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The Rise and Fall of the Rhodesian Economy, 1965-79

A Marxist Account of Space, Time and the Capital Accumulation Process

I. Introduction

The period of the Rhodesian Front party's Unilateral Declaration of Independence (UDI) is sometimes described as providing a "hot-house" atmosphere for economic development, a characterisation which stems from extraordinary rates of growth from 1966-1974 as well as from the various barriers to free financial flows erected by the state.[1] These barriers imposed a condition of semi-autarchy on the financial circuit of capital, which in turn had implications for accumulation and uneven geographical and sectoral development. The most significant of these may be that the hot-house financial environment exacerbated capitalist boom-bust tendencies, in an economic context which was already deteriorating due largely to overproduction in relation to the small size of the local market, as well as to exogenous factors.

When a classic crisis of "overaccumulation"[2] of capital emerged in the mid 1970s, the effect on the social and political formation was formidable, and indeed has not been resolved to this date. One reason why different attempts to deal with the crisis have not been successful is that economic development has generally been viewed in static and aspatial terms, with scant regard for the complex roles of space and of time. This, then, is a key challenge to the paper: while constructing an empirically- and theoretically-informed argument about the Rhodesian UDI period, I attempt to analyze spatial and temporal features that shed brighter light on limits to the economy's development.

To begin, it is demonstrated that in the wake of a half decade of economic stagnation (1960-65), UDI featured a shift in the Rhodesian economy's general direction of accumulation, its geographical orientation and the financial intermediation it required. Finance was at the heart of the shift, but in a dominated, not dominant way (Section 2). With financial capital repressed, it was the resurgence of manufacturing capital that powered the 1966-1974 boom (manufacturing was responsible for a quarter of GDP by that stage, and annual GDP growth averaged 9.5% over the nine years) (Section 3).

This in turn demonstrates how even on the semi-periphery of the world economy, a relatively autarchic economy can grow extremely rapidly, and an increasingly empowered state can direct investment in a manner conducive to corporate profitability. It is important, however, to understand some of the preconditions for this centrally-directed economic dynamism: existing manufacturing production overcapacity, the powerful yet flexible state economic policy apparatus, the cohesion and class solidarity of industrialists, and the availability of cheap, repressed labour.

Crisis emerged, nevertheless, and decimated most spheres of manufacturing in the late 1970s. It is difficult to abstract locally-generated economic factors from issues such as political conflict, civil war and global economic recession (Section 4). But the organic roots of the crisis can be discerned, with subsector-level data, by examining the degree to which manufacturing output increased in the wake of untenable new fixed capital investments, which in the context of limited effective demand, resulted in year-end stockpiles and inventories at record levels (Section 5).

The crisis was met with various kinds of responses. From the mid 1970s, Rhodesia experienced an ambiguous process of uneven geographical and temporal development, in part reflecting weaknesses in state policies aimed at levelling growth across space and at stimulating financial sector activity. Ultimately, both spatial (Section 6) and temporal (Section 7) attempts to deal with the overaccumulation and uneven development problems in the late 1970s — in particular regional decentralisation initiatives and loosely-guarded credit markets during a period of monetary conservatism — were ineffectual, even if a decade later they provided a spectacular denouement to the structural crisis (Section 8).

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[1] See, eg, Seidman, A. (1986), *Money, Banking and Public Finance in Africa*, London: Zed, p.67.

[2] In terms of productive capital, overaccumulation is defined roughly as the emergence of surpluses of capital and labour, with no *profitable* means of joining the two in production.

