Interpretations of the global financial crisis and their implications for South Africa

By Patrick Bond[1]
Director, University of KwaZulu-Natal Centre for Civil Society

Presented to the University of Johannesburg
Sociology and Anthropology Seminar Series
6 February 2009

Abstract

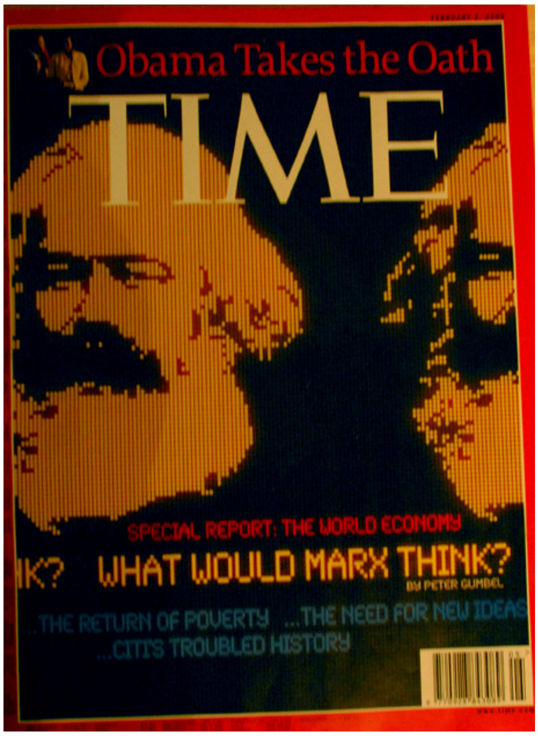
The renewed attention to classical Marxist economic theory occasioned by the ongoing world financial crisis is long overdue. There are longstanding debates, of course, regarding the core processes of political economy and geopolitics. But the main point is to query whether the crash of not just financial institutions but also *financial logic* means we are prepared for a 'post-neoliberal' era. This assumption by some commentators on the left and centre-left (like Walden Bello and Paul Krugman) requires a rethink, especially in the South African and African continental contexts, because following from the interpretations of crisis one can adopt rather different political strategies. Mastering and then transcending the concern with the *financial* form of the crisis, and moving to a richer sense of why *capitalist* dynamics are to blame, is far more rewarding if we aim to understand the implications of this crisis for local and global eco-social and economic progress.

---

1. It is an honour to be back at this seminar series (after last sharing ideas on 'Potentials for African Anti-Capitalism: Uneven Development and Popular Resistance' in July 2003, and in the meantime witnessing several excellent papers and reading many more that were presented in this room). Congratulations to Peter Alexander, Marcelle Dawson and David Moore for opening space for radical political economic analysis at a time it is desperately needed, especially in Johannesburg. The material that follows has been published in recent weeks or is forthcoming: ZNet commentaries, *Development Dialogue,* and *The Review of African Political Economy*. Thanks are also due to numerous collaborators in other institutions and justice movements, especially Dennis Brutus at CCS.

Introduction

Once we go back to Marx we find that this is not a purely financial crisis we are in the middle of, it's a deep-rooted capitalist crisis. What we've experienced in an acute form in the world economy in recent months reflects the underlying contradictions of global capital. But these contradictions have played out since the early 1970s, and it is now that the combined US/European/Japanese expression of the crisis calls into question the very merits of the system. As Angela Merkel put it in *Time* (2009) magazine last week, if the global elite 'are not in a position to show that we can create a social order for the world in which such crises do not take place, then we'll face stronger questions as to whether this is really the right economic system.'

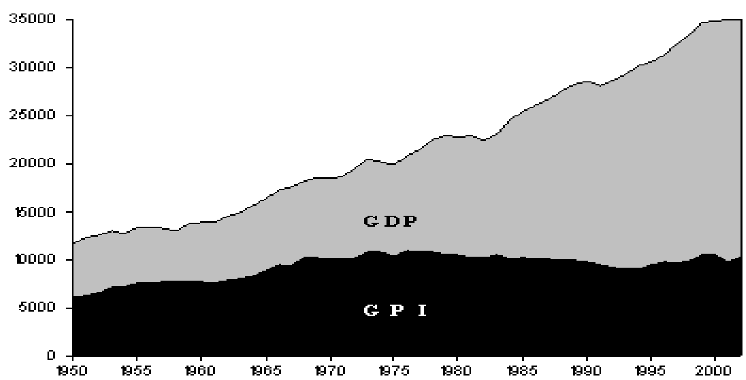


To put those questions out quite forcefully will require us to contend with some in the Marxist camp who believe we are only facing a financial crisis, and that the underlying real economy had already recovered from the 1970s malaise. There is another argument within Marxism – as well as Keynesianism – that declares the era of neoliberalism to be over, which is yet another myth that needs addressing. In both cases, the South African implications of these intellectual challenges are crucial political markers.

Debates within political economy

Divergent views exist within Marxist political economy over the nature of finance within the context of a slower-growing contemporary economy, at a time of increasingly frictional geopolitical and military power relations. In this section, I flash back to the debate that unfolded during the early/mid-2000s between those who argued that capitalism is strong and that financial markets are a source of strength; and those who argued that capitalism is vulnerable and that volatile financial markets are a symptom of deep-rooted crisis tendencies (this section was written in 2004-05):

> Like an earlier debate between Rudolf Hilferding (1910) and Heinrich Grossmann (1929), some stress the power and coherence of finance within an always-restructuring market economy; while on the contrary some stress the vulnerability and system-threatening contradictions associated with durable economic crisis and especially international financial system fragility.
>
> In the first category, Leo Panitch and Sam Gindin (2004, 73-75) insist, 'Clinging to the notion that the crisis of the 1970s remains with us today flies in the face of the changes that have occurred since the early 1980s.' In the same spirit, Chris Rude (2004) provides a convincing statement of the way incidents like the 1997-98 Asian and Long Term Capital Management (LTCM) liquidity crises actually strengthened the system: 'The financial instability is functional. It disciplines world capitalism.' There is probably no more striking evidence of this than the 'Volcker shock' rise in the US interest rate in 1979, imposed by Federal Reserve chair Paul Volcker to halt inflation and in the process discipline labor, subsequently drawing the Third World inexorably into debt crisis, austerity, decline and conflict.
>
> What, however, is the source, not only of recent economic volatility, but of the long slowdown in economic growth? The world's per capita annual GDP increase fell from 3.6 percent during the 1960s, to 2.1 percent during the 1970s, to 1.3 percent during the 1980s to 1.1 percent during the 1990s followed by a rise to 2.5 percent for the first half of the 2000s (World Bank 2005, 297).



> To be sure, the bundle of goods measured over time has changed (high technology products enjoyed today were not available in the last century). Yet overall, GDP measures are notorious overestimates, especially since environmental degradation became more extreme from the mid-1970s, the point when a 'genuine progress indicator' went into deficit

(http://www.redefiningprogress.org). We must also acknowledge the extremely uneven character of accumulation across the world, with some regions – especially Eastern Europe – having dropped vast proportions of output after 1990.

In contrast to the arguments by Panitch, Gindin and Rude, there have been several powerful statements about 'crisis' faced by global – and especially US – businesses in their of restructuring production systems, social relations and geopolitics (Brenner 2003, Harvey 2003, Pollin 2003, Wood 2003). It would be tempting to draw upon sources like Volcker himself, who in 2004 publicly warned of a '75 percent chance of a financial crisis hitting the US in the next five years, if it does not change its policies.' As he told the *Financial Times,* 'I think the problem now is that there isn't a sense of crisis. Sure, you can talk about the budget deficit in America if you think it is a problem - and I think it is a big problem - but there is no sense of crisis, so no one wants to listen' (Tett, 2004).

From the standpoint of political economy, similar sentiments are regularly aired, based not only upon distorted US financial and trade accounts, but also underlying features of production, ecological destruction and social degradation. Yet amongst crisis theorists, disputes remain over the relative importance of:

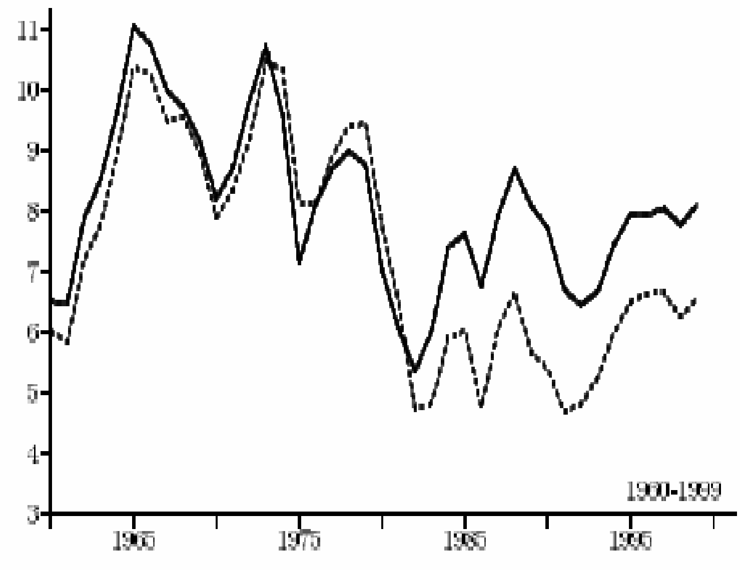
- employer-employee class struggle (especially emanating from late 1960s Europe, but waning since the mid-1970s and at very low levels during the 1980s when nominal profits increased),
- international political conflict,
- energy and other resource constraints (especially looming oil shortages), and
- the tendency to 'overaccumulation' (production of excess goods, beyond the capacity of the market to absorb).

For David Harvey (2003), 'Global capitalism has experienced a chronic and enduring problem of overaccumulation since the 1970s.' Robert Brenner (2004) finds evidence of this problem insofar as 'costs grow as fast or faster in non-manufacturing than in manufacturing, but the rate of profit falls in the latter rather than the former, because the price increase is much slower in manufacturing than non-manufacturing. In other words, due to international overcapacity, manufacturers cannot raise prices sufficiently to cover costs.'

Whether this is a sufficient basis of proof has been disputed, for example by Giovanni Arrighi (2003) who observes 'a comparatively low, and declining, level of over-capacity', drawing upon official statistics. Such data are not terribly useful for measuring overaccumulation, however, because year-on-year capacity measurement does not take into account either the manner in which firms add or subtract capacity (e.g. *temporarily* mothballing factories and equipment) or the ways that overaccumulation problems are shifted/stalled into other sectors of the economy. At the height of the West's devalorization stage of overaccumulation, during the 1980s, other political economists - Simon Clarke (1988, 279-360), Harvey (1989, 180-197) and Ernest Mandel (1989, 30-58) – showed how deindustrialization and intensified uneven development were correlated to overaccumulation. Subsequently, evidence of the ongoing displacement of economic crisis to the Third World and via other sectors was documented by Harry Shutt (1999, 34-45) and Robert Biel (2000, 131-189).

Related debates unfold over what is mainly a symptom of economic crisis: declines in the corporate rate of profit during the 1970s-90s, emanating from the United States. At first glance, the after-tax US corporate profit rate appeared to recover from 1984, nearly reaching 1960s-70s highs (although it must be said that tax rates were much lower in the recent period). On other hand, interest payments remained at record high levels throughout the 1980s-90s. By subtracting real (inflation-adjusted) interest expenses we have a better sense of net revenue available to the firm for future investment and accumulation, which remained far lower than earlier periods (Dumenil and Lévy 2003).

