic policies since Independence can be understood not as part of an economy that sustains itself and creates growth, but—according to economist Rob Davies—as part of "a process of acquisition of private wealth" for a very small group. For Davies, "it would be wrong to interpret this as a part of a process of creating a new 'capitalist' class, since what has been accumulated is not capital." Rather than accumulating economic value, which can then be reinvested and self-sustaining, "it has been destroyed."

Today, analysts disagree on when Zimbabwe's "apparently endless economic downturn" began—with the land invasions in 2000, with the international flight from Zimbabwe currency markets following the war veteran payout in 1997, with the onset of the Economic Structural Adjustment Program in 1991, with the end of colonialism in the 1980s, with a steep fall in gross domestic product in 1974—because the bulk of analyses aimed at finding a starting point for the decline of Zimbabwe's economy quickly become veiled arguments about Zimbabwean politics. Without a doubt the two are interrelated, but a maintaining clear focus in economic analysis remains important: according to political economist Patrick Bond, one of many who has tackled this question, political analyses are "certainly welcomed," but "while the specific form of the current crisis is obviously very much based upon President 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."

After Independence, Zimbabwe experienced an economic boom, but a number of the circumstances that ended colonization and fueled the economy prevented the new government from achieving fundamental and structural economic changes. Part of the Lancaster House agreement, which ended the liberation war in 1979, reserved a number of seats in Parliament for whites and prevented the forced redistribution of any land which the owner did not wish to sell. While these provisions may have prevented an immediate capital flight, they effectively slowed the country's transition out of colonialism as white farmers hesitated to hand over the privileges inherited from colonial times. "Issues around the radical restructuring of the legacy of economic inequality were effectively put on hold" for a decade, research specialist and author James Muzondidya has explained, until the Lancaster House provisions expired.

Social welfare, nonetheless, was able to improve drastically for much of the population. The government improved or established sanitation in rural areas, and built roads, clinics, and schools. By 1988, 84 percent of the population had access to safe drinking water—an improvement that earned Zimbabwe's government praise from the World Health Organization and UNICEF. Infant mortality and crude death rates dropped, while life expectancy and adult literacy increased. In the first decade after Independence, the number of primary and secondary schools had risen by 80 percent; from 1979 to 1985, enrollment in primary schools rose from 82,000 to almost 2.25 million, and enrollment in secondary schools rose from 66,000 to just below 500,000. From Independence until 1985, more children went to primary school in Zimbabwe than had during the 90 years of white minority rule of Southern Rhodesia.

Most of these improvements, however, were less radical than they first seemed. Many of the gains were financed through loans from international organizations or foreign governments, and a large part of the Zimbabwean economy was literally owned by foreign companies, as many of the most robust industries had been set up and run in Zimbabwe by multinational corporations based elsewhere. Many of these enterprises offered those in power, or those connected to power, positions that bestowed them with great wealth—this provided an incentive to keep economic relations as they were while it minimized any appearance of foreign dominance.

Further, government attempts to develop a black middle class and to "Africanize" public service distributed economic gains unevenly to a new elite, with no significant narrowing of income and wealth inequality. One estimate tracked the bulk of resources and two-thirds of the national income during the 1980s to only 3 percent of the population, made up mostly of white farmers and a small black bourgeoisie. Small businesses and the black middle class, meanwhile, found difficulty entering large sectors of the economy and securing loans from white- and foreign-owned banks. In 1989, the *Financial Times* reported that 97 percent of bank loans went to white-owned businesses. Nonetheless, there was relatively little popular pressure to correct these lingering inequalities in a time of vastly improved social services and the appearance of economic security.

As that first decade wore on, droughts, weakening trade positions, high interest rates, and high oil prices forced the government to be convinced by international financial institutions to abandon some of its social policies and focus more on servicing government debt. By 1987, Finance and Economic Minister Bernard Chidzero conceded that there would be long-term problems in sustaining the initial strategy for Zimbabwe's development—though at least one economist suggests that this should be interpreted as a recognition that the Zimbabwean elite began to see the limits of using the state to acquire personal wealth drawing near. The type of global "structural adjustment" program the government soon entered, in other cases, almost always coincided with the fall of a political regime.

