AFRICA AND THE GLOBAL ECONOMIC RECESSION

Mail & Guardian Opinion article
10-16 November 2016

The global economy remains in a severe crisis, one that in effect started in 2007. Reprieve is not near, hence its characterisation as the "great recession". This crisis has been deeper and more extended than the Great Depression of the 1930s.

One of the fundamental questions the recession poses is: How can we get out of the current crisis? And can the prevailing social relations be restructured so that the collective interests of humanity are equitably secured?

Over two years, a team of researchers attempted to answer these questions. The research led to a book, *The Great Recession and Its Implications for Human Values: Lessons for Africa*, that deals not only with the origins of the crisis but also examines the effects and implications of the recession for human values, with the aim of better informing Africa's development agenda.

Many contributors to the book suggest that we now live in a time of market values, and that values such as social solidarity, caring, equity and fairness have become things of the past.

Essentially, the recession is an inevitable consequence of an economic system that privileges the market over the state and society. The social processes inherent in capitalist relations dictate that greed and individualism plunge the world economy into a shambles from time to time.

This time around, it looks like the damage is not comparable to previous crises and the way out is a pipe dream. Rooted in the hegemony of neoliberalism, market orthodoxy has triumphed over the past 30 years. The subservience of the state to the market has ensured that the powerful oligarchy at the core of global capital influences policy to favour its own class interests.

The development of sophisticated financial products led to huge profits both for financial institutions and their superrich executives. This created incentives for risky behaviour that inevitably led to market failures.

The state had little to say – it had been castigated into oblivion. The interconnectedness fostered by skewed globalisation has created a situation in which the crisis transcended its origin in the United States to affect other parts of the world.

Africa has been the hardest hit. Policymakers in Africa initially thought the continent was insulated from the crisis. But this was contradicted by the lopsided integration of African economies into the global economy in the form of unrestrained financial exposure, unregulated commodity markets and dependence on foreign aid.

Portfolio investors from the developed countries withdrew their investments from African countries liberally and with impunity. Europe was the main export destination for most products from Africa, so demand capacity was affected, which had an impact on commodity prices.

Undoubtedly, the global economy is hamstrung. Those who can do something about it repeat rhetoric but nothing happens. African economies have not been able to return to precrisis growth rates.

Our research project was therefore fitting. It engaged with the global economic crisis from both a theoretical and a policy perspective. Scholars from various disciplines and locations examine the crisis from historical, empirical, class and geopolitical interest perspectives, distilling lessons for Africa.

They agree that the crisis had its origin in the illogic of accumulation that propels capitalism and imperialism. The structure of global accumulation since World War II has continued in various forms. The neoclassical turn in development economics has led to changes in the organisation of economic activities from manufacturing and production to financialisation where the "real economy" is increasingly delinked from financial markets.

The crisis has led to disruption in the growth of the global economy, leading to a social crisis and the disempowerment of most of the working class. The bailout of companies and banks deemed "too big to fail" has perpetuated the interests of global elites.

Despite the consensus among global players that the crisis was the fallout of an economic system embedded in artificial assumptions of perfect information and equilibrium, nothing drastic has been done to address this. Given the contradictions of the current global economy, it seems Africa needs a better socioeconomic system if it is to reassert its position and enhance its resistance to inequity and global disorder.

Crafting a new approach to socioeconomic development will take time and is dependent on many factors. The book's contributors argue that there is a need to explore the intersection of developmental states and the best attributes of social democracies. An appropriate adaptation to concrete conditions, in the meantime, could unleash the possibilities of transforming economies in Africa to be more inclusive.