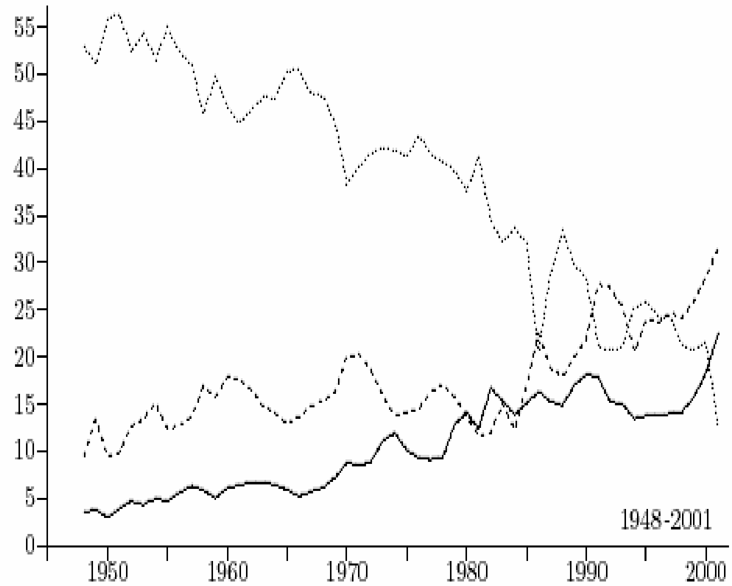
Figure 3 US, nonfinancial corporations: Profit rates prior to the payment of real interest (—) and after (-----), %



In the first series, profits are equal to the net product minus the cost of labor, and business and profit taxes. They are divided by the net worth (total assets minus debt). For the second series, real interest is subtracted from profits, *i.e.*, interest minus a correction for the depreciation of debt resulting from inflation.

Furthermore, we can trace, with the help of Gérard Duménil and Dominique Lévy (2003), the ways that US corporations responded to declining manufacturing-sector accumulation. Manufacturing revenues

Figure 9 Share of three components of the total profits of corporations in the US (%)



Rest of the world: (——); Financial sector: (-----); Manufacturing: (·······)

Profits are measured before profit taxes. The *rest of the world* corresponds to the excess of profits made on US investments abroad over the profits made by the rest of the world on foreign direct investment in the US. (These profits may remain in the country where the investment is made.) Trade, Contruction, Public Utilities, Transportation and Communications, and services are not represented.
Source: NIPA (BEA).

were responsible for roughly half of total (before-tax) corporate profits during the quarter-century post-war 'Golden Age', but fell to below 20 percent by the early 2000s. In contrast, profits were soon much stronger in the financial sector (rising from the 10-20 percent range during the 1950s-60s, to above 30 percent by 2000) and in corporations' global operations (rising from 4-8 percent to above 20 percent by 2000).

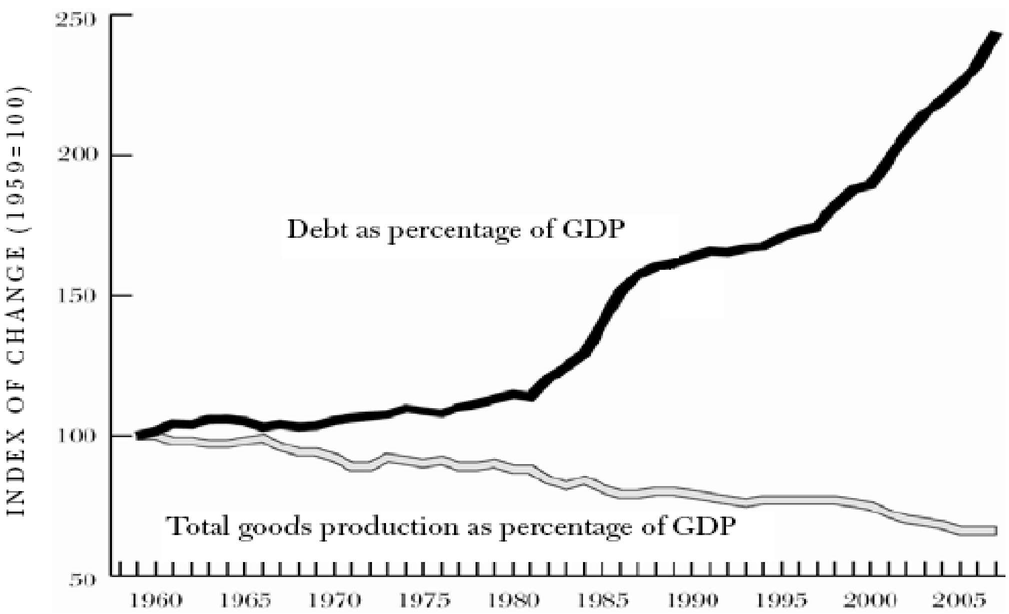
Dumenil and Levy show that since the Volcker shock changed the interest/profit calculus, there have been far more revenues accruing to capital based in finance than in the non-financial sector, to the extent that financiers doubled their asset base in relation to non-financial peers during the 1980s-90s. As Gerald Epstein and Dorothy Power (2002) document, rentier income doubled as a share of US GDP from around 15 percent during the 1960s to above 30 percent for most of the 1980s-90s.

Many such trends continued into the 2000s, with low investment rates, high debt loads and bankruptcy threats to what were once some of the US' most powerful auto companies. Hence restored profits for capital in general disguised the difficulty of extraction of surplus value, leaving most accumulation hollow, based increasingly upon financial and commercial activity rather than production. Although productivity increased and wage levels fell, we will see that the search for relative and absolute surplus value was augmented by profitability found outside the production process.

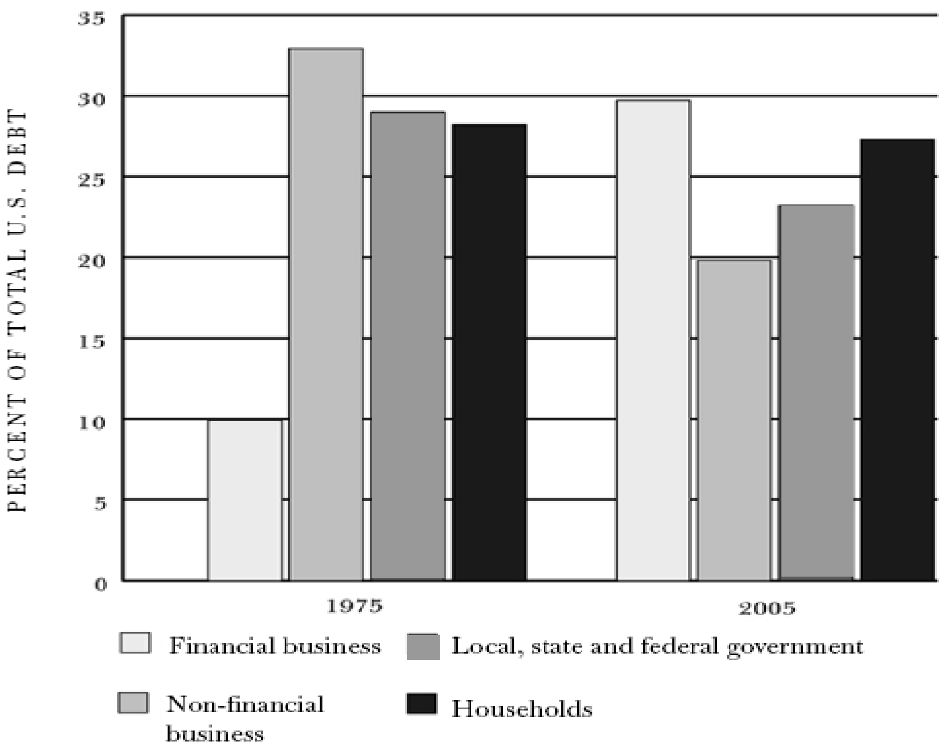
Indeed the primary problem for those wanting to measure and document the dynamics of capital accumulation in recent years has been the mix of extreme asset-price volatility and 'crisis displacement' that together make the tracking of valorization and devalorization terribly difficult. Volatility associated with ongoing financial processes and minimalist intrastate regulation is addressed later, but Harvey's (1999) analyses of spatio-temporal 'fixes' (not resolutions), and of systems of 'accumulation by dispossession' (Harvey 2003), are also appealing as theoretical tools. They help explain why economic crisis doesn't automatically generate the sorts of payments-system breakdowns and mass unemployment problems witnessed on the main previous conjuncture of overaccumulation, the Great Depression.

Several of us were warning that the contradictions continued growing. What we all should have been more cognizant of, however, were the 'limits to capital', and the limits to displacement of capitalist crisis via finance. After all, several obvious variables - the rise in US debt in comparison to the production of goods in the US economy, the rise of financial sector debt (in relation to other sectors), the rise of profits attributable to financial (not productive) activity, underinvestment and rising inventories - were all quite extreme during the 2000s, as these charts show.

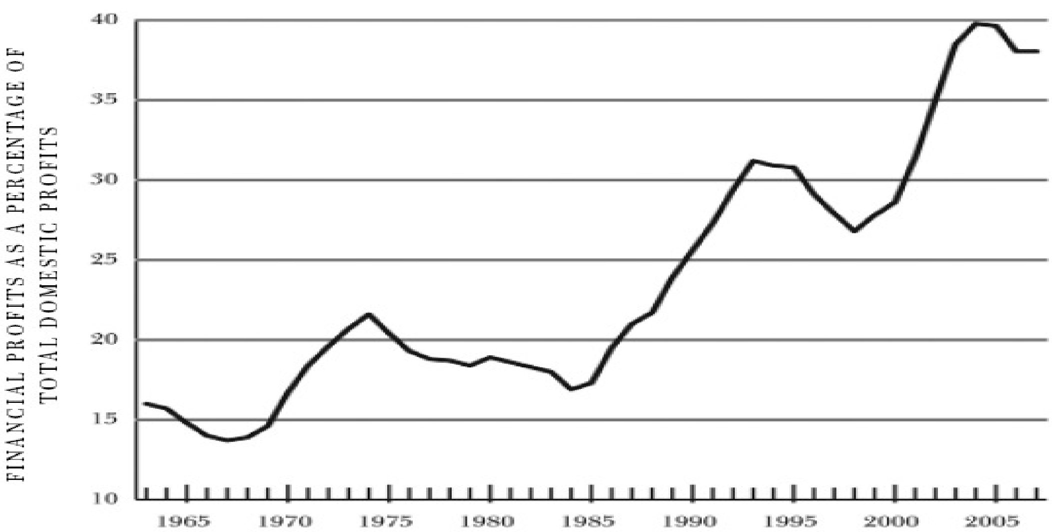
Change in US debt v US goods production as percentages of GDP, 1960-2007
(Source: Foster and Magdoff 2009)



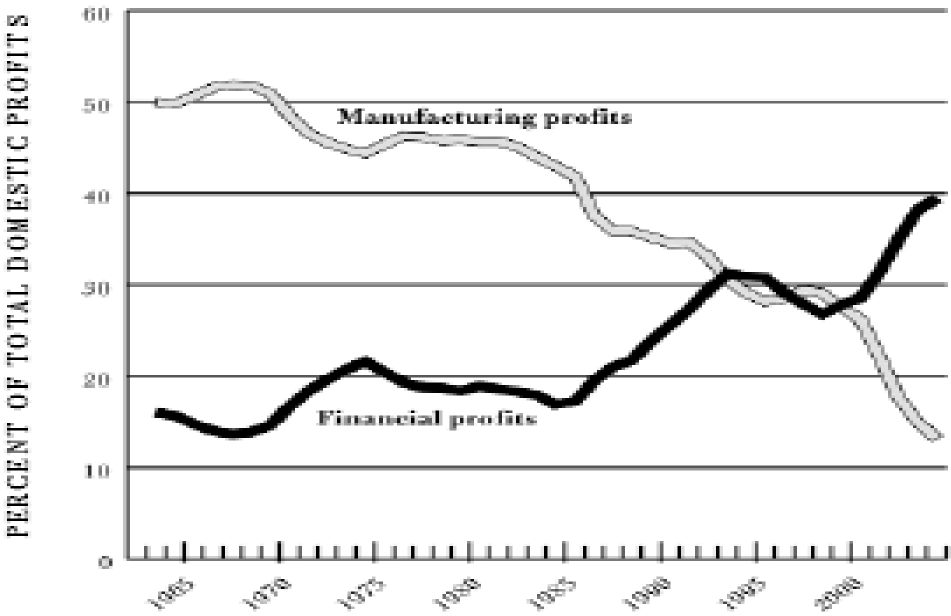
Change in US debt components, 1975 to 2005
(Source: Foster and Magdoff 2009)



