

Zimbabwe's Capitalist Crisis: Finance Minister a 'Fraud' and 'Political Moron,' as Army Represses Protests

Counterpunch by [PATRICK BOND](#)

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Once again, a formidable burst of [state brutality](#) against Zimbabwe's citizenry has left at least a dozen corpses, scores of serious injuries, mass arrests, internet suspension and a furious citizenry. The January 14-17 nationwide protests were called by trade unions against an unprecedented fuel price hike, leading to repression reminiscent of former leader Robert Mugabe's iron fist.

Most of the country's economy ground to a halt. For more than a week, the cities remained ghost towns, as army troops continued [attacking](#) even ordinary civilians who are desperate to earn a living in what often seems to be the country's main occupation these days: street vending of cheap imported commodities. A national strike of 500,000 civil service workers has been called. Most essential commodities are now vastly overpriced or in very short supply. This is what a full-on capitalist crisis looks like.

The stresses are obvious within elite politics, for as ever in Harare, [rumors of political upheaval](#) abound. But whatever happens to the ruling party's leadership, a more brutal fiscal policy plus an even tighter state squeeze on hard currency appear to be the new constants. The stubbornness of President Emmerson Mnangagwa's leadership is partly due to the ideological fervor of his finance minister, Mthuli Ncube, an academic economist with a dubious practical track record and fast-fading international credibility (as CNN interviewers now [openly laugh](#) at answers to questions). Ncube argues that Zimbabwe's problems boil down to loan repayment arrears to international creditors, a high state budget deficit and a trade deficit.

In addition to ultra-neoliberal macroeconomics, Mnangagwa depends on Vice President Constantino Chiwenga's renewed authoritarian tendencies. The country's crony-capitalist system is being shaken by its own contradictions, even more profoundly than in the darkest days: before Rhodesian colonizers finally gave up power in 1980, when the Third World debt crisis hit hard in 1984, when deindustrialization began with a 'homegrown' (i.e. World Bank-transmitted) structural adjustment program in 1991, when foreign debt defaults began in 1998, in the lead up to several hotly-contested elections (especially 2000, 2002, 2005 and 2008), and when the local currency crashed to its death in 2009.

Post-coup, return of the 'IMF Riot'

The protest was sparked by a 150% overnight price increase in petrol announced on Saturday, January 12. At \$3.31/litre, this makes it the world's most expensive retail fuel, with Hong Kong second at \$2.05/litre. The next day, Mnangagwa and a plane-load of colleagues departed for Russia, Belarus and Azerbaijan and Kazakhstan in search of mineral investors, energy deals and what the president called Moscow's ["state of the art" \(albeit unaffordable\) military equipment](#). Indeed, Mnangagwa was meant to continue to Davos for the World Economic Forum, but was persuaded that the country – and his own leadership – were in peril, so instead headed home.

Mnangagwa's first [tweet](#) after arriving back in Harare was in defence of the fuel price hike, "not a decision we took lightly. But it was the right thing to do. What followed was regrettable and tragic."

He promised to look into army and police thuggery, but hopes for a reckoning are vain, since his own background is littered with the country's most extreme post-liberation repression (he [managed](#) the 1980s 'Gukurahundi' massacres of more than 20,000 Ndebele people), and since his own spokesman (inherited from Mugabe) [told](#) the press that the recent army attacks – which included [numerous rapes](#) – were “a foretaste of things to come.”

At this writing, army repression continues and leading activists [remain behind bars](#), including five members of parliament. The term that veteran Zimbabwean social justice activist Elinor Sisulu uses to describe Mnangagwa's dictatorial tendencies, '[Mugabesque](#),' is now very hard to refute, in spite of Ncube's surreal whitewash attempts in Davos last week.

Recall that Mugabe had run Zimbabwe since 1980, after leading the armed liberation struggle against the white racist Rhodesian regime of Ian Smith. Twenty years on, he was threatened with probable electoral defeat. So his belated, urgent and chaotic land reform – against a few thousand mainly-reactionary white settlers who for a century had controlled nearly all Zimbabwe's good farmland – gained him permanent hatred from the Western establishment. Though land redistribution was justifiably popular in some circles, Mnangagwa last year [admitted](#) that the acquisitions had “robbed the country of its breadbasket status,” given how much of the staple maize needed to be imported (even while tobacco production hit record highs). As a result, land acquisition was “now a thing of the past,” the new president promised.

