

Systemic Crises, Conflicting Interests and State Failure in Zimbabwe 1997-2004

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The Nature of the Zimbabwean Crisis

There has been a cumulative breakdown in Zimbabwe's economic and political institutions, and a catastrophic decline in the security and welfare of its people since the late 1990s. Output has fallen by more than 30%, inflation has risen to 600%, more than half the population has depended on food aid, and a growing foreign exchange shortages constantly disrupts the supply of fuel and power. Politically there has been a shift from a relatively open one-party system to an authoritarian and predatory regime that is increasingly dependent on using force and fraud to stay in power, and destroying the legitimacy and effectiveness of the state apparatus by doing so. More than 25% of the population are HIV positive, and life expectancy has fallen from 62 to about 36 in little more than ten years. Few people have jobs so many survive by selling phone cards or lottery tickets or a few bananas on street corners, inflation has destroyed middle class savings, and crime is increasing. Perhaps 2 million people have emigrated, many of them with irreplaceable skills.

Worse disaster stories can be told elsewhere in Africa, but this one is particularly disturbing since it was not generated by a failed regime, but by one that had managed one of the more successful post-colonial transitions in Africa over the previous 18 years. In the 1980s it had used corporatist policies to produce fair economic growth and commendable levels of social expenditure. Between 1991 and 1995 it initiated and sustained a domestically driven Economic Structural Adjustment Programme (ESAP) despite serious political costs, and was positioned to begin a period of sustained economic growth in 1997. Instead it took a series of decisions in response to short-term political demands and threats that each intensified underlying problems and forced it to seek more short-term solutions with even more damaging consequences. As a result Zimbabwe has been transformed from a success story to a failed state in only seven years.

Orthodox social science find it difficult to explain downward spirals like this involving apparently irrational choices that produce cumulative breakdowns and long term decay, since they assume rational action and a tendency for disrupted systems to revert to a relatively stable equilibrium. The Zimbabwean experience, and that of many other failed states, clearly cannot be understood using these optimistic behavioural and analytical assumptions. We cannot provide an full methodological alternative here, but we can provide some useful insights by invoking the idea of interlocking crises that generate unmanageable vicious circles driven by irreconcilable conflicting interests.

Crises, Vicious Circles, and State Failure in Zimbabwe

The policy decisions of the ZANU-PF regime have been taken in response to a series of economic and political crises since independence. These are threats to the integrity of one or other of the institutional structures on which it has depended for its long-term survival. The stability of these institutions depends on their ability to manage agree-

ments that are constantly contested by social groups with conflicting interests. Crises develop when new demands emerge that they cannot manage without undergoing a process of structural transformation, as when the franchise was universalised in South Africa in 1994. Economically they have involved demands for changes in the management of the productive system by capitalists, workers and state functionaries who believed that existing arrangements threatened the ability of the productive system to provide adequate levels of investment, employment, taxation and foreign exchange. Politically they included demands for a more inclusive and open constitution, a more effective role for competing political parties and civil society organisations, and a fairer distribution of economic assets and rewards. While the regime responded quite effectively to new demands in the 1980s and early 1990s, the combination of the economic stresses generated by ESAP and the political stresses generated by threats to the power of the ruling party after 1997 pushed the system beyond its limits and led to the short-term and counter-productive decisions that produced the ongoing decline.

The crises driving the change process changed dramatically over the period that concerns us here, with decisions taken in one sphere generating new and usually unanticipated strains at different points in the system.

1. The crisis began in the economic sphere in the 1980s when ZANU-PF still retained the political legitimacy generated by the liberation struggle. By the late 1980s the monopolistic, state-led economic strategies were clearly constraining investment, taxes and exports, and increasing unemployment. The ESAP programme initiated in 1991 attempted to address these problems by shifting from corporatist to market based institutions. This did eventually encourage investment and exports, but increased stress elsewhere in the system by reducing social expenditure and the rights of formal sector workers, increasing unemployment and intensifying the fiscal crisis. The droughts of 1992/3 and 1995 reduced rural incomes and growth producing a crisis of confidence in the market-based reforms introduced under the new programme.
2. This economic crisis then generated a political crisis by reducing the legitimacy of the ZANU-PF regime. Growing unemployment fuelled the demands for compensation by war veterans and for land redistribution, while spending cuts produced serious tensions in the civil service. Fiscal constraints and the transfer of sources of rent from the state to the market undermined the quality of social services, as well as the regime's ability to reward the key politicians, officials and army officers providing it with support. Poor electoral turnouts and growing opposition from civil society organisations showed that the ZANU-PF monopoly was no longer safe.
3. It responded with a series of decisions designed to buy political support that worsened the economic crisis. In late 1997 there were massive payouts to War Veterans and the announcement of draconian land appropriations to reward rural supporters; in 1998 there was a ruinously expensive military expedition to the Democratic Republic of the Congo at a time when rumours were circulating about its loyalty; the fiscal deficit was increasingly funded by printing money and borrowing from the domestic banking system at negative rates of interest; pre-ESAP controls were re-established over the exchange rate and grain markets that generated massive rents for significant members of the political elite. These expedients may have increased political support, but they reversed the economic recovery that had begun at the end of the 1995 drought. Inflation destroyed savings and discouraged investment, the overvalued exchange rate sup-

pressed exports, the major donors withdrew their support, and there was a corresponding growth in unemployment, poverty and the fiscal and forex crisis.