2. Financial Autarchy and Economic Growth, 1966-70

2.1 Import substitution and domestic demand stimulation

The Rhodesian financial system was a crucial sector during the first, high-growth period of UDI (1966-74), both because reigns on finance encouraged capital accumulation to proceed in a temporarily-sustainable direction, and because the state effectively prevented geographical capital flight. "The directors of the national economy were already using their main weapon," recounted Handford (a Rhodesian Front economist): "bottling up capital by severe exchange control restrictions. The bottled up money was channelled via the money market to scores of manufacturers who would show that they could set up, quickly and efficiently, factories to produce most of the goods put under sanctions."[3]

In the same vein, Riddell's extensive study of the country's manufacturing sector boom concluded that (contrary to accepted wisdom), "the major import-substitutions thrust occurred *prior* to UDI, with the major source of manufacturing growth in the UDI period being *domestic demand expansion*" (emphasis added). According to Riddell, increased effective demand within Rhodesia was responsible for a vast amount (61%) of the manufacturing growth which occurred during the years 1964-78, as compared to import substitution industrialisation (30%) and export-based growth (9%).[4] Subsequently, excessive new capital investment in the mid 1970s adversely affected accumulation, as shown in Section 5. But it is important, first, to stress the sources of effective demand, because in view of the hostility the Rhodesian Front initially faced from financiers who had earlier controlled domestic demand management, the new regime's management of key financial markets was by no means predetermined.

2.2 Bottling up financial capital

The basis for a shift of monetary and financial regulatory responsibilities from the London-based banks to the state had been established during the 1950s, in response to a variety of problems arising from excessive credit creation and speculation.[5] In addition to the short-term need to control overambitious financial flows, government restrictions also addressed an earlier overaccumulation problem which was becoming evident by the late 1950s and which, added to the political turmoil of the era, led to excessive speculation in property and, by the early 1960s, a large net outflow of capital.[6] Extraordinary levels of state intervention in the financial system ultimately proved crucial in deflecting the financial brouhaha that surrounded the declaration of UDI itself, in late 1965.[7]

Tight exchange controls applied as early as 1961 and 1963 brought the entirety of Rhodesia's international financial dealings under government purview. The Reserve Bank assumed responsibility for overall coordination of exchange control in 1965. Also that year, exchange controls on dealing in external

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[3] Handford, J. (1976), *Portrait of an Economy Under Sanctions, 1965-1975*, Salisbury: Mercury Press, p.16.

[4] Manufacturing subsectors which grew especially quickly through domestic market expansion were transport equipment (whose growth was entirely due to domestic demand), beverages and tobacco processing (93% due to domestic demand), construction materials (88%), chemical and pharmaceutical products (77%), and foodstuffs (75%). In contrast, import substitutions were made to good effect mainly in textiles (responsible for 56% of the subsector's growth), metals (37%) and paper products (37%), while exports during UDI were nearly insignificant, making an impression only in textiles (responsible for 14% of growth) and metals (13%). (Riddell, R. [1990], "Zimbabwe," in R. Riddell (Ed), *Manufacturing Africa*, London: Overseas Development Institute, pp.341,344.)

[5] Bond, P. (1992a), "Finance and Uneven Development in Zimbabwe," Unpublished doctoral dissertation, Department of Geography, Johns Hopkins University, Baltimore, Appendix One.

[6] Bond, P. (1993), "Economic Origins of Black Townships in Zimbabwe: Contradictions of Industrial and Financial Capital in the 1950s and 1960s," forthcoming in *Economic Geography*.

[7] For summaries of various institutional aspects of the financial system at the time of UDI, see Grant-Suttie, R.I. (1965), "The Rhodesias and Nyasaland," in W.F. Crick (Ed), *Commonwealth Banking Systems*, Oxford: Clarendon Press; Sowelem, R.A. (1967), *Towards Financial Independence in a Developing Economy*, London: George Allen & Unwin; Clarke, D. (1980a), *Foreign Companies and International Investment in Zimbabwe*, Gwelo: Mambo Press; Clarke, D. (1980b), "The Monetary, Banking and Financial System in Zimbabwe," in United Nations Conference on Trade and Development, *Zimbabwe: Towards a New Order: An Economic and Social Survey*, Working Papers, Geneva, Vol.One; Chimombe, T. (1983), "The Role of Banks and Financial Institutions in the Accumulation and Reinvestment of Capital in Zimbabwe," Unpublished M.Phil. Thesis, Department of Economics, University of Zimbabwe, Harare; and Seidman, *Money, Banking and Public Finance in Africa*.