With socialism, after 1989, as no longer a legitimate alternative, the Zimbabwean government introduced the Economic Structural Adjustment Program (ESAP) in 1991, working with the International Monetary Fund and the World Bank. After a severe drought that year decreased Zimbabwe's chances of achieving many of its ESAP development goals, the International Monetary Fund took much stronger control.

At the start of ESAP, two of the Zimbabwean government's three highest expenditures had been education and health care. These were two of the first government services to be reduced under ESAP, and the progress made by health and education services quickly eroded. During the stress of the drought, the IMF imposed user fees for primary education and rural health clinics. Primary-school dropout rates increased—especially for girls and especially when school fees were introduced—and a 1993 UNICEF survey noted that twice as many women were dying during childbirth as had before 1990, and fewer people were visiting hospitals and clinics, citing cost, at the time when HIV/AIDS was becoming a national pandemic. In 1991, average economic growth declined from 4 percent to 0.9 percent. By 1998–1999, when growth "recovered" to only 2.9 percent, many economists began calling the 1990s Zimbabwe's "lost decade."

ESAP incentivized Zimbabwe to produce for the global economy over regional or national ones, even when drought and food security became major concerns. It centered growth around Zimbabwe's large commercial farms, which began planning crops for distant export where before they had grown crops for the region. Cotton, tobacco, paprika, game meat, flowers, and ostrich replaced maize, sorghum, and groundnuts. Smaller, communal farms attempted to make up production of these staple crops, but they were hit hardest by drought and lacked many of the resources needed to overcome climate challenges. Zimbabwean manufacturers also looked outward, often becoming traders who found importation and resale more profitable than local production had been—a strategy that may work for individual actors but, on the whole, moves direct control over production outside the country. Manufacture, as a sector of the economy, contracted by 40 percent between 1992 and 1996.

Worse still, ESAP allowed global demand to determine agricultural production and small-farm subsidies in developing nations, while large-scale consumers—notably the United States and the European Union—typically have the economic strength to maintain protectionist policies. Their decreased demand for products produced in Zimbabwe may decrease or change what Zimbabwe's large farms will produce, and leave little or no surplus when unforeseen conditions—such as drought—reduce the domestic food supply. In the early 1990s, Zimbabwe's trade deficit skyrocketed.

In general, the 1990s marked a high point of international development's use of the ideology of neoliberal globalization, which undergirded the development of Zimbabwe. This, loosely, is a set of ideas organized by the claim that market forces, combined with appropriate banking and finance practices, allocate resources better than directed planning—a school of thought later recognized even by its practitioners as not always in the best long-term interest of the regions ostensibly being "developed," especially regions emerging out of a situation of conflict. A Zimbabwean financial journalist called World Bank statements on ESAP's progress "the devotion of a faith unmoved by facts," and the

United Nations Conference on Trade and Development, in 2000, found that the needs of local political history and economies, such as the communal farms in rural Zimbabwe, will come into conflict with the assumptions of globalization. "Sub-Saharan Africa," it reported, "suffers from structural handicaps that are impossible to remove or reduce through the standard policy reform programs…some ingredients of reforms have actually aggravated constraints on the growth of smallholder production." Even the World Bank, commenting on the reductions in Zimbabwe's social services, eventually conceded that "budget cutting appears to have been an end in itself." Under ESAP, Zimbabwe's exports increased, but its economic health declined.

Understandably, ESAP became extremely unpopular. Struggling farmers and rural communities saw fertile pastureland set aside for products destined to head overseas, and government land reserves sold to foreign tourist firms. Food prices increased as real wages declined; Harare experienced food and protest riots in 1993 and 1995. Increased unemployment raised pressure on rural land and natural resources to be productive, as distressed urban workers sent their families to stay at their rural homes, sometimes returning with them. Laborers, including civil servants, went on strike repeatedly, causing politicians to worry about their legitimacy and the legitimacy of the party. (There were other indications that the party was growing more desperate: in 1998 they began sending soldiers to fight in a civil war in the Democratic Republic of Congo on behalf of its government, allegedly for access to resources and new market opportunities for the Zimbabwean elite. Aaron, in his narrative, describes combat there.) Trade unions became more powerful and more confrontational, vocal civic groups formed, and student protests increased—an alignment that would eventually lead to the formation of the Movement for Democratic Change. According to Patrick Bond, "the failure of ESAP to redress the inequalities inherent in the Zimbabwean economy means that the majority of the people cannot not take advantage of the opportunities that are offered."