4. This new economic crisis then further intensified the political threat to the regime. Opposition from civil society intensified and the Movement for Democratic Change (MDC) emerged in 1999 to represent formal sector workers, the urban unemployed, commercial farmers and other middle class groups. In 2000 the government lost the Constitutional Referendum and the MDC won 57 out of 120 seats at the Parliamentary election and would probably have won more but for coercion and fraud. The regime then encouraged violent land invasions by War Veterans, increased the budget deficit, and the overvaluation of the exchange rate. This intensified both the economic and political crises by reducing agricultural output and exports, reducing output, destroying savings, and removing any hope of international support.
5. By 2003 observers were predicting an early end to the ZANU-PF regime, but it has since responded to the political crisis by intensifying its use of fraud and force using the methods pioneered in the stolen Presidential election of 2002. ZANU-PF candidates have now won a series of bye-elections, culminating in the violent campaign in the MDC-held urban seat of Zengesa at the end of March 2004. It is therefore willing and able to stay in power for some time to come, even at the expense of the legitimacy of the democratic process. Its opponents will have to submit to the exactions of a corrupt regime or to resort to extra-electoral methods to change it, but show little evidence of their ability to do this.
6. Their ability to do this, however, is compromised by the increasing problems associated with the need to extract resources from a rapidly declining real economy. They are providing some firms and banks with subsidised loans; using force to transfer foreign exchange from the parallel market to the official auction system that still only offers confiscatory rates; monopolising grain stocks in order to influence the coming election; and printing money to finance the deficit. The over-valued exchange rate and demand for Black Economic Empowerment is also threatening the mining industry. However it is easier to rig an election than an economic system. These exactions are reducing the productive capacity of the system as a whole, and therefore the future supply of the taxes, forex, and investment required to maintain state services, finance essential imports of fuel and power, and generate the jobs required to overcome the long-term crisis. This is further eroding public support and is now producing increasingly visible and violent conflict within the ZANU-PF regime. The vicious circles and downward spiral continue unchecked.

Conflicting Interests, Public Policy, and Structural Breakdown

This account demonstrates the complex interactions between the political and economic stresses that have undermined the system, but says little about the nature of the conflicting interests that have driven the regime to choose one path rather than another. However, we can only understand the rationale, if not the rationality of policy decisions when we recognise that they always stem from demands that could improve the situation of some groups at the expense of others and even of the integrity of the system as a whole. Far worse histories of breakdown can be found in dozens of failed states, and these can only be understood if we recognise that they are not only the outcome of megalomania, ethnic conflict, or fundamentalism but of the deeply complex

and divisive decisions that confront governments in poor and unequal societies where political favours often makes the difference between a life of servitude or of wealth.

ZANU-PF came to power through a civil war against a regime that had excluded the black population from all positions of political, administrative and economic authority. It had to transform this situation, and could not have done so without threatening at least some of the interests of important classes and social groups. What is perhaps surprising is not that it eventually introduced the confiscatory processes that it did – there were widespread nationalisations across tropical Africa during the 1960s and 1970s - but that it took so long to do so. Instead it managed a rather conservative class compromise until the late 1990s. We can only understand the rupture that occurred then by examining the prior operation and the weaknesses, of that compromise.

ZANU-PF claimed to be a ‘socialist’ regime, but it actually chose to follow a corporatist rather than a state socialist strategy. It did not expropriate the white capitalist class but subjected them to tight regulatory constraints, following the lead set by the Smith regime in response to international sanctions. It used favourable pricing controls to support farmers in both white commercial and African communal areas, and provided the latter with food subsidies during droughts. It gave white manufacturers monopolistic access to markets through protection, forex allocations, and credit, but also incorporated the formally employed working class by protecting them from wage cuts and dismissal. It expanded the civil service and parastatals, giving the newly educated middle class secure employment and the politically connected elite generous salaries and opportunities for rent extraction and opportunities to create businesses through state patronage. Increased state spending guaranteed the support of the urban and rural poor by expanding the provision of health and education.

However, the stability of this compromise, given rapid population growth, depended on a rapid expansion in productive capacity to generate the necessary taxation, forex and jobs. Unfortunately it also subjected producers to increasingly onerous constraints and exactions that reduced their ability to invest and employ additional labour. The monopolistic nature of the system suppressed the emergence of a new class of small entrepreneurs, and therefore of an autonomous black bourgeoisie. The result was low growth rates, and fiscal and forex shortages that inhibited new investment. Formal employment hardly grew at all, leaving a larger and larger proportion of an increasingly educated youth without jobs.