shares began the domestic reflation process. And in the context of economic crisis still underway during the early 1960s, trade controls were tightened to give Rhodesian manufacturers support.[8]

Partly as a result of the local restrictions, Southern Rhodesian economic vulnerability to a potentially punitive British government and City of London was qualitatively reduced in the period leading to UDI. Rhodesian external government bonds suffered devaluation (by some 23%, compared to Zambia's 20%) at the hands of City traders in the months prior to UDI as racial politics deteriorated.[9] Yet a growing sense of self-confidence was felt by the Rhodesian Front after extremely successful elections in May 1965. In November, when UDI was declared and the financial doors slammed shut, the Rhodesians responded by defaulting on R$82.6 million in foreign debts.[10]

South African banks offered support in the evasion of sanctions and in lubricating anonymous trade,[11] while London *Sunday Times* investigations also established that from 1972, imports of steel-making equipment were being financed by Swiss and Austrian banks.[12] Thus perhaps the only significant domestic effect of what was termed the "financial squeeze" was a temporary decline in bank credit outstanding, which was addressed by an immediate Reserve Bank infusion of £13 million a month after UDI.[13]

Short- and medium-term cooperation between the regime and the major financial institutions was a crucial component of UDI's initial economic successes. "British-controlled banks in Rhodesia, presumably not wishing business to foreign banks, reportedly put their foreign currencies in South Africa before UDI, and it appeared that this helped them to extend credit against blocked accounts," reports Handford.[14] In the

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[8] The trade controls took many by surprise. Domestic industrialists, suspicious of the Rhodesian Front regime which had taken power in 1962, and still suffering from overinvestment and stagnation, won surprisingly generous tariffs and export incentives. "Rightly," *Property and Finance* commented in January 1965, "the new Rhodesia Government in the past two years has been Protection-minded to an extent which even the most temperamental manufacturers — and there are many of them! — can applaud."

[9] *Property and Finance*, September 1965.

[10] Handford gloated about how successful the countervailing efforts had been:

> When the full story of the "whisking away" of considerably more than half of the fixed and liquid Rhodesian reserves in London is eventually told, it will read like a James Bond thriller. Weary officials of the Reserve Bank and of the Treasury regard the secret removal, only a matter of hours before the Independence Proclamation, as the auspicious start of Rhodesia's counter-attack against the British sanctions... Probably the biggest British miscalculation of all was on the extent of the funds which would be available once money was bottled up inside Rhodesia through the operation of the closed economy. (Handford, *A Portrait of an Economy Under Sanctions*, pp.18,50).

According to Elaine Windrich, Whitehall had acted too slowly, waiting three weeks after the UDI declaration to impose the sanctions: "Criticism of the Government's delay ranged from the *Financial Times*, which pointed out that during the interval preceding the controls the Reserve Bank of Rhodesia had been buying up all the gold it could, to the *New Statesman*, which said that if the financial controls had been imposed with the UDI they might have toppled the Smith regime." (Windrich, E. [1978], *Britain and the Politics of Rhodesian Independence*, London: Croom Helm, pp.69-70.)

[11] Clarke, *Foreign Companies and International Investment in Zimbabwe*, p.104.