In theory, neoliberal globalization was supposed to create a "flow" of resources and capital across the world, an almost-perfectly-efficient market. In practice, as anthropologist Blair Rutherford describes,

> *…forms of international investment and projects into Africa largely {took} place in the form of enclaves (e.g. particular mining operations or wildlife conservancies), with great emphasis on securing their boundaries against the surrounding African locales and peoples.… The "global" does not "flow," thereby connecting and watering contiguous spaces; it hops instead, efficiently connecting the enclaved points in the network while excluding (with equal efficiency) the spaces that lie between the points.*

Those with access to political favor or easy credit, however—those able to enter the "enclaves"—captured great benefits. What Rob Davies called "the rise of an indigenous speculative…rentier…class" had been created. Well-connected businesspeople enjoyed newly imported luxury goods and utilized the cheaper labor provided by deregulation, access to move money out of the country, and lower expenditures as the real value of wages declined. Commercial farmers also did well in this economy, though they (and their shareholders) took a larger portion of the profits compared to their farmworkers than they had in the 1980s—a 1998 IMF report noted that they "gained almost all the share [of the GDP] that wage earners lost." Their wealth set them apart from the majority of Zimbabweans, undoubtedly adding to any resentment based on their position in the narratives of Zimbabwean nationalism and helping them become visible targets for the land invasions to come.

Experts date Zimbabwe's definitive move out of ESAP very specifically: November 14, 1997. Attempting to recover from a stock market crash two months earlier, Mugabe had raised his rhetoric on the topic of land redistribution, began preparations to send soldiers to the conflict in the Democratic Republic of Congo, and made unbudgeted payouts to veterans of the independence war. International investors fled, causing the Zimbabwean dollar to lose 74 percent of its value in a four-hour period. Massive inflation began and city dwellers rioted over price increases; the government responded with measures including a price freeze on staple foods and tariffs on luxury imports. With the reintroduction of such strict, central economic policy, and with foreign debt now virtually unpayable, Zimbabwe's experiment with the global marketplace had largely ended.

This period marked a turning point for the Zanu-PF government and for Mugabe, who rediscovered his nationalism and began to explain Zimbabwe's economic problems as the result of victimization by the imperialist West. He justified his recent policy decisions, in this telling, as a fight against the ghosts of colonialism. At times, he blamed "detractors" for causing shortages "every time the country comes out of elections," and accused the U.S. and U.K. governments of controlling weather patterns to cause drought. He generally declined to recognize that Zimbabwe's deregulatory policies and social-service cuts had been put in place by a succession of three orthodox finance ministers and two governors of the Reserve Bank, or comment on the government's near relentlessness in searching for international investors in commercial agriculture. Without money from Western donors, Mugabe and Zanu-PF left many of the "imperialist" structures in place, courting investment instead from Libya, Malaysia, and China.

As international divestment and limited sanctions caused constant shortages of foreign currency, the government often addressed debt by simply printing more money. Inflation became hyperinflation and grew out of control, and a robust black market developed, with—again—advantages and opportunities for profit going to those with connections to power, particularly the few who could access foreign exchange. Bernard, in his narrative, shows just how messy, in practice, this could be.

The black market rate of the Zimbabwean dollar began to deviate greatly from the official rate with the start of fast-track land reform in 2000. The government, however, maintained an official rate of Z$55 to US$1 for more than two years, while unofficial street rates hit the hundreds and even thousands. This hurt exporters hardest, who sold their goods overseas at official foreign currency rates, but could only buy raw materials at domestic prices set by the black market, and so had to do so at much higher real prices than proceeds from their international sales supported. However, the rate difference worked to the great advantage of government officials and beneficiaries of political patronage, who could find great personal wealth on the reverse side of these same economic mechanisms.