Riddled with corruption and dictatorial tendencies, Mugabe's ruling party – the Zimbabwe African National Union-Patriotic Front (Zanu-PF) – had meanwhile become widely hated in the cities, which were mainly governed by the liberal opposition party, the Movement for Democratic Change (MDC), whose constituents gave Mnangagwa's 2017 coup their immediate, joyful approval. But the celebration was brief and the hangover long, for MDC founding leader Morgan Tsvangirai died of cancer early last year and the mid-2018 national election witnessed Mnangagwa victory's, one that his MDC successor, Nelson Chamisa, considered to be [rigged](#).

Mnangagwa came to power in November 2017, assisted by then army commander Chiwenga, after a relatively non-violent (and then very popular) week-long [coup against Mugabe](#), one relabelled a 'military-assisted transition' by opportunistic diplomats in order to avoid the legal consequences. Although Mugabe was often abused by Chiwenga and Mnangagwa in prior years, [according](#) to his private secretary, the 'father of the nation' was useful to the junta, and he was compelled to remain in office by Chiwenga after losing the first round of the 2008 election to Tsvangirai in lieu of turning over power to the MDC.

From the plotters' standpoint, the crucial mistake made by the 93-year old leader in late 2017 was the excessively rapid elevation of his (four-decade younger) wife Grace Mugabe. She was briefly considered to be his likely successor once she managed to get Mnangagwa fired as vice president a week prior to the coup. The Mugabes now live in politically-uncomfortable and apparently [careless luxury](#), akin to house arrest, [despising](#) the coup-makers (and [endorsing](#) last year's electoral opponent) but also [under their thumb](#).

The 2017 coup relied on Chiwenga's Joint Operation Command, an army junta which was already controlling much of Zimbabwe behind the scenes, partly funded by diamond mining arranged through Chinese mining joint ventures. Given how erratic Mugabe had become, how his policies discouraged investment, and how he turned against the Chinese firms allied with Chiwenga in 2016 due to their [prolific diamond looting](#), former allies in Beijing [welcomed](#) the change in power. Pretoria-Johannesburg elites and Western powers – especially Britain – were also upbeat.

However, aside from adopting much more pro-business rhetoric and initially liberalizing politics to an unprecedented degree, Mnangagwa and Chiwenga didn't lose their taste for repression. According to the progressive coalition known as Crisis in Zimbabwe, the last week has witnessed "Mass trials, fast-tracked trials, routine denial of bail, routine dismissal of preliminary applications, refusal of access to medical treatment and trial and detention of juveniles." For nearly a week, [disconnections](#) of social media and the internet were also added to the toolbox, until a January 21 court order catalysed by human rights lawyers reversed the state's ether-clampdown.

In Davos last week, Ncube [defended](#) the Chiwenga's internet disconnection as just "a temporary and tactical strategy to try to manage the situation... managing insurrection, and managing information and dissemination." [Speaking to CNN](#), he bizarrely blamed last week's protests on a 'pre-planned' conspiracy and not his petrol price hike: "these are the facts." Anger at the petrol price was "added on." And he defended army intervention: "What you saw in the streets is actually a sign that the government is open. Democratic spaces are open."

Two leading opposition politicians were scathing. Welshman Ncube (no relation) [called him](#) a 'political moron' for these remarks, and former MDC finance minister Tendai Biti (from 2009-13) [labels](#) Ncube a 'fraud.' As if to prove it, in [another interview](#) Ncube said of his Davos trip, "Things are going well. The theme is Globalization 4.0. It resonates with what Zimbabwe's trying to do in terms of global financial reengagement, raising capital, pushing our mantra that Zimbabwe's open for business. It really resonates. Zimbabwe is the best buy in Africa."

Under Ncube, much more explicitly neoliberal, anti-poor fiscal and monetary policies prevail, with no end in sight. The new regime has been unable to make structural changes to an impoverished economy dependent upon primary-resource exports in a time of still-low world commodity prices. Since last September, when Ncube was appointed, budget cutbacks and desperation currency manipulation have logically followed.