[12] This rare case of financial sanctions-busting is instructive. The US$63 million deal doubled Rhodesia's iron and steel production capacity, and involved a US$29 million loan, split between the Austrian equipment vendor (Voest), the Union Bank of Switzerland and European-American Bank and the Austrian bank Girozentrale (which expressed nervousness at the implications of the deal for Austrian UN Secretary-General Kurt Waldheim). A clause was inserted to ensure immediate repayment of the loan in the event of "political risk." Rhodesian offices of Standard, Rhodesian Acceptances Limited, Barclays, Merchant Bank of Central Africa, National and Grindlays, and Neficrho Acceptances put up a guarantee, and other local financing came from SA Mutual insurance, Central African Building Society and Founders Building Society. A South African "dummy" corporation was established by the Rhodesians as the borrower, and a shell financier was set up in Zug, Switzerland "to satisfy Swiss authorities." With so many actors involved, the loan was sure to be exposed. Within eighteen months a British banker living in Rhodesia slipped information to the *Sunday Times*, and subsequently fled to Malawi. There, however, he was arrested, extradited to Salisbury and briefly jailed there in 1974. (Documentation is available in United Nations [1975], "Special Report Concerning the Question of Southern Rhodesia on External Participation in the Expansion of the Rhodesian Iron and Steel Commission," United Nations Security Council, New York, Special Supplement #3, #39141, September; and *Sunday Times*, 14/4/74.)

[13] This was accomplished by lowering reserve balances from 6% to 3% for commercial bank demand deposits, thus freeing funds for lending. By 1966, notes Handford, "The money market seemed flooded with funds which, for one reason or another, holders wanted to keep fairly liquid." (*A Portrait of an Economy Under Sanctions*, p.48.)

[14] Handford, *A Portrait of an Economy Under Sanctions*, p.18.

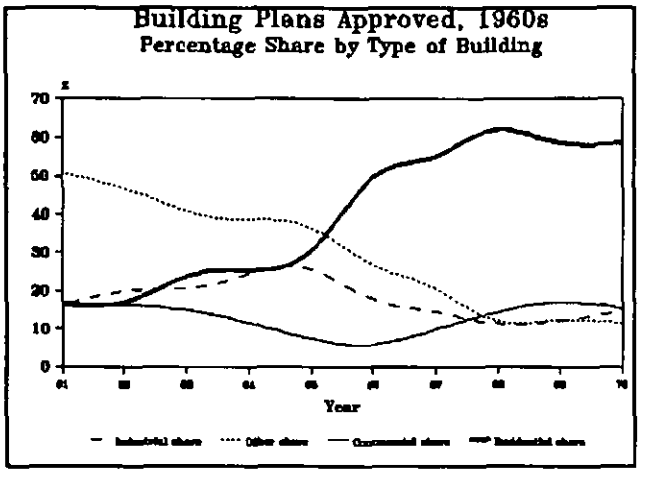
words of a former chairperson of Barclays, "UDI had in effect been anticipated and made no change in the administration of the bank's affairs save that London could no longer approve nor reject proposals put forward by Salisbury... (By 1971) the best possible use had been made of six difficult years."[15] Simultaneously, Seidman contends, "The foreign banks became more closely interlinked, not only with each other but also with other financial institutions, on account of their collaboration in the face of United Nations sanctions to mobilize locally generated investable surpluses, primarily to finance the transnational corporate affiliates' expanding activities in the modern sector."[16]

Exchange controls trapped not only local financial resources and the profits of multinational corporations, but also existing bank deposits of non-residents, which by the late 1970s accounted for a third of the stock of surplus funds that banks had available for loans.[17] According to Clarke, the system of financial autarchy was convincingly in place by the late 1960s:

> The controls worked, especially when combined with buoyant growth conditions in the economy associated to high net white immigration (and rising mortgage demand), rapid industrial development through diversification (and demand for hire purchase and leasing facilities), and expanded primary sector output (with demands for short- and medium-term financing). All these developments widened the base of the institutions, led to diversification within them, increased intra-sectoral linkages and flows, and strengthened the financial sector's structure.[18]

2.3 Finance and white housing

Finally, a good example of the impact of blocked liquidity was on the development of the white housing sector, which was the main beneficiary of property finance in the late 1960s (Figure 1). The imposition of financial sanctions, "if anything, boosted the business of the building society movement," argued the chair of the country's largest society.[19] According to Handford, "Money started to be bottled up in Rhodesia — a tendency which greatly increased after UDI. As a consequence, people spent money on houses and there was a boom."[20]