As described in a 2003 report by the International Crisis Group:

> *Those so connected are usually first in line at the Reserve Bank of Zimbabwe to convert their Zimbabwe dollars into hard currency at the official rate. For example, Z$55 million converts to only US$36,000 at the more realistic black market rate. But if the Z$55 million is changed by the Reserve Bank at the official rate it comes to US$1 million. Such exchanges allowed fortunes to be amassed in foreign currency by a few, while the economy was increasingly impoverished.*

In 2003, the government readjusted the official rate to 800:1. By this time, many "connected" Zimbabweans had, through fast-track reform and land invasions, become owners of the export-reliant commercial farms, or secured business loans and bought largely devalued industrial companies (some refused to repay these loans, finding it more profitable to wait for inflation to reduce the real value of their debt). The International Crisis Group referred to these arrangements, so heavily reliant on patronage, as a "mafia economy" (the same term Bernard used in his narrative).

Hyperinflation and currency overvaluation continued out of control, despite numerous government attempts at intervention throughout the decade. In March 2008 the U.S. dollar traded for 25 million Zimbabwean dollars; two months later, it traded for one billion. Business planning became virtually impossible. Jon Lee Anderson, reporting from Zimbabwe for *The New Yorker*, noted food prices tripling overnight and salaries almost immediately made worthless. Pension funds, as well, essentially disappeared—one reporter talked to a sixty-year-old Zimbabwean who tried to collect his Z$75-trillion pension fund and received three U.S. cents. Banks set withdrawal limits that reached as low as one U.S. dollar per day, so as not to run out of cash—lines could reach 1,000 people by the early morning—while supermarkets sold half-liter water bottles for close to US$19. By May 2006, the country's smallest bill (the $500 note) became known to be more cost effective as toilet paper—which was selling at the time for $417 per single square—than as money, and a sign warning migrants not to flush "zim dollars" down the toilet hung in the bathroom at South African Emigration, Beitbridge.

The shortage of foreign currency also created widespread bartering, but information on fair exchange rates was difficult to find in areas far from city centers. One report found evidence of urban butchers using this lack of information to their advantage, sending trucks into rural areas to "extort" cattle from villagers desperate for even very small amounts of maize. In various rural exchanges, a single chicken could equal the value of: a pair of track shoes, a bar of soap, two bars of soap, five kilograms of maize, six kilograms of maize, ten kilograms of maize, two kilograms of maize seed, five kilograms of maize seed, a call on a mobile phone, or a visit to a clinic. Chickens have also been used as bus fare and to pay school fees. Experts described the situation as having "turned just about everyone without access to real currency into an informal trader."

The Reserve Bank of Zimbabwe stopped releasing official inflation statistics in July 2008, and economists largely stopped measuring inflation after they found it to be 6.5 quindecillion novemdecillion percent—65 followed by 107 zeroes—in December 2008.

At that point, prices doubled every 24.7 hours. Even before inflation reached such levels, Human Rights Watch had claimed that "Zimbabwe's entire economy is in a decline so severe that the average Zimbabwean is worse off in 2003 than in 1980 at Independence."

In a way, Operation Murambatsvina—the government displacement of hundreds of thousands of urban Zimbabweans from informal housing and the disruption of informal urban economies in 2005–2006—was an attempt to rein in black and parallel markets that traded in foreign currency. Other attempts at violent state-directed crackdown had largely failed, but Zimbabwe subsequently made more successful attempts to re-enter the world economy. In January 2009, the unity government indefinitely suspended the Zimbabwean dollar and instead sanctioned a number of foreign currencies, which mirrored what had already been happening in practice. Thousands of doctors, teachers, and civil servants returned to work as ministries began to pay salaries in U.S. dollars, and staple foods returned to market shelves. The IMF provided a US$510 million loan to the unity government in September 2009, on the condition that part of the money be used to repay older IMF loans on which Zimbabwe had defaulted, and still owed. In 2009, inflation fell to 6 percent.