The ESAP programme was a serious attempt to remove these contradictions and generate a progressive capitalist transformation, but the stresses involved were too strong. It not only reduced the security of the working class, but also that of the civil service, parts of the rural community and members of the political elite. In poorer African countries like Uganda and Ghana these stresses were eased by aid-flows that sometimes provided a substantial proportion of the development and recurrent budgets and of the forex shortfall. Zimbabwe received much less, so it the regime responsible for the ESAP reforms, had to pay a heavy political price for its willingness to implement them so quickly. The donor community also cannot be absolved from some share of the responsibility for the subsequent collapse.

Future Prospects

What does this analysis tell us about the future? Accurate predictions are impossible but it should help to clarify some of the key issues.

First, resolving the crisis is now a political rather than an economic problem. Uganda, Ghana and Mozambique have shown that countries with worse problems than Zimbabwe can recover successfully with good leadership, responsible policy programmes, and favourable relationships with donors. Hence ZANU-PF's ability to manipulate elections and abuse the economy to reward supporters is now the key obstacle to a viable solution, and the ability of the MDC and civil society to mobilise an alternative programme with outside support is the long-term solution. This means that the idea of a negotiated settlement between ZANU-PF as it is presently constituted, and the MDC is little more than wishful thinking.

Second, a peaceful electoral transition is becoming increasingly remote, given the ability of the regime to use violence and fraud. Observers assume that there must be a direct connection between economic breakdown and regime change, but the connections are not immediate or direct. The MDC would almost certainly win a 'free and fair' election but this will not be allowed. Joblessness, famine, hyper-inflation, gross political corruption and mismanagement, collapsing hospitals and failing schools should serve to drive people into the streets, but this will only happen when they do not expect the state to drive them back at great personal cost. The regime has managed to do this so far, and it is now further consolidating its hold on the army and police by placing trusted supporters at all levels, many of them War Veterans. Thus it is becoming more difficult for ZANU-PF to retain power, but there is little evidence that the opposition will be able to mount an effective challenge at the polls through public demonstrations.

Third, the regime's growing ability to manipulate the electoral process has now been combined with evidence of an ability to handle the economic crisis more effectively. Financial reforms have restored some discipline to the banking sector, and could begin to stabilise inflation. The auction system has enabled the state to recapture some of the foreign exchange it needs to pay for essential services, and given exporters a less irrational exchange rate, although one that is still unsustainable. The elimination of subsidies and introduction of private competition has eliminated most fuel queues. However this does not address the structural problems identified earlier so inflation will remain, unemployment will grow, production and exports will fall and the economy will at best be trapped in a low-level equilibrium, at worst continue on its downward path.

However, fourth, change possible, even likely, though we cannot predict how it might turn out. The reform process in Kenya represents the best hope for the future, the ongoing war in the Ivory Coast suggests that it might get far worse. What is certain is that the economic crisis must intensify the stresses being felt across the system, especially at vulnerable points where a rupture could produce rapid and unanticipated results. These include the upper levels of the party, the army and police, and those worst affected by the decline in economic and bureaucratic capacity.

Economic contraction is increasing competition for political rents, exposing major conflicts within the inner circles of the party, and obliging the President to sacrifice even close associates to retain control. Senior party officials have been arrested for 'economic crimes', a party commission is investigating the activities of ZANU-PF businesses, and financial reforms are threatened the fortunes of many others. This could split the party, especially if there was a struggle over the succession that exacerbated existing ethnic and economic cleavages. There could then be an opening for a realignment of political forces involving the MDC. The strength of the ZANU-PF hierarchy, and the party's instinct for self-preservation probably militates against this possibility.

There could be a military intervention, although this is unlikely since the international community is so strongly committed to democratic procedures, and the regime has done so much to ensure the loyalty of key officers at all levels. However, serious strains do exist – professional officers are being passed over by loyalists, some of them with no appropriate experience or training. The rank and file are better provided for than the rest of society, but they are also affected by the fiscal crisis, and their relatives outside suffer far more. They have been willing to suppress demonstrations with great force, but there could be a high level intervention, perhaps by junior officers, or a failure to obey orders by troops confronted with a major public demonstration.

Finally some form of mass uprising could take place because the urban population is totally alienated from the regime, and there is probably widespread rural opposition as well. This resentment will increase as poverty deepens, especially if, as now seems likely, there are serious food-shortages at the end of the year that can be attributed to the government's grain monopoly and refusal to make full use of the support being offered by donors. However, we have already shown that all resistance of this kind will be met with extreme force so the risks and logistical problems associated with such action are likely to rule it out in the immediate future. How long this will continue to be the case is another matter.