By 1967, the *Herald* reported, "It appears that a rapid build-up of funds available for housing combined with a popular conviction of political certainty, has taken the cork out of the bottle."[21] At the time, residential building costs in Salisbury were only a quarter of those in Lusaka and 40% lower than in South Africa, which encouraged a further development of the Salisbury suburban sprawl and flow of finance into land improvements. Thus the real estate market in 1970 was profoundly influenced by financial investment capital, said a long-time practitioner, John Parkin: "The recent surge in development can be attributed to various factors which are not altogether necessarily indicative of political confidence. It is certain that some building, essentially large developments, has been prompted by a need to find acceptable investment for surplus funds rather than because of any great expectations."[22]

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[15] Crossley, J. and J. Blandford (1975), *The DCO Story*, London: Barclays Bank International Limited, pp.251-252.

[16] Seidman, *Money, Banking and Public Finance in Africa*, p.65.

[17] Clarke, *Foreign Companies and International Investment in Zimbabwe*, p.121.

[18] Clarke, "The Monetary, Banking and Financial System in Zimbabwe," p.325.

[19] *Herald*, 26/9/67.

[20] Handford, *A Portrait of an Economy Under Sanctions*, p.75.

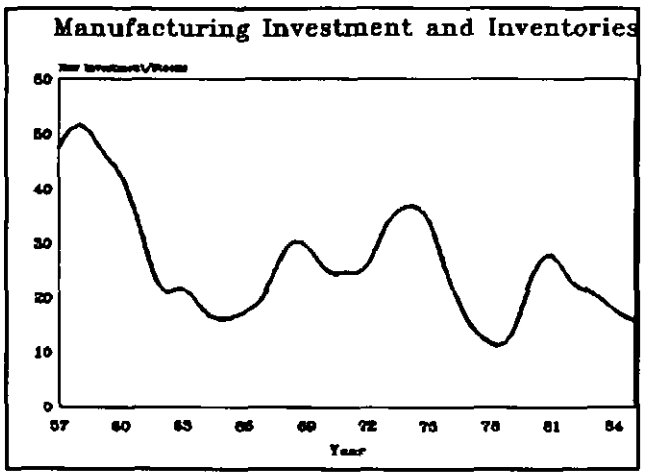
[21] *Herald*, 27/9/67.

[22] *Sunday Mail*, 1/10/67; *Herald*, 18/6/70.

3. The Resurgence of Manufacturing Capital, 1966-74

Aside from marshalling financial capital in the national interest, other explanations for Rhodesia's UDI economic strength, particularly in manufacturing, must also be considered: the role of pre-UDI investment, the ability of the state to intervene strategically, the cohesion and flexibility of industrial capital, and the low wages paid to generally pliant workers. We will consider each in turn.

3.1 Surplus capacity



During the 1954-63 years of the Central African Federation (the temporary administrative union of Southern Rhodesia, Northern Rhodesia [Zambia] and Nyasaland [Malawi]), more than £1 billion was invested in total fixed capital stock. In the industrial sectors (mining, manufacturing and electricity) there emerged, as a result, enormous and consistent year-end stockpiles which rose to annual levels of £40 million from 1961-66, in the course of a devastating economic recession that coincided with political uncertainty over the future of Britain's Central African colonies.[23]

According to Rob Davies, manufacturing overcapacity in the diminished post-Federation market served as the "primary" basis for the subsequent explosive growth in manufacturing output. In 1962, capacity utilisation in the sector had dropped to less than 60%. Indeed, Davies notes that the rate of net new investment in manufacturing averaged 11.7% from 1955 to 1964 — mostly in the late 1950s — as opposed to just 4.4% from 1965 to 1972.[24] As expansion began in 1966, what was particularly important about the use of the overcapacity was the extraordinary flexibility subsequently shown by both capitalists (who organised an extension of product lines largely on the basis of existing plant and equipment prior to 1970) and black workers who adapted to the initial skills shortage caused by early 1960s white emigration, and to the new production demands. Manufacturing fixed capital investment remained relatively meagre until 1973, particularly compared to the late 1950s and mid 1970s. This is clear in terms of the ratio of new investment to year-end stocks of inventories, as shown in Figure 2.