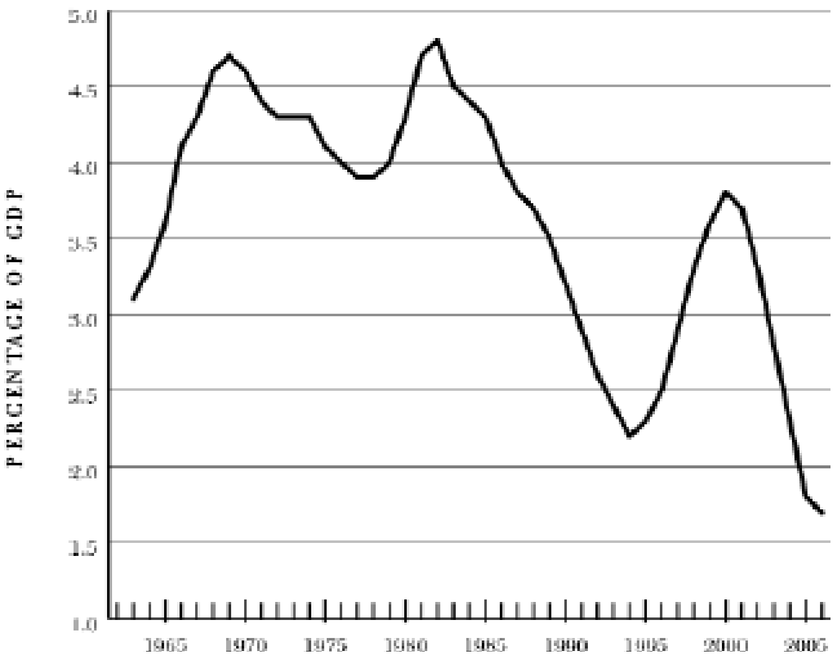
Financial profits as a source of total US profits, 1962 to 2007
(Source: Foster and Magdoff 2009)



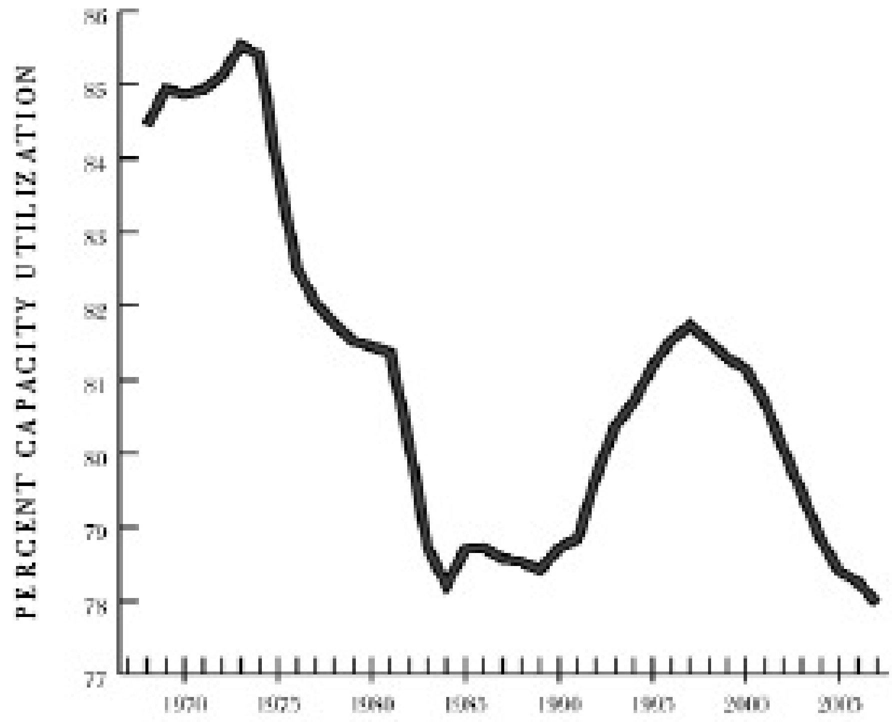
Financial profits versus manufacturing US profits, 1963 to 2006
(Source: Foster and Magdoff 2009)



Net private US fixed investment (non-residential), 1962 to 2006
(Source: Foster and Magdoff 2009)



Industrial capacity utilisation, 1966 to 2007
(Source: Foster and Magdoff 2009)



Given these phenomena, payments-system breakdowns, mass unemployment and the extreme devalorization of overaccumulated capital were at least foregrounded in the works of the crisis theorists of the 1990s-2000s, and have since been joined by eloquent statements about the contemporary capitalist crisis by Walden Bello (2008a), Brenner (2008, 2009), Jeremy Cronin (2009), Ben Fine (2008), John Bellamy Foster (2008), Foster and Fred Magdoff (2009), Lauren Goldner (2008) and Yash Tandon (2008a). (Others including Immanuel Wallerstein, Michael Lebowitz, Michael Perelman, Elmar Altvater, and Dani Nabudere have made similar arguments for many years.)

Once we have established the roots of the crisis in these relatively longer-wave processes, the next question is whether the devalorization of financial capital now underway also devalorizes the *ideology* of financial capital, namely neoliberalism. Are we ready, as Bello (2008b) puts it, for the 'next war' between the world's progressive forces on the one hand, and capital on the other?

> Given the need for global legitimacy to promote their interests in a world where the balance of power is shifting towards the South, western elites might find more attractive [than dead neoliberalism] an offshoot of

European Social Democracy and New Deal liberalism that one might call 'Global Social Democracy' or GSD… Among the key propositions advanced by partisans of GSD are the following:
* Globalization is essentially beneficial for the world, the neoliberals have simply botched the job of managing it and selling it to the public;
* It is urgent to save globalization from the neoliberals because globalization is reversible and may, in fact, already be in the process of being reversed;
* Growth and equity may come into conflict, in which case one must prioritize equity;
* Free trade may not, in fact, be beneficial in the long run and may leave the majority poor, so it is important for trade arrangements to be subject to social and environmental conditions;
* Unilateralism must be avoided while fundamental reform of the multilateral institutions and agreements must be undertaken – a process that might involve dumping or neutralizing some of them, like the WTO's Trade-Related Intellectual Property Rights Agreement;
* Global social integration, or reducing inequalities both within and across countries, must accompany global market integration;
* The global debt of developing countries must be cancelled or radically reduced, so the resulting savings can be used to stimulate the local economy, thus contributing to global reflation;
* Poverty and environmental degradation are so severe that a massive aid program or 'Marshall Plan' from the North to the South must be mounted within the framework of the 'Millennium Development Goals';
* A 'Second Green Revolution' must be put into motion, especially in Africa, through the widespread adoption of genetically engineered seeds.
* Huge investments must be devoted to push the global economy along more environmentally sustainable paths, with government taking a leading role ('Green Keynesianism' or 'Green Capitalism');
* Military action to solve problems must be deemphasized in favor of diplomacy and 'soft power,' although humanitarian military intervention in situations involving genocide must be undertaken.
Global Social Democracy has not received much critical attention, perhaps because many progressives are still fighting the last war, that is, against neoliberalism.

The end of neoliberalism?

Those who declare that the Great Crash of late 2008 heralds the end of neoliberalism are not paying close enough attention, including even Bello (perhaps the world's leading progressive political-economic strategist) and the Swedish Bank's 'Economic Nobel Prize' laureate for 2008, Paul Krugman (2008):

> Everyone's talking about a new New Deal, for obvious reasons. In 2008, as in 1932, a long era of Republican political dominance came to an end in the face of an economic and financial crisis that, in voters' minds, both discredited the [Republican] free-market ideology and undermined its claims of competence. And for those on the progressive side of the political spectrum, these are hopeful times.

I disagree with Bello on the left and Krugman on the centre-left. It is not time to go 'postneoliberal' in policy argumentation *within the existing institutional framework*, given the adverse balance of forces in the world today, even accounting for the November 2008 US election. Instead, a more realistic – and also radical – approach requires us first to humbly acknowledge that a more dangerous and painful period lies immediately ahead, because of at least three factors:

- public policy will suffer from the financial sector crisis via *intense austerity*, pressures associated with extreme *economic volatility* (such as privatisation), and a renewed lobby for *micro-neoliberal strategies*;

- there remains unjustified faith in the *multilateral* system (from Kyoto to Bretton Woods revivalism), which distracts us from the *national*-scale solutions that are both feasible and radical; and

- a new threat arises, in the form of *relegitimised neoliberalism and imperialism*, via the election of Barack Obama as US president.

South Africa and Africa offer myriad illustrations of these problems. The view I have from Durban leads me to conclude that until we change the power balance, a new era of global-scale postneoliberalism imposed from the top down is a fantasy, whether envisaged from Pretoria, Beijing, Caracas, Washington, New York or European capitals. Moving forward requires hard work, not just a capitalist crisis.

What kind of work will be needed to achieve a postneoliberal political economy, or at least the conditions that would make such possible? In articles for the Dag Hammarskjold Foundation in 2007, I raised two dilemmas: first, uncoordinated, dysfunctional global intra-capitalist cohesion on major policy problems (Bond, 2007a); and second, the potentials but also serious weaknesses in the countervailing World Social Forum and global justice movements (Bond 2007b). But if many would share my skepticism about *global-scale* solutions to problems, then what now requires elaboration is the variety of *national-scale* opportunities and accomplishments on the left. This is a particularly acute time to refocus our attention on sites of *genuine* power, given the misleading hype about a new Bretton Woods conference under G20 (or even United Nations Financing for Development) mandates, or a 2009 Copenhagen solution to the Kyoto Protocol's malaise.

In addressing the core problems identified above, the view from South Africa is revealing, if combined with other examples from around the world:

- to counteract the austerity, volatility and micro-neoliberalism, we need to immediately recall and reorganise campaigning associated with *defence against financial degradation*;

- to transcend fruitless calls for *United Nations solutions to environmental, economic and geopolitical problems*, we need to reconsider national state powers such as *exchange controls*, *defaults on unrepayble debts*, *financial nationalisation and environmental reregulation*, and the *deglobalisation/decommodification* strategy for basic needs goods; and

- to assist the *re-delegitimisation of US power*, we need to insist on a world not addicted to the US dollar and all that it represents economically, and also to provide *critical* (not dogmatic) support to rising anti-imperialist potentials.

These are some of the crucial strategic orientations that are required to move from an illusory postneoliberal hubris, claimed by progressives in many sites around the world, to a more durable terrain upon which firm foundations are laid for human and environmental rights as political determinants, instead of markets and profits. The rest of the article lays out the problem and pilots for the solutions (due to constraints of space, focusing on financial degradation and the relegitimation of neoliberalism and imperialism), drawing especially upon national (South African) political processes that are realistic in coming months/years.