The society knows this feeling of despondency. It appears often as a so-called '[IMF Riot](#)' – i.e., when people revolt immediately after a neoliberal shock (sometimes ordered by the International Monetary Fund) such as overnight removal of food or petrol subsidies. Zimbabwe's prior IMF Riots were caused by severe shocks in 1998 when the currency fell 74% in four hours and in 1999 when Mugabe felt the need to default on foreign debt. In 2005-06 when Mugabe authorized repayment of \$200 million worth of IMF loans, the Reserve Bank officials gathered up all the hard currency they could find on the black market, sparking a wicked upsurge of inflation and another set of IMF Riots.

As for the class character of last week's anger, two progressive researchers from the Institute for Public Affairs in Zimbabwe – Tamuka Chirimambowa and Tinashe Chimedza – explain, "the protests were intense in specific geographies associated with the urban poor and the 'barely' working class is a direct consequence of the existing political economy that is systemically unequal. The riotous protests were found and concentrated South of Samora Machel Avenue, contrasted to the affluent suburbs North of Samora Machel (Harare North), which enjoyed a peaceful stay-away. In Bulawayo, they were concentrated in the Western suburbs, in Mutare and Masvingo in the Southern Suburbs. The elite hob-knobbed on social media or their usual social spaces with very limited threats to their security and their only major outcry was the closure of shops and the internet shutdown."

The protests were predictable enough, and Mnangagwa and Ncube imposed the petrol price hike and immediately left town. Scheduled meetings with Vladimir Putin, leaders of three other repressive Eastern European and Central Asian countries, and the World Economic Forum took precedent.

Ncube's vain arrears ambitions: pay, won't pay or can't pay – and can't get new loans

Zimbabwe's notorious shortage of hard currency was the proximate cause of the fuel price hike, followed by [rapid price increases](#) in anything requiring transport, including the staple maize. In turn, this squeeze reflects the priorities of a new finance minister, the academic economist Ncube, who is considered the most neoliberal in modern Zimbabwe's history. Exhibiting a sometimes startling self-confidence, and entirely comfortable within the circuits of world elites, Ncube is smooth and at first bluish, persuasive.

But his three most spectacular prior mistakes were, first, founding and chairing the Harare Barbican Bank, which launched in mid-2003 but then ["failed to meet obligations"](#) to the country's clearance system within seven months, leading to expulsion. Two months later it was declared [insolvent](#), as its regulator at the Reserve Bank of Zimbabwe [explained](#), due to "serious liquidity problems as a result of imprudent banking behavior... [including] questionable cross-border foreign exchange activities which are yet to be cleared to the satisfaction of all parties."

A second mistake was serving well into 2018 as a top official at [corruption-riddled](#) financier [Quantum Global](#), which [ripped off Angola's citizenry during his tenure there](#).

Third, as chief economist at the (Western-dominated) African Development Bank (AfDB) in 2011 at the height of 'Africa Rising' hype, he declared the existence of a new 'African middle class' of more than 330 million people: "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." Oddly, Ncube included in the 'middle class' category people who barely survive on \$2-4/day, a group of more than 200 million.

His smooth, optimistic talk notwithstanding, Ncube's finance minister role since last September has been rocky. [Interviewed](#) last December 3 by Richard Quest on CNN, Ncube argued that the most serious economic problem he believes the country faces is foreign debt repayment arrears of \$5.6 billion, most of which date back twenty years. The arrears include \$1.3 billion owed to the World Bank, \$680 million to the AfDB, \$308 million to the European Investment Bank, \$2.8 billion to the Paris Club and at least \$500 million to non-Western lenders and firms, especially the Chinese state and South African corporations. Said Ncube, "The budget recognizes that we have a twin deficit challenge, which is that we have a fiscal deficit as well as a current account deficit. But also we need to deal with our debt arrears in terms of debt restructuring. So two things that are confounded or rather magnified by the arrears."

Ncube then promoted his homegrown structural adjustment programme, the Transition Stabilization Programme, [bragging](#) that International Financial Institutions (IFIs) just gave the plan a warm endorsement: "We've sold it internationally. And then we're willing to move to the next step which is to clear the debt arrears with the AfDB and the World Bank, which is what you call the preferred creditor IFIs. We're determined in the next 12 months that is done, and then we move on the second, the third phase, which is the Paris Club negotiations with the bilateral creditors."