3.2 State policies

To sustain capital accumulation on a wider scale, and to organise the disparate parts of an economy under seige, intensified state intervention was crucial. From late 1965, the state focused unprecedented resources on controlling external account balances, encouraging immigration of skilled white males, ensuring labour market stability, cementing land inequality, expanding police and military control, and subsidising all manner of white business ventures. Although government spending as a percentage of GDP declined from 49% during the period of Federation to less than 30% in 1968 as the manufacturing boom took off, the percentage subsequently rose to the high 40s. Aside from the prodigal war costs in the late 1970s, UDI state spending also included new investments in transport (especially rail and airlines), energy, posts and telecommunications, and purchasing and marketing authorities.[25]

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[23] New manufacturing capital spending in Southern Rhodesia subsequently declined to an annual level (£13.4 million in 1964) of just one third the 1959 peak. The ratio of manufacturing inventories to new fixed capital invested — a ratio which indicates the degree to which overinvestment has occurred — soared from an already high 182% in 1958, to 520% in 1962, and 600% in 1965, and inventories also increased substantially in relation to gross manufacturing output. (Central Statistical Office *Census of production*, various years.)

[24] Davies, R. (1982), "Discussion Note on Chapter 13", in Fransman, M., *Industry and Accumulation in Africa*, London: Heinemann, p.297; see also Ramsey, D. (1974), "Productivity and Capital in Rhodesian Manufacturing, 1955-72," *Rhodesian Journal of Economics*, v.8, #2.

[25] Davies, R. and C. Stoneman (1981), "The Economy," in C. Stoneman (Ed), *Zimbabwe's Inheritance*, London: Macmillan, pp.112-114; Kadhani, X. (1986), "The Economy: Issues, Problems, Prospects," in I. Mandaza (Ed), *Zimbabwe: The Political Economy of Transition, 1980-1986*, Dakar: CODESRIA, pp.104-05. See also Sutcliffe, R.B. (1971), "Stagnation and Inequality in Rhodesia, 1946-68," *Bulletin of the Oxford Institute of Economics and Statistics*, v.33; and Makgetla, N. (1980), "Transnational Corporations in Southern Rhodesia," *Journal of Southern African Studies*, v.5, #1.

Manufacturing firms warmly welcomed state support, and the Minister of Finance was extravagant: "Assistance will be afforded by means of import control for selected industries for specific periods of time, greater use of the customs tariff, and in special circumstances, securing of the local market for one or more products for specified periods."[26] This entailed waiving overseas firms' production rights, licensing arrangements and trade marks, as well as other constraints against technology transfer. Too, there was other aid given to the Rhodesian economy from neighbouring states, namely sanctions-busting, transport arrangements, loans and other assistance from South Africa and Portuguese-ruled Mozambique. Stoneman concludes that "the advent of sanctions and the need to combat the effects resulted in a closing of the economy which could never have been justified ideologically, but which prevented a serious haemorrhaging of the industrial base."[27]

3.3 Manufacturing capitalists' cohesion

The manner in which the industrial base of the economy closed ranks to support the Rhodesian Front is worth some comment. Organised business lobbies ACCOR and ARNI had officially and energetically opposed UDI, and in early 1965 published reports on the "potentially disastrous" effect of an independence declaration.[28] It was widely assumed that a crippling set of economic sanctions would be the minimum response from Britain. At the outset, South Africa's *Rand Daily Mail* reported that "there is confusion in all sections of the business field" in Rhodesia,[29] and initially, the fear of sanctions appeared well-founded, since 1966 saw a 6.5% decline in manufacturing gross output before inflation, and, more disturbingly, manufacturing volume declined 9.3%.