Our not-yet-postneoliberal reality: financial degradation

The G20 met to discuss the way forward for global financial regulation on 15 November 2008, and in their concluding statement, clumsily conjoined disparate ideologies:

> We must lay the foundation for reform to help to ensure that a global crisis, such as this one, does not happen again. Our work will be guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism,

> innovation, and entrepreneurship that are essential for economic growth, employment, and poverty reduction (G20, 2008: 1).

That essentially pro-market approach was balanced, however, by European voices at the G20 (as reported by Parker, Ward and Hall, 2008):

> Spain's governing Socialist party summed up the heady mood in some parts of Europe in an internal document, seen by *El Mundo*, that identified the summit as a moment of historic change. 'The origins of this crisis lie in neoliberal and neoconservative ideology,' it said.

At the summit press conference, International Monetary Fund managing director Dominique Strauss-Kahn

> called for nations to approve a fiscal stimulus equal to 2 per cent of gross domestic product. Such a move, he said, would result in a 2 per cent increase in growth. When asked where fiscal stimulus was need, he said, 'everywhere, everywhere where it is possible' (Grice and Foley, 2008).

But for Strauss-Kahn, such Keynesian noises are easily uttered in settings like the G20 crisis conference, at which the Bretton Woods institutions must be seen to be acting forcefully (and after all, the International Monetary Fund managing director's personal sponsor, French premier Nicolas Sarkozy, has railed against 'American capitalism'). In reality, though, the IMF was simultaneously treating South Africa like a typical Third World debtor deserving of a full neoliberal work-out. For on 22 October, the IMF filed several lengthy reports which made the following five points concerning South Africa:

- the SA government should run a budget surplus;
- the SA government should adopt privatisation for 'infrastructure and social needs' including electricity and transport;
- the SA Reserve Bank should maintain existing inflation-targeting and raise interest rates;
- the SA Treasury and Trade Ministry should remove protections against international economic volatility, especially financial and trade rules; and
- the SA Labour Ministry should remove worker rights in labour markets, including 'backward-looking wage indexation' to protect against inflation (Bond, 2008a).

Instead of conceding the need for exchange controls and import controls on luxury goods so as to restore payments and trade account balances, the IMF (2008) had one solution, contrary to Strauss-Kahn's rhetoric: 'Tighter fiscal policy to avoid exacerbating current account pressures.'

The point is that the global crisis may conjure up triumphant centre-left rhetorics of postneoliberalism in a European neo-Keynesian (and appropriately anti-American) context. But where the real power relations can be revealed, in the devalorisation of overaccumulated capital, it is instead much more appropriate to prepare a defence against austerity. The coming austerity was articulated by the most sophisticated South African neoliberal, finance minister Trevor Manuel (who has long been groomed for a top IMF job). He was asked by *The Financial Times* (2008) in October about the impact of the financial crisis on South Africa, and told his constituents to tighten their belts:

> We need to disabuse people of the notion that we will have a mighty powerful developmental state capable of planning and creating all manner of employment. It may have been on the horizon in 1994 [when the governing African National Congress first came to office] but it could not be delivered now. The next period is likely to see a lot more competitiveness in the global economy. As consumer demand falls off there will be a huge battle between firms and countries to secure access to markets.

Securing access to markets is indeed the core problem for national capitalist elites and for the system as a whole. 'Overaccumulation of capital' at the global scale is the root problem of the recent crisis, coming on the heels of a period of 35 years of world capitalist stagnation, extreme financial volatility and internecine competition that has had ruinous impacts. The huge bubble in commodities – petroleum, minerals, cash crops, land – disguised how much countries like South Africa stood exposed, and indeed the early 2000s witnessed increasing optimism that the late 1990s emerging markets currency crises could be overcome within the context of the system. Moreover, even before the resources boom, by 2001 the rate of profit for large South African capital was restored from an earlier downturn from the 1970s-90s, to ninth highest amongst the world's major national economies (far ahead of the US and China), according to one British government study (Citron and Walton 2002).

The reality, though, was that high corporate profits were not a harbinger of sustainable economic development in South Africa, as a result of persistent deep-rooted contradictions:

- with respect to stability, the value of the rand in fact crashed (against a basket of trading currencies) by more than a quarter in 1996, 1998, 2001, 2006 and 2008, the worst record of any major economy, which in turn reflects how vulnerable SA became to international financial markets thanks to steady exchange control liberalisation (26 separate loosenings of currency controls) starting in 1995;

- SA witnessed GDP growth during the 2000s, but this does not take into account the depletion of non-renewable resources – if this factor plus pollution were considered, SA would have a net ***negative*** per person rate of national wealth accumulation (of at least US$ 2 per year), according to even the World Bank (2006, 66);

- SA's economy has become much more oriented to profit-taking from financial markets than production of real products, in part because of extremely high real interest rates, for from March 1995 (when the financial rand exchange control was relaxed), the after-inflation interest rate rose to a record high for a decade's experience in SA economic history, often reaching double digits (after a recent 3.5 per cent spike during the mid-2000s, consumer and housing credit markets are badly strained by serious arrears and defaults);

- the two most successful major sectors from 1994-2004 were communications (12.2 per cent growth per year) and finance (7.6 per cent) while labour-intensive sectors such as textiles, footwear and gold mining shrunk by 1-5 per cent per year, and overall, manufacturing as a percentage of GDP also declined;

- the SA government admits that overall employment growth was -0.2 per cent per year from 1994-2004 – but -0.2 per cent is a vast underestimate of the problem, given that the official definition of employment includes such work as 'begging' and 'hunting wild animals for food' and 'growing own food';

- the problem of excessive capital intensity in production – too many machines per worker – will probably get worse, for the Industrial Development Corporation (a state agency) forecasts that the sector with the most investment in the period 2006-10 will be iron and steel, with a massive 24 per cent rise in fixed investment per year, but sectoral employment expected to fall 1.3 per cent per year, in spite of – or indeed because of – all the new investment;

- overall, the problem of 'capital strike' – large-scale firms' failure to invest – continues, as gross fixed capital formation hovered around 15-17 per cent from 1994-2004, hardly enough to cover wear-and-tear on equipment; and

- businesses did invest their SA profits, but not mainly in SA: dating from the time of political and economic liberalisation, most of the largest Johannesburg Stock Exchange firms – Anglo American, DeBeers, Old Mutual, SA Breweries, Liberty Life, Gencor (now the core of BHP Billiton), Didata, Mondi and others – shifted their funding flows and even their primary share listings to overseas stock markets;

- the outflow of profits and dividends due these firms is one of two crucial reasons SA's 'current account deficit' has soared to amongst the highest in the world (in mid-2008 exceeded only by New Zealand) and is hence a major danger in the event of currency instability, as was Thailand's (around 5 per cent) in mid-1997;

- the other cause of the current account deficit is the negative trade balance, which can be blamed upon a vast inflow of imports after trade liberalisation, which export growth could not keep up with;

- another reason for capital strike is SA's sustained overproduction problem in existing (highly-monopolised) industry, as manufacturing capacity utilisation fell substantially from the 1970s to the early 2000s;

- corporate profits avoided reinvestment in plant, equipment and factories, and instead sought returns from speculative real estate and the Johannesburg Stock Exchange: there was a 50 per cent increase in share prices during the first half of the 2000s, and the property boom which began in 1999 had by 2004 sent house prices up by 200 per cent (in comparison to just 60 per cent in the US market prior to the burst bubble, according to the International Monetary Fund).

With this sort of neoliberal preparation, it is no surprise that in the second week of October 2008, South Africa's stock market crashed 10 per cent (on the worst day, shares worth US$ 35 billion went up in smoke) and the currency declined by 9 per cent, while the second week witnessed a further 10 per cent crash. The speculative real estate market had already begun a decline that might yet reach those of other hard-hit property sectors like the US, Denmark and Ireland, because South Africa's early 2000s housing price rise far outstripped even these casino markets (200 per cent from 1997-2004, compared to 60 per cent in the US).

Even the apparent death of South Africa's neoliberal project in September 2008, personified by former president Thabo Mbeki, whose pro-corporate managerialism was one reason for an unceremonious removal from power, is misleading. The 'populist' ruling party leader Jacob Zuma appears intent on not only retaining Manuel as long as possible but preparing a collision course with his primary internal support base, trade unionists and communists, in the run-up to the March 2009 general election. As Zuma put it to the American Chamber of Commerce in November 2008, 'We are proud of the fiscal discipline, sound macroeconomic management and general manner in which the economy has been managed. That calls for continuity' (Chilwane 2008).

What this means in South African and similar sites is that the 2000s economic expansion (in SA's case around 5 per cent through most of the decade until 2008) was untenable, as growth was based upon unsustainable economic practices associated with a last-gasp neoliberal speculative and credit-based consumption spree. The same was true across much of Africa, where 5 per cent growth rates were maintained fictitiously in a massive, but temporary commodity boom. The financial aspects of Africa's problems deserve special mention.

Africa's rise and fall in the 2000s

If the 2008 world financial meltdown has its roots in the neoliberal export-model (dominant in Africa since the Berg Report and onset of structural adjustment during the early 1980s) and even more deeply, in thirty-five years of world capitalist stagnation/volatility, then South Centre director (and Ugandan political economist) Yash Tandon (2008a:1) is correct to argue: 'The first lesson, surely, is that contrary to mainstream thinking, the market does not have a self-corrective mechanism.' Such disequilibration means that Africa receives sometimes too much and often too little in the way of financial flows, and the inexorable result during periods of turbulence is intensely amplified uneven development (Nabudere 1990, Bond 1998). Africa has always suffered a disproportionate share of pressure from the world economy, especially in the sphere of debt and financial outflows (Rodney 1972, Bond 2006). But for those African countries which made themselves excessively vulnerable to global financial flows during the neoliberal era, the meltdown had a severe, adverse impact.

In Africa's largest national economy, for example, South African finance minister Trevor Manuel had presided over steady erosion of exchange controls (with 26 consecutive relaxations from 1995-2008, according to the Reserve Bank, 2008) and the emergence of a massive current account deficit: -9% in 2008, second worst in the world. The latter was in large part due to a steady outflow of profits and dividends to corporations formerly based at the Johannesburg Stock Exchange but which relisted in Britain, the US or Australia during the 1990s (Anglo American, DeBeers, Old Mutual, Didata, Mondi, Liberty Life, BHP Billiton). In the second week of October 2008, South Africa's stock market crashed 10 percent (on the worst day, shares worth $35 billion went up in smoke) and the currency declined by 9 percent, while the second week witnessed a further 10 percent crash. The speculative real estate market had already begun a decline that might yet reach those of other hard-hit property sectors like the US, Denmark and Ireland, because South Africa's early 2000s housing price rise far outstripped even these casino markets (200 percent from 1997-2004, compared to 60 percent in the US).

On the other hand, the cost of market failure could at least be offset, somewhat, by ideological advance. The main gains so far were in delegitimating the economic liberalisation philosophy adopted during the 1994-2008 governments of Nelson Mandela and Thabo Mbeki (presided over by Manuel). Indeed Mbeki's dramatic September 2008 departure occurred partly because of substantially worsened inequality and unemployment since 1994, which in turn was responsible for thousands of social protests each year. When a solidarity letter Manuel wrote, resigning from Mbeki's government on its second-last day, was released to the press (by Mbeki)) on 23 September, the stock and currency markets imposed a $6 billion punishment within an hour. The crash required incoming caretaker president Kgalema Motlanthe to immediately reappoint Manuel with great fanfare.

In the same spirit, Mbeki's replacement as ruling party president, Jacob Zuma, had visited Davos and paid tribute to Merrill Lynch and Citibank in 2007-08 (ironically the latter two institutions insisted on having their jitters calmed). Zuma assured international financiers that Manuel's economic policy would not change. Hence the opening of ideological space to contest neoliberalism in practice became a crucial struggle for the trade unions and SA Communist Party, which in mid-October held an Alliance Economic Summit that suggested Manuel make only marginal shifts at the edges of neoliberalism.