Finally, he [offered](#) this extraordinary claim: "Zimbabwe is indeed the biggest buy in Africa right now on any asset. You talk about the rule of law. Let me tell you, this is about property rights at the end day. Property rights are secure in Zimbabwe... Clearly Zimbabwe is the biggest buy in Africa right now." Ncube then [tweeted](#) proudly about this 'biggest buy' status, a claim he just repeated in Davos.

But the [gap](#) between Zimbabwe's local 'soft' currency (a combination of a local 'Bond Note' bill and electronic payments) and the main currency used in Zimbabwe since 2009, the US dollar, has

remained in the range of 3.5-4 times, even though they are pegged as equal. Inflation soared to 42% in December, what with a black market raging and only \$400 million of paper US\$ circulating in the banking system. Due to the physical shortage of US notes, for more than a year, day-long waits in bank queues to withdraw \$20 has been the norm. Ncube has promised to introduce a [proper local currency within a year](#), but claims he must first clear arrears and end deficit spending so as to restore confidence.

Yet with a stiff upper lip, Ncube appeared in Davos at the World Economic Forum last week, [announcing](#) to CNN his intention to continue upping the economic pressure, including not just more fiscal discipline: “Externally, making sure we can begin to address our arrears in terms of what we owe to other nations, the Bretton Woods Institutions included. But fiscal discipline is key and if you noticed what has been happening since October 2018 the premiums in the parallel market have stabilized and this is because of fiscal discipline.”

Ncube utterly overstates budget cutbacks as a solution to all problems. Asked by Bloomberg about roaring inflation, he [offered](#) a simplistic, incorrect cause-and-solution: “It’s being driven by the parallel market in terms of pricing... that’s what has pushed up the prices, people speculating... What we’re doing about it is to just make sure that on the fiscal front we continue to make sure there is fiscal discipline, cutting back on government expenditure.”

Ncube’s no-gain-without-pain logic, in one of the most abused societies in Africa, failed to win Zimbabweans’ confidence. He erred last October when [establishing](#) Foreign Currency Accounts within the predatory banking system, in the process wiping out large amounts of savings, which devalued by two-thirds to black-market rates. Instead, he could have taken a predecessor’s advice: Biti advocated [ring-fencing](#) the bank accounts against their devaluation.

Last month, [complained](#) Biti, for the first time in modern Zimbabwe history, a finance minister prioritized a New York trip instead of debating his budget as scheduled in parliament. In a prior parliamentary appearance last October, Biti [asked](#) Ncube, “You seem to suggest that you are going to find money to clear the arrears and my question is, what country is going to give you the almost US\$2 billion that you would require to pay off the arrears... you are going to try and clear the arrears that Zimbabwe has at the World Bank and AfDB. I am saying given the quantum of that debt, and given the fragility of our own situation now, which country is prepared to lend us the money that Zimbabwe has to use to clear?”

In spite of Ncube’s regular assurances of new credit lines based on his stellar Rolodex of banking contacts, he [answered](#) nebulously: “On the issue of debt clearance and which countries are going to help us, at the stage of clearing the AfDB and World Bank balances... of course we will negotiate with the various countries who are shareholders in those institutions and of course the Paris Club countries. We will negotiate with them, the G7, there are other members of European Union and in Europe who are willing to talk to us about this. We have had a conversation with them already, so we will continue to explore with them as to whether they can give us relief, but there are countries that we are speaking to.”

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<https://www.counterpunch.org/2019/01/28/zimbabwes-capitalist-crisis-finance-minister-a-fraud-and-political-moron-as-army-represses-protests/>

Definition: Neoliberalism, ideology and policy model that emphasizes the value of free market competition. ... Both have their ideological roots in the classical liberalism of the 19th century, which championed economic laissez-faire and the freedom (or liberty) of individuals against the excessive power of government.

<https://www.britannica.com/topic/neoliberalism>

Definition: Neoliberal economics: Neoliberalism is a policy model—bridging politics, social studies, and **economics**—that seeks to transfer control of **economic** factors to the private sector from the public sector. It tends towards free-market capitalism and away from government spending, regulation, and public ownership.

Often identified in the 1980s with the conservative governments of Margaret Thatcher and Ronald Reagan, neoliberalism has more recently been associated with so-called Third Way politics, which seeks a middle ground between the ideologies of the left and right.

<https://www.investopedia.com/terms/n/neoliberalism.asp>