The head of Dunlop's local subsidiary later explained, "Having taken a deep breath and having assessed the direction in which the economy should go, by the end of 1966 Rhodesian businessmen were exhibiting a remarkable degree of optimism, ingenuity and determination that the economy must not be destroyed by the new conditions produced by world sanctions."[30] Merchants and financiers who had earlier backed an anti-UDI compromise, organised the import control system nearly overnight. Handford describes how "Rhodesian industrialists jumped in quickly, made arrangements with overseas organisations, set up things in back alleys — one thousand new industries in a few years." Sanctions-busting became a national pass-time: "Here a James Bond would truly be at home — "Universal Exports" — distribution with a network centred on obscure offices in back streets of cities in Europe — as fast as one London press-man uncovered a hide-out, another would be set up."[31] There were only rare desertions by business leaders.[32]

3.4 Cheap labour

In addition to the generally pro-business state, Rhodesian businesses had another major factor working in their favour during this period, cheap labour. N.R. Bertram, a leading Rhodesian manufacturer and merchant, was reported acknowledging in 1969, "It was impossible to say that industrial progress was being inhibited by rising labour costs — over industry as a whole only 8% of the gross product was paid

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[26] From a "Statement to Parliament" by the Minister of Finance, February, 1966, quoted in Wield, D. (1980), "Technology and Zimbabwean Industry," in United Nations Conference on Trade and Development, *Zimbabwe: Towards a New Order: An Economic and Social Survey*, Working Papers, Geneva, Vol.One, p.109.

[27] Stoneman, C. (1982), "Industrialization and Self-Reliance in Zimbabwe," in M. Fransman (Ed), *Industry and Accumulation in Africa*, London: Heinemann, p.281.

[28] Handford, *A Portrait of an Economy Under Sanctions*, p.17.

[29] Metrowich, F.R. (1969), *Rhodesia: Birth of a Nation*, Pretoria: Africa Institute of South Africa, p.43.

[30] Cited in Handover, G. (1977), "Rhodesia's Place in the Economic World," in J. Dornan (Ed), *Rhodesia Alone*, Washington, DC: Council on American Affairs, p.12.

[31] Universal Exports, or UNIVEX, was the actual name of a state agency mandated with sanctions-busting (Handford, *A Portrait of an Economy Under Sanctions*, p.6,7).

[32] In late 1968, the heads of Rhodesian Iron and Steel Corporation (E.S. Newson) and Standard Bank (E. Campbell) issued critiques of UDI and called for a settlement and fresh infusion of foreign funding. Prime Minister Ian Smith's reaction, according to Windrich, was quick and dirty: "This was the first real opposition the Smith regime had encountered since their decision to go ahead with the illegal declaration of independence, in spite of the dire economic forecasts announced at that time. In response, Mr. Smith launched a fierce attack on the 'old gang,' in league with the Argus Press, for trying to prepare the country for a sell-out." (Windrich, *Britain and the Politics of Rhodesian Independence*, p.149.)

out as African wages."[33] Even with a liberation war underway, Handford could brag in 1976, "At present, possibly the biggest advantage enjoyed by Rhodesia in regard to the more developed nations is its absence of labour troubles."[34] There were, counters Sachikonye, no fewer than 68 trade union leaders in detention in 1973:

> It is scarcely surprising that in the 1960s and 1970s a dark cloud hovered over trade unionism in Zimbabwe. A decimation of the leadership of unions through its incarceration in detention or exile, the onerous labour laws, in addition to the dubious role of international labour institutions such as the Brussels-based International Confederation of Free Trade Unions — all had a generally weakening impact on the unions.[35]