However, as the financial meltdown unfolded in the US and Europe, the merits of South Africa's residual capital controls became clearer. As SA deputy trade minister Rob Davies (2008:3) wrote approvingly in the main Communist journal, 'Interestingly, *The Business Times* of 21 September attributed this [safety from contagion] partly to 'exchange control' which meant 'there is a healthy degree of trapped liquidity within the financial system'.' Another factor was that many exotic financial products had been banned. As a leading official of the central bank, Brian Kahn (2008:1), explained,

> The interbank market is functioning normally and the Reserve Bank has not had to make any special liquidity provision. We have a relatively sophisticated and well-developed banking sector, and the question then is, what has saved us? (This may be tempting fate, so perhaps I should say what has saved us so far?) This all raises the old question whether or not exchange controls work. The conventional wisdom is that they do not, particularly when you need them to work. We seem to have been exception to this rule. It turns out that we were protected to some extent by prudent regulation by the Bank regulators, but more importantly, and perhaps ironically, from controls on capital movements of banks. Despite strong pressure to liberalise exchange controls completely, the Treasury has adopted a policy of gradual relaxation over the years. Controls on non-residents were lifted completely in 1996, but controls on residents, including banks and other institutions, were lifted gradually, mainly through raising limits over time. With respect to

> banks, there are restrictions in terms of the exchange control act, on the types of assets or asset classes they may get involved in (cross-border). These include leveraged products and certain hedging and derivative instruments. For example banks cannot hedge transactions that are not SA linked. Effectively it meant that our banks could not get involved in the toxic assets floating that others were scrambling into. They would have needed exchange control approval which would not have been granted, as they did not satisfy certain criteria. The regulators were often criticised for being behind the times, while others have argued that they don't understand the products, but it seems there may be advantages to that! Our banks are finding it more difficult to access foreign funds and we have seen some spikes in overnight foreign exchange rates at times. But generally everything seems 'normal' on the banking front…
>
> Our insurance companies and institutional investors were also protected to some extent, in that there is a prudential limit on how much they can invest abroad (15 per cent of assets), and the regulator in this instance (the Financial Services Board) places constraints on the types of finds or products they can invest in. (Generally it appears that exotics are excluded). One large South Africa institution, Old Mutual, moved its primary listing to the UK a few years back (when controls were relaxed), and the plc has had fairly significant exposure in the US.

Demands for deeper exchange controls were made by the SACP in South Africa. As for the rest of Africa, similar opportunities to contest financial system orthodoxy now arise. At this stage, it is practically impossible for staff from the most powerful external force in African economic policy, the International Monetary Fund (IMF), to advise elites with any credibility. The IMF's (2006:1,2,26,36) October 2006 *Global Financial Stability Report*, after all, claimed that global bankers had shown 'resilience through several market corrections, with exceptionally low market volatility.' Moreover, global economic growth 'continued to become more balanced, providing a broad underpinning for financial markets.' Because financial markets always price risk correctly, according to IMF dogma, investors could relax: '[D]efault risk in the financial and insurance sectors remains relatively low, and credit derivatives markets do not indicate any particular financial stability concerns.' The derivatives and in particular mortgage-backed securities 'have been developed and successfully implemented in U.S. and U.K. markets. They allow global investors to obtain broader credit exposures, while targeting their desired risk-reward trade-off.' As for the rise of credit default swaps (the $56 trillion house of cards bringing down one bank after the other), the IMF was not worried, because 'the widening of the credit default swaps spreads [i.e. the pricing in of higher risk] across mature markets was gradual and mild, and spreads remain near historic lows.'

Fast forward to the April 2008 launch of the IMF's 'Regional Economic Outlook for Sub-Saharan Africa' study. IMF Africa staffer John Wakeman-Linn's (2008:18) slideshow, 'Private Capital Flows to Sub-Saharan Africa: Financial Globalization's Final Frontier?', concluded that the vast rush of finance is generally good for Africa, but policies would have to be changed – making Africa more vulnerable to the international financial system – in order to take full advantage:

- More transparency and consistency: exchange controls in SubSaharan Africa complex and difficult to implement.
- Gradual and well-sequenced liberalization strategy can help limit risks associated with capital inflows.
- Accelerated liberalization in the face of large inflows may help their monitoring (e.g. Tanzania); selective liberalization of outflows may help relieve inflation and appreciation pressures, but further work needed on modalities.

The IMF proclaimed the merits of liberalization and rising financial flows to Africa, especially portfolio funding (i.e., short-term hot money in the forms of stocks, shares and securities issued by companies and government in local currencies but readily convertible). Such 'hot money' - speculative positions by private-sector investors – flowed especially into South Africa's stock exchange, and also to a lesser extent into share markets in Ghana, Kenya, Gabon, Togo, and Seychelles.

However, financial outflows continue apace. An updated report on capital flight by Leonce Ndikumana of the Economic Commission for Africa and James Boyce of the University of Massachusetts shows that thanks to corruption and the demise of most African countries' exchange controls, the estimated capital flight from 40 Sub-Saharan African countries from 1970-2004 was at least $420 billion (in 2004 dollars). The external debt owed by the same countries in 2004 was $227 billion. Using an imputed interest rate to calculate the real impact of flight capital, the accumulated stock rises to $607 billion. According to Ndikumana and Boyce (2008:5),

> Adding to the irony of SSA's position as net creditor is the fact that a substantial fraction of the money that flowed out of the country as capital flight appears to have come to the subcontinent via external borrowing. Part of the proceeds of loans to African governments from official creditors and private banks has been diverted into private pockets – and foreign bank accounts – via bribes, kickbacks, contracts awarded to political cronies at inflated prices, and outright theft. Some African rulers, like Congo's Mobutu

and Nigeria's Sani Abacha, became famous for such abuses. This phenomenon was not limited to a few rogue regimes. Statistical analysis suggests that across the subcontinent the sheer scale of debt-fueled capital flight has been staggering. For every dollar in external loans to Africa in the 1970-2004 period, roughly 60 cents left as capital flight in the same year. The close year-to-year correlation between flows of borrowing and capital flight suggests that large sums of money entered and exited the region through a financial 'revolving door'.

Where did this leave African debtors in 2008? According to the IMF (2008b:36), the 'debt sustainability outlook' of low-income African countries 'has improved substantially, with 21 out of 34 countries classified on the basis of the Debt Sustainability Framework at a low or moderate risk of debt distress at end-2007.' Yet the major lesson from the prior quarter-century of debt distress, was not the abstract ratios, but instead, the ability to pay the debt in context of pressing human needs. It was here, according to London-based Jubilee Research (2008:1), that the Bretton Woods institutions had not accurately assessed the damage done by debt, or the injustice associated with repaying debt inherited from prior undemocratic governments:

> Current [mid-2008] approaches to debt relief (HIPC and MDRI for poor countries, and Paris and London Club renegotiations for middle income countries) are not solving the problems of Third World indebtedness. HIPC and MDRI are reducing debt burdens but only for a small range of countries and after long delays, and at a high cost in terms of loss of policy space. While non-HIPC poor countries continue to have major debt problems and middle-income country indebtedness continues to grow. The present approach is marred by the involvement of creditors as judge, prosecution and jury in direct conflict with natural justice and by the failure to take into account either the human rights of the people of debtor nations or the moral obscenity of odious debt. It is all too little and too late… Even after the debt relief already granted under HIPC and MDRI, 47 countries need 100% debt cancellation on this basis and a further 34 to 58 need partial cancellation, amounting to $334 to $501 billion in net present value terms, if they are to get to a point where debt service does not seriously affect basic human rights.

Hence the system of debt peonage remains, and the only prospect for its relief is the weakening of Washington's power, along with the overhauling of the aid system which is so closely connected to debt (for the richest set of recommendations, see Tandon 2008b). The Accra Agenda for Action (AAA) conference in September 2008 provided an opportunity to address the problems of donor/financier cross-conditionality, 'phantom aid' (including tied aid), corruption, waste, economic distortions and political manipulation, as well as to add the South's demand for repayment of the North's ecological debt to the south. But the opportunity was lost, and even mild-mannered NGOs realised they were wasting their time, as a staffer at Civicus, Nastasya Tay (2008:1), revealed:

> A colleague from a major international NGO gave an excellent summary of the whole High Level Forum process: 'Why should I attend interminably long meetings, to passionately lobby for reform, when countries like the US and Japan are refusing to sign on because of some 'language issues' with the AAA? In the end, we will have worked incredibly hard to, if we're lucky, change a few words. And it's just another document.'

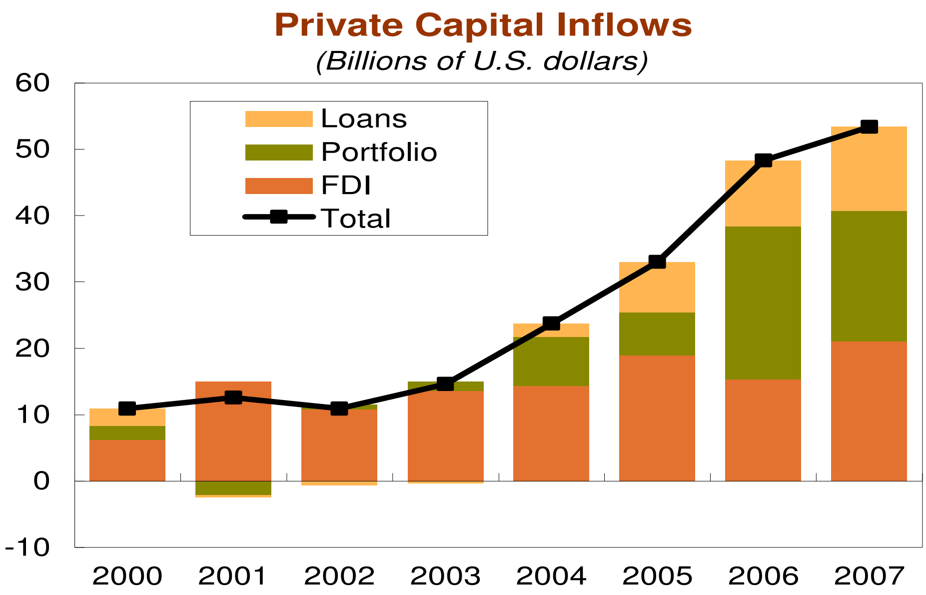
Hence, for some African countries, the solution lies in an alternative source of hard currency finance. Not only does China provide condition-free loans to several of Africa's most authoritarian regimes. More hopefully, Venezuela is considering a proposal to replace and displace the IMF, as happened in Argentina in 2006, in which case repaying the IMF early or even defaulting would be feasible. In other African countries, progressive social movements have argued for debt repudiation and are concerned about any further financial inflows beyond those required for trade financing of essential inputs. This would also entail inward-oriented light industrialization oriented to basic needs (and not to luxury goods, a major problem that emerged in Africa's settler colonial economies during the 1960s-70s).

The crucial ingredient for establishing an alternative African financing strategy from the left is pressure from below. This means the strengthening, coordination and increased militancy of two kinds of civil society: those forces devoted to the debt relief cause, which have often come from what might be termed an excessively polite, civilized society based in internationally-linked NGOs which rarely if ever used 'tree shaking' in order to do 'jam making'; and those forces which react via short-term 'IMF Riots' against the system, in a manner best understood as *un*civilized society. The IMF Riots that shook African countries during the 1980s-90s often, unfortunately, rose up in fury and even shook loose some governments' hold on power. When these, however, contributed to the fall of Kenneth Kaunda in Zambia (one of many examples), the man who replaced him as president in 1991, former trade unionist Frederick Chiluba, imposed even more decisive IMF policies. Most anti-IMF protest simply could not be sustained (Seddon 2002).

