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Crisis Poverty: What Scenarios and Perspectives for a New
Paradigm? What Scenarios and Perspectives Toward a New
Paradigm in Africa? Lessons Learnt and Future Perspectives**

By

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Abstract

Consensus is emerging on the nature and causes of the current global economic crisis but there is still debate on what needs to be done about it in terms of policy formulation. A more complex issue is the impact of the global economic crisis on the parts of the world such as Africa that are on the periphery of the world political economy. Africa has had its share of crises: failed development policies of the 1980s; debt crisis; HIV/AIDS and political crises such as those in Rwanda, Somalia, Kenya, Uganda, Democratic Republic of Congo (DRC) and Zimbabwe. For political and economic theorists, the global economic crisis offers an opportune moment for rethinking the dominant neoliberal economic philosophy that informs most of world trade, investment and financial systems—in a word, it is time for a new paradigm for economic development that is inclusive, participatory, global, socially responsible and regulated. The new paradigm requires reform at various levels. For Africa, there is need for regional integration to increase competitiveness in the global economy. New concepts such as the New Partnership for African Development (NEPAD) that incorporate good governance and monitoring of performance of member countries are a welcome development. At the global level, the reform of IMF and World Bank as well as the UN to make these organization truly democratic and inclusive agents of global governance, is essential. In all these reforms the role of civil society in shaping policies that affect the common good is crucial.

Introduction

Among the dominant issues that scholars are engaged with the following occupy center stage: globalization, terrorism, global warming and global economic crisis. But because of its adverse effects on people's lives on a daily basis, the global economic crisis has overtaken the other issues in claiming the attention of political leaders, policy makers and scholars. Every body is asking the question: "What caused the current global economic crisis?" A much more crucial question is: "What can be done to end the global recession?" Like any controversial issue there are many perspectives on the topic. This paper approaches the issue of the global economic crisis from an African perspective, by taking the position that economic marginalization and the even distribution of the benefits of globalization are to a great extent responsible for escalating the global economic crisis. A second factor responsible for the global economic crisis is the lack of proper regulatory mechanisms for managing international finance. Plainly put, the free market economy has reached unsustainable levels. In all honesty it should be admitted that dissenting voices that were critical of unbridled capitalism were by and large silenced by those who were declaring the end of history, in their triumphalistic appraisal of liberal democracy

and capitalism after the fall of communism. The same disciples of capitalism have the audacity to explain the current global economic crisis as a normal phase in the life of the free market system.

This paper explores the causes and effects of the current global economic crisis in the context of African political economy. The paper further argues for an ethical approach to economic development, where values of participation, social responsibility and global solidarity and governance are taken seriously. My reflections will be organized around the following elements: Africa's failed development models; comprehending the global economic crisis and its impact on Africa; I will conclude with some policy recommendations that constitute possible pillars for a new paradigm. What is required is a paradigm shift in economic thinking, since the current crisis defies old theoretical frameworks. In terms of institutional frameworks, states and non-state actors need to collaborate in regulating and governing the global economy—the myth that the market is regulated by an invisible hand is very dangerous. The dogma of the free market is not sustainable given the state of the world economy. Since the two-thirds of the world's population have not been benefitting from the global economy and yet are now adversely affected by the global economic crisis, they need to make a contribution on the debate on how the global economy is to be managed. Most African countries suffered under the ill-conceived World Bank and IMF policies of the 1980s and 1990s, as the rest of the world was enjoying the benefits of the free market economy. A lesson from this experience is that the supposed beneficiaries of given policies need to participate in the formulation of such policies if those policies are to succeed.

Africa's Failed Development Model

A brief overview of Africa's political economy shows that Africa has moved from one crisis to another since independence. The export led economy that marked the colonial economy was meant to serve the interests of the Western industrial development. Cheap raw materials such as cotton, coffee, tea, copper did not benefit much the local African economies since they did not have any value added to them. Another problem with the export led economy that largely relied on one commodity is that when prices of such a commodity fluctuated, the country that relied mainly on that commodity suffered immensely since it had no other source of income. Paradoxically, the colonial economy in Africa was stable and vibrant to an extent that most African colonial economies were at par with Western economies. The development in the colonial state can be best described as “development by the people but not for the people.”

The post colonial economy in Africa did not change much. The flag changed and the leaders but the system remained the same. It remained export led and it was largely state run with little private enterprise. Such an economy soon served the interests of the ruling elite who most often used state resources to sustain themselves in power. It was also largely donor driven since the local resources were not sufficient to provide the services required in a given country. Borrowing from international financial institutions to sustain the country led to heavy debt burden. In some countries the debt burden was as high as 30% of GDP. What made the situation worse was the cold war politics that led Western countries to support African political leaders on the basis of their support for a given ideology and not for implementing proper economic policies. This partly explains the

rise of dictators such as Idi Amin of Uganda, Kamuzu Banda of Malawi, Mobutu Seseko of Zaire now the Democratic Republic of Congo (DRC). Some of these dictators used public funds meant for development projects for personal business and opened accounts in Western banks. Development, if any, during the post-colonial states was neither by the people nor for the people.

Then came the 1980s, a period referred to in development discourse as the “lost decade.” After the failed development models of the 1960s and 1970s, the international financial institutions came up with new policies that would set African countries on the road to recovery and hopefully help them to service their debts. The World Bank and the IMF came up with what was called Structural Adjustment Programs (SAP), that were also a condition for giving further aid. The lost decade is aptly described by Martin Meredith in his celebrated book *The State of Africa: A History of fifty Years of Independence* thus: “By the mid-1980s most Africans were as poor or poorer than they had been at the time of independence. Crippled by debt, mismanagement and a collapse in tax revenues, African governments could no longer afford to maintain proper public services. Roads, railways, water, power and telephone systems deteriorated; schools, universities and hospitals were starved of funds; scientific facilities and statistical offices became early casualties.” The impact of such a crisis is obvious. Underpaid workers either resigned or became corrupt. Others left Africa to look for “greener pastures”, as brain drain is popularly called in Africa. It is estimated that during the period of 1986 to 1990, about 50,000 to 60,000 professionals left Africa. This trend of brain drain has not stopped. It is estimated that about 30,000 medical doctors from Nigeria are working in the West.

What was the philosophy behind the SAPs of the 1980s? Before the 1980s the main actor in Africa’s economic development was the state. In the 1980s a new thinking emerged steered by the neo-liberal economic theorists and the Brettonwoods institutions claiming that economic growth was better served by less state involvement in the economy and more private enterprise. The new economic gospel was privatization and opening the domestic market to foreign investment.

Comprehending the Global Economic Crisis and its Impact on Africa

Towards a New Paradigm

Policy Recommendations