

# THE GREAT RECESSION and its implications for human values: LESSONS FOR AFRICA

*The earth has enough for everyone's need, but not everyone's greed.* — MAHATMA GANDHI

The Great Recession, which started around 2007, stands out as the most significant crisis of global capitalism since the 1930s, both in scope and intensity. Although it was triggered by developments in the financial sector in the United States of America, its impact and implications have reverberated across the globe. Virtually all countries have been unable to escape its destructive swell: the interconnectedness that globalisation has fostered made certain of that.

As authors in this book assert, the growing sectoral dominance of finance capital and its rapacious licence are the immediate and prime causes of the crisis. However, trends in the real economy over the past three decades created a systemic underpinning to the crisis, and those include the emergence of large corporate behemoths in manufacturing and services, advances in information and communications technologies and improvements in production techniques, the off-shoring of production sites in search of cheap labour, and household debt. At the same time, degradation of the environment has proceeded apace.

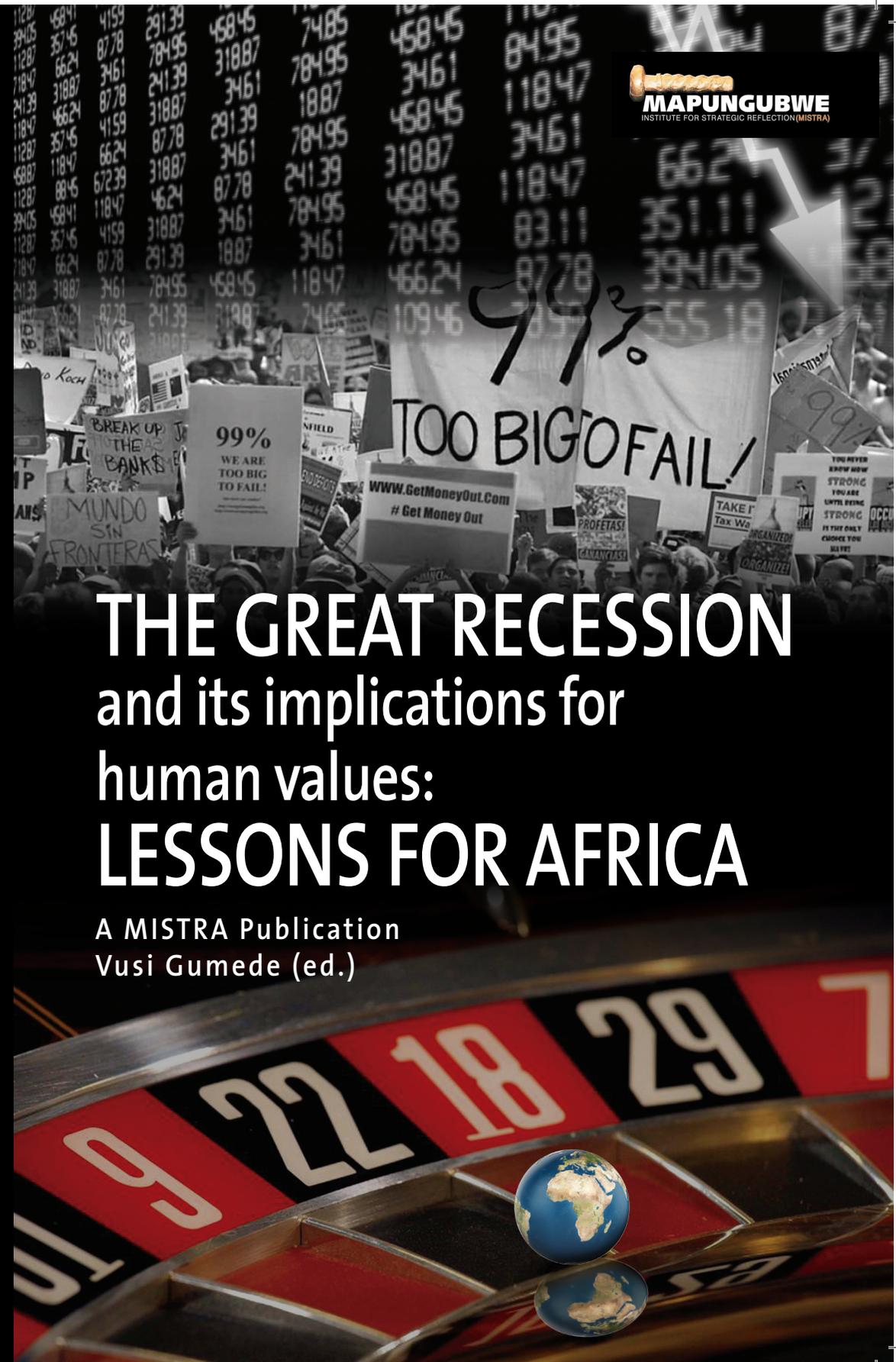
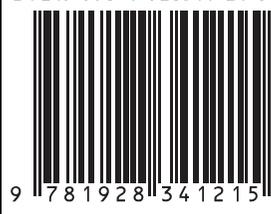
The period leading up to the Great Recession was also characterised by high rates of economic growth in most parts of the world. Combined with that was the lifting of swathes of humanity from abject poverty. With a few exceptions, particularly in Latin America, the manner in which the surplus is apportioned has resulted in rising inequality, with women and youth most adversely affected. That is the fundamental question of political economy that most of the essays in this book seek to address.