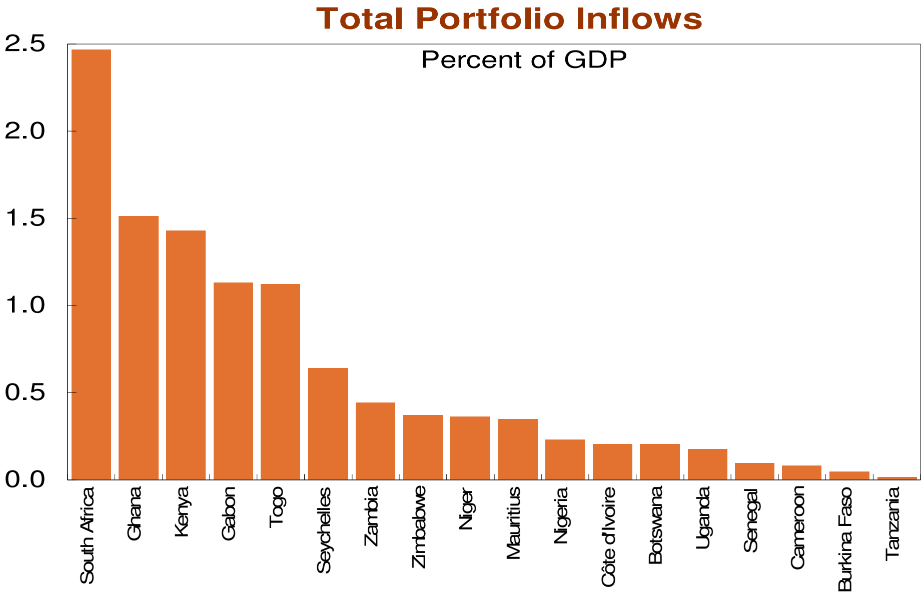
In contrast, the former organizations are increasingly networked, especially in the wake of 2005 activities associated with the Global Call to Action Against Poverty (GCAP), which generated (failed) strategies to support the Millennium Developmental Goals partly through white-headband consciousness raising, through appealing to national African elites and through joining a naïve appeal to the G8 Gleneagles meeting (Bond 2006). Since then, networks tightened and became more substantive through two Nairobi events: the January 2007 World Social Forum and August 2008 launch of Jubilee South's Africa network. These networks could return to the cul-de-sac of GCAP's 'reformist reforms' – i.e., to recall Andre Gorz's (1964) phrase, making demands squarely within the logic of the existing neoliberal system and its geopolitical power relations, in a manner that disempowers activists if they gain slight marginal changes.

Or they could embark upon 'non-reformist reform' challenges, by identifying sites where the logic of finance can be turned upside down. The most striking case might have been the South African 'bond boycott' campaign of the early 1990s, wherein activists in dozens of townships offered each other solidarity when collective refusal to repay housing mortgage bonds was the only logical reaction. This forewarned the 1995-96 'El Barzon' ('the yoke') strategy of more than a million Mexicans who were in debt when interest rates soared from 14 to 120 percent over a few days in early 1995: they simply said, 'can't pay, won't pay'. That slogan was also heard in Argentina in early 2002, following the evictions of four presidents in a single week due to popular protest. The ongoing pressure from below compelled the government to default on $140 billion in foreign debt so as to maintain some of the social wage, the largest such default in history.

Financial flows to/from Africa



Source: IMF (2008a)



Source: IMF (2008a)

Total capital flight from selected African countries, 1970-2004
(million 2004 US $ and as % of external debt)

Country	Cumulative capital flight ($ million)	Capital flight stock with imputed interest earnings	Capital flight stock as % of external debt
Angola	42179	50951	535.2
Burundi	2074	2567	185.3
Cameroon	18379	27288	287.4
Chad	1338	2346	137.9
Congo, Dem. Rep.	19572	36738	310.3
Cote d'Ivoire	34349	54001	460.0
Ethiopia	17031	22526	342.6
Kenya	2665	6369	93.3
Nigeria	165697	240781	670.9
South Africa	18266	17492	176.0
Uganda	4982	6854	142.1
Zimbabwe	16162	24556	511.9

Source: Leonce Ndikumana and James Boyce (2008)

These problems could well get much worse in coming months, given the durable power of neoliberal economic managers in Washington, and their relegitimation through Obama's presidency. As a result, extreme austerity – not postneoliberalism – looms.

Obama's neoliberals

A false solution to the world economic crisis arose in November 2008, with

Obama's election as US president. Although he has announced an $825 billion stimulus package aimed at creating 2.5 million jobs through public works by January 2011, Obama's team of economic policy managers is decidedly neoliberal and has the orientation and capacity to undermine postneoliberal state intervention. A central figure in the current crisis is the deregulatory yet pro-bailout financial manager, Tim Geithner, chosen as Treasury secretary. Head of the Council of Economic Advisors is neoliberal University of Chicago professor Austan Goolsbee. Similarly, Lawrence Summers was not only the main force in Washington responsible for the most disastrous recent financial deregulation, in 2000 as Bill Clinton's Treasury secretary, he was also the main financial manager during the prior world financial crisis, in 1997-99, when he pushed Asia to open its doors to foreign financiers in exchange for bailout loans. And the prior economic crisis featured Paul Volcker. Judging by their record and ideology, these three leading economic advisors will do yet more intense damage to the rest of the world, and they will do so with far greater power – thanks to undeserved credibility associated with Obama's election – than did Bush's financial managers.

New York Federal Reserve Bank president Geithner served under Henry Kissinger in his consultancy firm during the mid-1980s, joined the Reagan-Bush administration in 1988, and then worked for Summers and Robert Rubin in the Clinton Treasury Department during the 1990s. As New York Fed president, he was implicated in both deregulation and the first round of ineffectual Wall Street bailouts in 2008, in which he failed to foresee the devastating impact of the Lehman Brothers investment bank's failure on world finance.

Issuing from the comfort of University of Chicago Business School, Goolsbee's (2007) advocacy of increased subprime mortgage lending in the *New York Times* just a few weeks before the real estate crisis burst upon the world economy, in 2007, appeared entirely ideological: '[S]omeone with a low income now but who stands to earn much more in the future would, in a perfect market, be able to borrow from a bank to buy a house… the mortgage market has become more perfect, not more irresponsible.'

Summers, too, was incompetent in his consistent advocacy of financial deregulation, though he is best known in US political circles for the sexism controversy that cost him the presidency of Harvard University in 2006 (following huge conflicts with his leading African-American scholars). During the late 1990s he took advantage of Asia's economic woes to force further dogmatic liberalisation along with bailouts of US creditors that ran into the hundreds of billions of dollars, starting with Mexico in 1995. A few years earlier Summers (1991) gained infamy as an advocate of African genocide and environmental racism, thanks to a confidential World Bank memo he signed when he was the institution's senior vice-president and chief economist:

> I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that… I've always thought that underpopulated countries in Africa are vastly underpolluted, their air quality is vastly inefficiently low…

After all, Summers continued, inhabitants of low-income countries typically die before the age at which they would begin suffering prostate cancer associated with toxic dumping. And in any event, using marginal productivity of labour as a measure, low-income Africans are not worth very much anyhow. Nor are African's aesthetic concerns with air pollution likely to be as substantive as they are for wealthy Northerners. Such arguments were said by Summers to be made in an 'ironic' way. Yet their internal logic was pursued with a vengeance by the World Bank and IMF long after Summers moved over to the Clinton Treasury Department, where in 1999 he insisted that Joseph Stiglitz be fired by Bank president James Wolfensohn for speaking out consistently against the impeccable economic logic of the Washington Consensus.

One of Obama's other leading advisors has done more damage to Africa, its economies and its people than anyone in recent history. Volcker is an 82 year old banker. Even the International Monetary Fund's official history (2001) cannot avoid using the famous phrase most associated with the Fed chair's name:

> The origins of the debt crisis of the 1980s may be traced back to and through the lurching efforts of the world's governments to cope with the economic instabilities of the 1970s…[including the] monetary contraction in the United States (the 'Volcker Shock') that brought a sharp rise in world interest rates and a sustained appreciation of the dollar.

Volcker's decision to raise rates so high to rid the US economy of inflation and strengthen the fast-falling dollar had special significance in Africa. The numbers involved were daunting for a typical African country. According to University of California economic geographer Gillian Hart (2004), 'Medium and long-term public debt [of low-income countries] shot up from US$ 75.1 billion in 1970 to US$ 634.4 billion in 1983. It was the so-called Volcker Shock…that ushered in the debt crisis, the neoliberal counterrevolution, and vastly changed roles of the World Bank and IMF in Latin America, Africa, and parts of Asia.' Another leading political economist, Elmar Altvater (this volume) of Berlin's Free University, recalls how the world 'slid into the debt crisis of the 1980s after the US Federal Reserve tripled interest rates (the so-called "Volcker Shock". . .)

leading to what later has been described as the "lost decade" for the developing world'.

Meanwhile, the Bank's sister institution, the International Monetary Fund, was described by Tanzanian president Julius Nyerere as 'a neo-colonial institution which exploits the poor to make them poorer and serves the rich to become richer' (cited in Bond 1998). Volcker had, ironically, played a central role in the destruction of the Bretton Woods system's dollar-gold convertibility arrangement, effectively a US$ 80 billion default on holders of dollars abroad, when in 1971 he served Richard Nixon as under-secretary of the Treasury (deputy finance minister). Eight years later, even though then-president Jimmy Carter did not know him, he was chosen to chair the Federal Reserve, which sets US (and by extension world) interest rates, and now Volcker is back again at Obama's side.

Geithner, Summers, Volcker and similar capitalist economists whispered for a resurgent US based on national self-interest, including a restored financial system again capable of colonising world markets. A renewed commitment to multilateral institutions would be crucial for this gambit. Going into 2009, these men and the institutions they have managed need Obama to relegitimate shock-doctrinaire neoliberalism – and in turn, they need Obama's Africa advisors (like Witney Schneidman) to promote military imperialism in the form of the Africa Command. Obama himself has explained that his 'fundamental objective' for the continent is 'to accelerate Africa's integration into the global economy' – no matter the vast damage that has been done in history and in recent years (Rodney 1972, Bond 2006). In sum, we can only expect more neoliberalism. What about the prospects from below?

A realistic postneoliberal project

If, as argued above, neoliberalism may have another breath of life, with mouth-to-mouth resuscitation applied from above by Barack Obama or the International Monetary Fund, much stronger pressure is needed from below to resist. Some forms have been well tested in social struggle, including three 'pilot projects' in genuine postneoliberalism: defending against financial degradation; restoring national power without the distraction of global governance; and re-establishing anti-imperialism so as to take advantage of unprecedented United States weakness. I focus here on some dimensions.

First, facing myriad forms of financial crisis, we might consider quite recent examples of community and citizens' groups generating impressive *defence against financial degradation*. Consider two micro examples -- the 1990s housing 'bonds boycotts' in South Africa's black townships and Mexico's mid-1990s 'El

Barzon' (the yoke) movement against banks – as well as a stronger form of IMF riot than is normal: the Argentine revolt against malgovernance and international debt/banking control in 2001-02 that led to a debt default of US$ 140 billion.

South Africa's bond boycotts began in the wake of the 200,000 mortgages granted in townships during the late 1980s. The long 1989-93 recession left 500,000 freshly unemployed workers and their families unable to pay for housing. This in turn helped generate a collective refusal to repay housing bonds until certain conditions were met. The tactic moved from the site of the Uitenhage Volkswagen auto strike in the Eastern Cape to the Johannesburg area in 1990, as a consequence of two factors: shoddy housing construction (for which the homebuyers had no other means of recourse than boycotting the housing bond) and the rise in interest rates from 12.5 per cent (-6 per cent in real terms) in 1988 to 21 per cent (+7 per cent in real terms) in late 1989, which in most cases doubled monthly bond repayments.

As a result of the resistance, township housing foreclosures which could not be consummated due to refusal of the defaulting borrowers (supported by the community) to vacate their houses, and the leading financier's US$ 700 million black housing bond exposure in September 1992 was the reason that its holding company (Nedcor) lost 20 per cent of its Johannesburg Stock Exchange share value (in excess of US$ 150 million lost) in a single week, following a threat of a national bond boycott from the national civic organisation. Locally, if a bank did bring in a sheriff to foreclose and evict defaulters, it was not uncommon for a street committee of activists to burn the house down before the new owners completed the purchase and moved in. Such power, in turn, allowed both the national and local civic associations to negotiate concessions from the banks.

Similarly, a much larger movement – probably 1 million formal members at its peak – joined 'El Barzon' in 1995-96. Mexican presidents Carlos Salina and Ernesto Zedillo maintained neoliberal economic policies which led to a crash in December 1994. By mid-1995, not long after Zedillo's inauguration, 2 million workers had lost their jobs and much of Mexico's middle class sank directly into poverty. The currency fell by 65 per cent, the stock market crashed, and interest rates soared from 14 per cent to more than 100 per cent. As 200,000 small businesses were declared bankrupt, a million Mexicans joined a bond boycott of consumer, farmer and petty-bourgeois debtors who collectively refused to honour loans that had become unrepayable. Their slogan was 'I don't deny I owe – but I'll pay what is just!' In many cases, the El Barzon strategy and solidarity foiled foreclosure proceedings, and generated major concessions from the creditors.

In Argentina, protests in 2001-02 by *piqueteros* against the government's year-long freeze of bank accounts initially took the form of the *cacerolazo* (banging of pots and pans in the cities' main squares) and then massive street demonstrations. During December 2001, one of the four presidents who lost their job due to the intensity of demonstrations, Rodríguez Saá, defaulted on US$ 132 billion in foreign debts. Although disputes remain about whether the subsequent government of Nestor Kirchner could have done more to press home the advantage (Jubilee South's Argentina chapter remains furious about payment of illegitimate debt), in 2003, Kirchner at least showed Argentina's capacity to operate in the world economy even after spurning Washington. According to a surprised *Economist* (2003) magazine, 'After missing a $2.9 billion payment to the International Monetary Fund on September 9th, it distinguished itself with the single largest non-payment of a loan in the Fund's history. The next day, it clinched a deal that may be the speediest and kindest the IMF has ever agreed to.' Private creditors were forced to take a 70 per cent 'haircut' on Argentine bonds.

The same approach to unrepayable debt – national default – was advocated by then-leading UN economic adviser Jeffrey Sachs. He told heads of state at a July 2004 African Union meeting in Addis Ababa, 'African countries should refuse to repay their foreign debts' and instead use the funds to invest in health and education. (At the time, the IMF was controversially prohibiting expenditure of health funds donated to Africa, especially for HIV/AIDS mitigation, on grounds that civil service pay would rise to above 7 per cent of GDP.)

Also in 2004, a Cape Town meeting of Jubilee Africa members from Angola, Cameroon, Cote d'Ivoire, the Democratic Republic of Congo, Kenya, Mozambique, South Africa, Swaziland, Zambia, Tanzania and Zimbabwe, and partners from Brazil, Argentina and the Philippines working on a comprehensive Illegitimate Debt Audit demanded that their national governments pursue this postneoliberal agenda:

- full unconditional cancellation of Africa's total debt;
- reparations for damage caused by debt devastation;
- immediate halt to the Highly Indebted Poor Country initiative and Poverty Reducation Strategy Papers and the disguised structural adjustment programme through the New Partnership for Africa's Development and any other agreements that do not address the fundamental interests of the impoverished majority and the building of a sustainable and sovereign Africa; and
- a comprehensive audit to determine the full extent and real nature of Africa's illegitimate debt, the total payments made to date and the amount owed to Africa.

Such national-scale challenges to global financial power are the only ways forward, given the adverse global-scale power relations. From a national power base, several other financial sector reforms can be pursued: *imposition of exchange controls* (such as were applied by Malaysia in 1998 and Venezuela in 2003), *bank nationalisation* (as many Northern countries are doing by way of bailouts), and *fiscal stimulation* (as national states are generally being encouraged to do at present, in order to avoid global depression).

The contemporary form of this approach takes shape in the *deglobalisation* and *decommodification* strategies for basic needs goods, as exemplified in South Africa by the national Treatment Action Campaign and Johannesburg Anti-Privatisation Forum which have won, respectively, antiretroviral medicines needed to fight AIDS and publicly-provided water (Bond 2006). The drugs are now made locally in Africa – in Johannesburg, Kampala, Harare, and so on – and on a generic not a branded basis, and generally provided free of charge, a great advance upon the US$ 15,000/patient/year cost of branded AIDS medicines a decade earlier (in South Africa, half a million people receive them). The water in Johannesburg is now produced and distributed by public agencies (Suez was sent back to Paris after its controversial 2001-06 protest-ridden management of municipal water); and in April 2008 a major constitutional lawsuit in the High Court resulted in a doubling of free water to 50 litres per person per day and the prohibition of pre-payment water meters (Bond and Dugard 2008).

Similarly, a deglobalised, decommodified alternative is needed to oft-feted micro-credit schemes financed by international financiers and foundations at the expense of local impoverished women who are expected to pay exorbitant interest rates. For anyone believing that micro-credit is a postneoliberal project, consider the extremist viewpoint of Grameen Bank's Muhammad Yunus (1998, 214): 'I believe that "government," as we know it today, should pull out of most things except for law enforcement and justice, national defense and foreign policy, and let the private sector, a "Grameenised private sector," a social-consciousness-driven private sector, take over their other functions' (see Bond 2007c for a full critique).

In contrast, the Venezuelan government of Hugo Chavez has begun providing large grants to 3,500 'communal banks' (Pearson 2008):

> Communal banks are social organisations that administer the financial and non-financial resources of the communal councils, the organising mechanism of communities. Through the communal banks, organised communities can finance social projects, assist members in cases of emergency, and make social investments. In the 2009 budget, Chavez explained, US$ 1.6 billion has been assigned to the communal banks.

> Chavez noted the irony that while large, small and medium sized banks are collapsing around the world as a result of the financial crisis, Venezuela is 'giving birth to thousands of banks that are banks of the people, the communal banks, the banks for popular power…and [this] popular power is vital for the future of the revolution…so this…can't fail.'… Chavez is also encouraging the communal councils and the national government bodies to create networks of social distribution of the products that are made in the socialist companies and collectives. The idea of such a network would be to counteract the capitalist networks of production, which have been generating speculation in the price of products.

Without a leadership figure of Chavez's capacity, the crucial ingredient for Africa is heightened pressure from below. This means the strengthening, coordination and increased militancy of two kinds of civil society: those forces devoted to the debt relief cause, which have often come from what might be termed an excessively polite, civilised society based in internationally-linked NGOs which rarely if ever used 'tree-shaking' in order to do 'jam-making'; and those forces which react via short-term 'IMF riots' against the system, in a manner best understood as *un*civilised society. The IMF riots that shook African countries during the 1980s and 1990s often, unfortunately, rose up in fury and even shook loose some governments' hold on power. When these, however, contributed to the fall of Kenneth Kaunda in Zambia (one of many examples), the man who replaced him as president in 1991, former trade unionist Frederick Chiluba, imposed even more decisive IMF policies. Most anti-IMF protest simply could not be sustained (Seddon 2002).

In contrast, the former organisations are increasingly networked, especially in the wake of 2005 activities associated with the Global Call to Action Against Poverty (GCAP), which generated (failed) strategies to support the Millennium Developmental Goals partly through white-headband consciousness-raising, through appealing to national African elites and through joining a naïve appeal to the G8 Gleneagles meeting (Bond 2006). Since then, networks have tightened and become more substantive through two Nairobi events: the January 2007 World Social Forum and August 2008 launch of Jubilee South's Africa network. Moreover, Jubilee Africa also added ecological debt to its agenda, insisting that the free environmental space that African rainforests provide the North for acting as a carbon sink be compensated in future financial and aid negotiations. Such calculations, as done for example by Joan Martinez-Alier (2002), would show that the North owes the South, not the other way around.

Regrettably, a necessary prerequisite to make all the above strategies more feasible is the *re-delegitimisation of US power.* Most obviously, a world addicted to the US dollar as the reserve currency will be at the mercy of the US state, as one example. The insane mutually-assured destructive system of US Treasury Bill purchases by East Asian investors – so as to ensure a market for their consumer goods – began running into the contradiction of huge declines in Chinese, Japanese, Taiwanese and Korean dollar reserves wealth, as the US currency fell substantially in recent years. A multi-currency exchange system is inevitable, and to the extent it is conjoined with national exchange controls and hence less extreme volatility in financial trading, will be advantageous for economic development, compared to the current currency anarchy. Ideally something like Keynes' International Currency Union – which would penalise balance of trade surpluses – would be ideal, but given the neoliberal and neoconservative forces in multilateral institutions, is probably out of the question in our lifetimes.

The big problem remains the US state, because to counteract US economic and cultural decline, two strategies are now in play: political revitalisation via Barack Obama's carefully-crafted image as a non-imperialist politician with roots in African-American, Kenyan and even Indonesian traditions; and the activism anticipated through his secretary of state, Hillary Clinton, a strong supporter of the US war against Iraq. Obama may not run as extreme a militarist regime as Bush/Cheney did or as McCain/Palin would have done. Yet as Jeremy Scahill points out, there is an awful precedent from Washington's imperialist habits during Bill Clinton's administration:

> The prospect of Obama's foreign policy being, at least in part, an extension of the Clinton Doctrine is real. Even more disturbing, several of the individuals at the center of Obama's transition and emerging foreign policy teams were top players in creating and implementing foreign policies that would pave the way for projects eventually carried out under the Bush/Cheney administration. With their assistance, Obama has already charted out several hawkish stances. Among them:
> – his plan to escalate the war in Afghanistan;
> – an Iraq plan that could turn into a downsized and rebranded occupation that keeps US forces in Iraq for the foreseeable future;
> – his labelling of Iran's Revolutionary Guard as a 'terrorist organisation';
> – his pledge to use unilateral force inside of Pakistan to defend US interests;
> – his position, presented before the American Israel Public Affairs Committee that Jerusalem 'must remain undivided' –- a remark that infuriated Palestinian officials and which he later attempted to reframe;
> – his plan to continue the War on Drugs, a backdoor US counterinsurgency campaign in Central and Latin America;
> – his refusal to 'rule out' using Blackwater and other armed private forces

> in US war zones, despite previously introducing legislation to regulate these companies and bring them under US law. (Scahill 2008)

In addition to Hillary Clinton and the reappointment of Bush's defense secretary Robert Gates, Scahill (2008) warns of the following imperialist influences: vice president Joe Biden, chief of staff Rahm Emanuel, former secretaries of state Madeleine Albright and Warren Christopher, former defense secretary William Perry, former UN ambassador Richard Holbrooke, and other key Clinton-era figures (Dennis Ross, Martin Indyk, Anthony Lake, Lee Hamilton, Susan Rice, John Brennan, Jami Miscik, John Kerry, Bill Richardson, Ivo H. Daalder, Sarah Sewall, Michele Flournoy, Wendy Sherman, Tom Donilon, Denis McDonough and Mark Lippert). As Scahill concludes,

> Barack Obama campaigned on a pledge to bring change to Washington. 'I don't want to just end the war,' he said early this year. 'I want to end the mindset that got us into war.' That is going to be very difficult if Obama employs a foreign policy team that was central to creating that mindset, before and during the presidency of George W. Bush.