Humanity is faced with a poly-crisis straddling economics, politics, and environmental and security issues. With that sense of unguided drift, the need for debate on alternative approaches to the management of social relations stands out in even bolder relief, and that is precisely what the essays in this volume set out to do. The book examines the crisis from theoretical and empirical perspectives, and in some instances, the authors do not quite concur on the approaches required. However, running like a golden thread through all the inputs is that the State has a critical role to play in reconfiguring social relations, proceeding from the perspective that markets, left to their own devices, can wreak havoc on the commons. Above all, social relations should be premised on humane values.

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# Contents

Preface	6
Acknowledgements	8
List of Contributors	10
List of Abbreviations	12
Introduction: Unpacking the Great Recession and its Implications — <b>Vusi Gumede</b>	15
Setting the Scene: Framing the Debate on the Great Recession — <b>Joel Netshitenzhe, Vusi Gumede and Samuel Oloruntoba</b>	33
The Great Recession: Origins, Implications and Responses — <b>Thabo Mbeki</b>	47
The Global Economic Crisis and Africa's Economic Performance — <b>Akpan Ekpo</b>	67
Features of Financial Markets and Global Trade Relations: Implications for Civilians Across the Globe — <b>Iraj Abedian</b>	97
The Link and Impact of Financial Innovation on Economic Growth in Africa — <b>Charlotte du Toit</b>	123
The Global Economic Recession and the Roles of the State in Bailouts: Implications for the Future of Development in Africa — <b>Samuel Oloruntoba</b>	151
African Economies Post the Global Financial Crisis: Potential and Prospect — <b>Lumkile Mondi</b>	175
Horizontal Economy: How Africa Can Build a Thriving Economy in the Twenty-first Century — <b>Lorenzo Fioramonti</b>	197
The 'Africa Rising' Narrative in the Context of the Global Economic and Ecological Crisis — <b>Devan Pillay</b>	215
Africans Continue Uprising Against 'Africa Rising' – <b>Patrick Bond</b>	233
Politics of Numbers: Deconstructing Statistics in the African Growth Narrative — <b>Pali Lehohla</b>	261
Postscript: In Lieu of a Conclusion — <b>Joel Netshitenzhe and Vusi Gumede</b>	275
Index	279

# Preface

**T**he Great Recession, which started around 2007, stands out as the most significant crisis of global capitalism since the 1930s, both in scope and intensity. Although it was triggered by developments in the financial sector in the United States of America, its impact and implications have reverberated across the globe. Virtually all countries have been unable to escape its destructive swell: the interconnectedness that globalisation has fostered made certain of that.

As authors in this book assert, the growing sectoral dominance of finance capital and its rapacious licence are the immediate and prime causes of the crisis. However, trends in the real economy over the past three decades created a systemic underpinning to the crisis. Those include the emergence of large corporate behemoths in manufacturing and services, advances in information and communications technologies and improvements in production techniques, the offshoring of production sites in search of cheap labour, and household debt. At the same time, degradation of the environment has proceeded apace.

The period leading up to the Great Recession was also characterised by high rates of economic growth in most parts of the world. Combined with that was the lifting of swathes of humanity from abject poverty. With a few exceptions, particularly in Latin America, the manner in which the surplus is apportioned has resulted in rising inequality, with women and youth most adversely affected. That is the fundamental question of political economy that most of the essays in this book seek to address.

At the initial stages of the crisis, many pundits argued that African and other developing countries would not be much affected. That optimism was based on the perceived robustness of many economies on the continent – especially resource-rich ones – the growth of which was buoyed by the stellar performance of the Chinese economy. High revenues from the commodity boom also led to improved fiscal balances and a rise in external reserves.

Although the financial markets in key sub-Saharan African economies such as Kenya, South Africa and Nigeria experienced large portfolio inflows, the global capital markets were deemed to be strong enough to withstand the shock emanating from the crisis; and Africa's external linkages in that regard were seen as insignificant. However, a couple of years into the crisis, the

demand for commodities has shrunk, and portfolio capital is migrating back to the safety of the developed world with dire consequences for both the real and financial sectors.

The fundamental concern is that almost a decade into the Great Recession, the world economy seems to have entered a period of secular stagnation. The interventions of the political leadership have largely been half-hearted, betraying the bonds of selfish interest that have been forged between the economic and political elites. It is precisely this quandary that has thrown the legitimacy of establishment politics into a bind, with protest movements, intra-party left insurgencies, right-wing mobilisation, regional tensions and wars, as well as terrorism all combining to create a sense of global instability.

Humanity is faced with a poly-crisis straddling economics, politics, as well as environmental and security issues. With this sense of unguided drift, the need for debate on alternative approaches to the management of social relations stands out in even bolder relief, and that is precisely what the essays in this volume set out to do. Although even the centres of neoliberalism such as the International Monetary Fund (IMF) now acknowledge the limitations of that ideology on such issues as capital account liberalisation, fiscal consolidation and the devastating effects of inequality on social cohesion and the sustainability of growth spells, the authors in this book argue that those do not scratch the surface of the systemic causes of the Great Recession.

This book examines the crisis from theoretical and empirical perspectives. In some instances, the authors do not quite concur on the approaches required. However, running like a golden thread through all the inputs is that the State has a critical role to play in reconfiguring social relations, proceeding from the perspective that markets, left to their own devices, can wreak havoc on the commons. Above all, social relations should be premised on humane values.

The Mapungubwe Institute of Strategic Reflection (MISTRA) wishes to thank all the authors and the support staff whose tireless efforts have produced a highly recommended text on options out of the current quagmire. Our appreciation is also extended to the funders – individual and corporate citizens, as well as the public sector – whose contributions have afforded MISTRA the space to reflect on matters of strategic importance to South Africa, Africa, and the world at large.

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