What is most crucial, then, for a realistic postneoliberal project, is ongoing delegitimisation of the US in its political and military modes. One danger zone is Africa, where the Bush/Cheney/Gates geopolitical and military machinery ground to a halt in the form of the Africa Command. No state aside from Liberia would entertain the idea of hosting the headquarters (which remained in Stuttgard), notwithstanding an endorsement of Africom from even Obama's main Africa advisor, Witney Schneidman.

More importantly, even if Obama restores a degree of US credibility at the level of international politics, US military decline will continue to be hastened by failed Pentagon strategies against urban Islamist guerilla movements in Baghdad, rural Islamist fighters in Afghanistan and Pakistan, and the belligerent nuclear-toting state of North Korea. None of these forces represent social progress, of course, but they probably are responsible for such despondency in Washington that other targets of US imperial hostility, such as the governments of Cuba, Venezuela, Bolivia and Ecuador, remain safe from blatant overthrow in the near term.

In turn, those four Latin American countries have the best opportunity in the world, today, to build postneoliberal economic, social and environmental projects. The latter eco-socialist project is vitally important, because to counter the objectionable idea of 'petro-socialism', as practiced in Venezuela, there are some inspiring examples in Cuba's post-carbon innovations, in Bolivia's indigenous people's power and in Ecuador's official commitment – no matter how it wavers in practice – to a ‘keep the oil in the soil’ policy in the Yasuni National Park. The social and economic advances in postneoliberal Venezuela are important, as are Keynesian strategies being implemented in China (the world’s most expansive public works projects – with ecological disasters) and Argentina, as key examples.

From South Africa, our window on this new world shows quite clear dangers of both Pretoria government officials and NGOs being coopted into renewed neoliberal (and even neoconservative) US imperial projects, especially if Obama draws upon his African roots for socio-political power. Antidotes remain, of course, and are expressed through anti-imperialist sentiments emerging in both the centre-left political actors (the trade unions and SA Communist Party) and the independent left social movements (especially those acting in solidarity with Zimbabweans, Swazis, Palestinians and Burmese).

But the most powerful South African example is not the negation of neoliberalism and imperialism, but rather the grassroots activist initiatives – such as acquiring generic AIDS medicines and free public water supplies – against the forces of micro-commodification and macro-neoliberalism. These are indeed the most useful signals that another world – realistically postneoliberal – is not only possible, but is being constructed even now.

References

Altvater, E. (2008), 'Postneoliberalism or Postcapitalism? The Failure of Neoliberalism in the Financial Market Crisis', *Development Dialogue* (this volume).

Arrighi, G. (2003), 'The Social and Political Economy of Global Turbulence', *New Left Review*, March-April.

Bello, W. (2008a), 'A Primer on Wall Street's Crisis', *MRzine,* 3 October.

Bello, W. (2008b), 'The Coming Capitalist Consensus', *Foreign Policy in Focus,* 24 December.

Biel, R. (2000), *The New Imperialism*, London, Zed Books.

Bond, P. (1998), *Uneven Zimbabwe,* Trenton: Africa World Press.

Bond, P. (2006), *Looting Africa,* London: Zed Books.

Bond, P. (2007a), 'Perils of elite pacting', *Critical Currents* no. 1

Bond, P. (2007b), 'Linking below, across and against', *Development Dialogue*, no. 49, on Global Civil Society.

Bond, P. (2007c), 'Microcredit evangelism, health and social policy', *International Journal of Health Services,* vol. 37, no. 2, pp. 229-249.

Bond, P. (2008a), 'Strauss-Kahn strikes again', *Counterpunch,* 29 October.

Bond, P. and Dugard, J. (2008), 'The case of Johannesburg Water', *Law, Democracy and Development*, vol. 12, no. 1.

Brenner, R. (2003), *The Boom and the Bubble*, London, Verso.

Brenner, R. (2004), Personal communication, 9 November.

Brenner, R. (2008), 'Devastating Crisis Unfolds', *Against the Current,* January-February.

Brenner, R. (2009), 'Interview with Seongjin Jeong', Hankyoreh, 22 January, http://www.hani.co.kr/arti/society/society_general/335869.html.

Chilwane, L. (2008), 'Economic policies to remain, Zuma tells US business', *Business Day*, 27 November.

Citron, L. and Walton, R. (2002), 'International comparisons of company profitability', Bank of England Monetary and Financial Statistics Division, London, http://www.statistics.gov.uk/articles/economic_trends/ET587_Walton.pdf (accessed 1 December 2008).

Clarke, S. (1988), *Keynesianism, Monetarism and the Crisis of the State*, Aldershot, Edward Elgar.

Cronin, J. (2009), 'The current financial crisis and possibilities for the left', Joe Slovo Memorial Lecture, Chris Hani Institute, Johannesburg, 28 January.

Duménil, G. and D. Lévy (2003), 'Costs and Benefits of Neoliberalism: A Class Analysis,' Unpublished paper, Cepremap, Paris.

The Economist (2003), 'Nestor Kirchner's nimble cookery', 13 September.

Epstein, G. and D.Power (2002), 'The Return of Finance and Finance's Returns: Recent Trends in Rentier Incomes in OECD Countries, 1960-2000,' University of Massachusetts Political Economy Research Instiute Research Brief 2002-2, Amherst, November.

Foster, J.B. (2008), 'Postscript to "The Financialization of Capital and the Crisis"', *Monthly Review*, April.

Foster, J.B. and F. Magdoff (2009), *The Great Financial Crisis: Causes and Consequences,* New York, Monthly Review Press.

Goldner, L. (2008), 'Fictitious Capital and the Transition Out of Capitalism', Unpublished paper, New York.

Goolsbee, A. (2007), '"Irresponsible" mortgages have opened doors to many of the excluded', *New York Times,* 29 March.

Gorz, A. (1964), *A Strategy for Labor*, Boston, Beacon Press.

Grice, A. and Foley, S. (2008), 'Brown claims world backing for plan to tax less, spend more,' *The Guardian,* 17 November.

Grossmann, H. (1992)[1929], *The Law of Accumulation and Breakdown of the Capitalist System*, London, Pluto Press.

Harvey, D. (1989), *The Condition of Postmodernity*, Oxford, Basil Blackwell.

Harvey, D. (1999)[1982], *The Limits to Capital,* London, Verso.

Harvey, D. (2003), 'The "New" Imperialism: On Spatio-temporal Fixes and Accumulation by Dispossession,' in L.Panitch and C.Leys (Eds), *The New Imperial Challenge: Socialist Register 2004,* London, Merlin Press and New York, Monthly Review Press.

Hilferding, R. (1981ed)[1910], *Finance Capital*, London, Routledge and Kegan Paul.

International Monetary Fund (2001), *Silent Revolution: The International Monetary Fund 1979-1989,* www.imf.org/external/pubs/ft/history/2001/index.htm

International Monetary Fund (2008a), 'IMF Executive Board Concludes Article IV Consultation with South Africa: Public Information Notice (PIN) No. 08/137,' Washington, 22 October.

International Monetary Fund (2008b), *Africa Economic Outlook,* Washington, DC, April.

Jubilee Research (2008), 'Debt relief as if justice mattered: A framework for a comprehensive approach to debt relief that works', London, http://www.jubileeresearch.org/news/debt%20relief%20as%20if%20justice%20mattered.pdf.

Khan, B. (2008), 'A Perspective from South Africa', Correspondence, 15 October.

Krugman, P. (2008), 'The Lame Duck Economy', *New York Times,* 21 November.

Lapper, R. and Burgis, T. (2008), 'S Africans urged to beware left turn', *Financial Times,* 27 October.

Lough, R. (2008), 'IMF agrees Seychelles $26m rescue package', *Mail & Guardian,* 15 November.

Mandel, E. (1989), 'Theories of Crisis: An Explanation of the 1974-82 Cycle,' in M. Gottdiener and N. Komninos, eds, *Capitalist Development and Crisis Theory: Accumulation, Regulation and Spatial Restructuring*, London, Macmillan.

Martinez-Alier, J. (2002), 'External debt and ecological debt', ftp://ftp.cordis.europa.eu/pub/improving/docs/g_ser_glob_martinezalier.pdf (accessed December 2008).

Nabudere, D. (1990), *The Rise and Fall of Money Capital*, London: Africa in Transition Trust.

Ndikumana, L. and J.Boyce (2008), 'Capital Flight from Sub-Saharan Africa', *Tax Justice Focus,* 4, 1.

Panitch, L. and S.Gindin (2004), 'Finance and American Empire,' in L.Panitch and C.Leys (Eds), *The Empire Reloaded: Socialist Register 2005,* London, Merlin Press and New York, Monthly Review Press.

Parker, G., Ward, A. and Hall, B. (2008), 'Dreams of taming Anglo-Saxon capitalism fade', *Financial Times,* 15 November.

Pearson, T. (2008), 'Communal banks of Venezuela receive big boost', *Venezuelanalysis.com,* 15 November.

Pollin, R. (2003), *Countours of Descent: US Economic Fractures and the Landscape of Global Austerity*, London, Verso.

Rodney, W. (1972), *How Europe Underdeveloped Africa,* Dar es Salaam: Tanzania Publishing House and London: Bogle L'Ouverture Publications.

Rude, C. (2004), 'The Role of Financial Discipline in Imperial Strategy', in L..Panitch and C.Leys (Eds), *The Empire Reloaded: Socialist Register 2005,* London, Merlin Press and New York, Monthly Review Press.

Scahill, J. (2008), 'This is change? 20 hawks, Clintonites and neocons to watch for in Obama's White House', AlterNet http://www.alternet.org/story/107666/, 20 November.

Seddon, D. (2002), 'Popular protest and class struggle in Africa', in Zeilig, L. (ed.) *Class Struggle and Resistance in Africa,* Bristol: New Clarion Press.

Shutt, H. (1999), *The Trouble with Capitalism*, London, Zed Books.

South African Reserve Bank (2008), 'Historical Background', Pretoria http://www.reservebank.co.za/internet/Publication.nsf/LADV/0256A81189F3E7724225742D0041E31F/$File/C.pdf

Summers, L. (1991), 'The memo', World Bank Office of the Chief Economist, http://www.whirledbank.org/ourwords/summers.html (accessed 1 December 2008).

Tandon, Y. (2008a), 'Global Financial Meltdown and Lessons for the South', *South Bulletin,* 24, 1 October.
___ (2008b), *Ending Aid Dependence,* Oxford: Fahamu.

Tay, N. (2008), 'Reaching the Summit? Aid Ineffectiveness', Civicus, Johannesburg, 7 September.

Tett, G. (2004), 'The Gospel According to Paul,' *Financial Times,* 23 October.

Wakeman-Linn, J. (2008), 'Private Capital Flows to Sub-Saharan Africa: Financial Globalization's Final Frontier?', Presented as part of the Spring 2008 *Regional Economic Outlook for Sub-Saharan Africa,* African Department, International Monetary Fund, Washington, DC.

Wood, E. (2003), *Empire of Capital,* London, Verso.

World Bank (2005), *World Development Report 2006,* Washington.

World Bank (2006), *Where is the Wealth of Nations?*, Washington, DC.

Yunus, M. (1998), *Banker to the Poor,* Dhaka: University of Bangladesh Press.