In sum, UDI growth depended upon reflated domestic demand supported by a regulated financial sector and geographically-trapped multinational corporate profits and assets. And other accommodating features that help account for the success of UDI in broadening and deepening the economy include the prior overcapacity in manufacturing, state-directed investments, and an extremely repressed labour force. Sanctions and planned investment ensured that the law of value did not fully operate according to international norms. Capital expenditure did not become excessive until the mid 1970s, and overproduction tendencies were initially muted. Indeed the organic composition of capital remained inordinately low until the mid 1970s investment deluge.[36] And thanks to import protection, Rhodesian manufacturers showed a learned capacity to produce on relatively "short runs."[37] As with manufacturing, agricultural investments were also of an extensive (capital-widening) rather than intensive (capital-deepening) nature.[38] Classic disproportionalities between the two "Departments of Production" (ie, those producing capital goods and those producing consumer goods) were, partly as a result, kept effectively in check for a full decade.

4. Explanations for the Crisis, 1974-78

But an economy-wide downturn ultimately set in following the first UDI decade of growth. The manufacturing sector witnessed immense increases in accumulated stocks and inventories, and an extraordinary decline in capacity utilisation. By all accounts, the resulting drought of industrial investment has remained the single major constraint on the economy's growth through the 1980s and early 1990s. And efforts to displace the economic problems through space and through time also came to naught, as subsequent sections demonstrate.

4.1 Exogenous factors

During the period 1974-78, manufacturing production declined 27%, capacity utilisation fell by 38%, and there was a net loss of 50,000 urban private sector jobs (from a peak of just over one million in the entire national economy), mainly in manufacturing and construction.[39] Various economists have loosely

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[33] Handford, *A Portrait of an Economy Under Sanctions*, p.48.

[34] Handford, *A Portrait of an Economy Under Sanctions*, p.145.

[35] Sachikonye, L. (1986), "State, Capital and the Trade Unions," in I. Mandaza (Ed), *Zimbabwe: The Political Economy of Transition, 1980-1986*, Dakar: CODESRIA, p.251.

[36] According to the World Bank, "Zimbabwe's Incremental Capital-Output Ratio (ICOR) for manufacturing, calculated for the period 1971-74, is remarkably low, the average for the period being 1.76." Normally, ICORs in developing countries fall within a range of 2.5 to 3.5. (World Bank [1983], "Zimbabwe: Urban Sector Review," Water Supply and Urban Development Division, Eastern Africa Projects Department, World Bank, Washington, DC, Report #4171-ZIM, 3 June, p.23.)

[37] This meant, according to Handford, that in the spirit of a future generation of "post-fordist" production, local manufacturers had "the opportunity of taking immediate advantage of changes in market demands, in a way that is not possible with the great industrialised countries." (Handford, *A Portrait of an Economy Under Sanctions*, p.145.)

[38] White commercial farmers attributed 41% of their growth in output from 1965-74 to land expansion, which also involved increasing the number of black employees from 290,000 to 360,000. Notwithstanding the hardships inflicted during UDI, peasant farmers managed to increase their land under cultivation by 26% during the first few years of UDI, as output increased by 32% — thus 80% of growth was a result of expansion. (Mumbengegwi, C. [1986], "Continuity and Change in Agricultural Policy," in I. Mandaza (Ed), *Zimbabwe: The Political Economy of Transition, 1980-1986*, Dakar: CODESRIA, p.208.)

[39] World Bank (1989b), "Zimbabwe: The Capital Goods Sector: Investment and Industrial Issues," Industry and Energy Operations, Southern Africa Department, World Bank, Washington, DC, Report #7692-ZIM, 22 January 1990, p.9.

explained Rhodesia's late 1970s problems by recourse to a wide variety of factors exogenous to an internal logic of market failure. For example, an otherwise well-grounded empirical study of manufacturing by Riddell relies upon the following sorts of explanations for the manufacturing sector's problems in the mid 1970s, in lieu of theoretically-derived arguments:

- major political disruption and uncertainty (especially war);
- a series of poor agricultural seasons;
- the international rise in oil prices; and
- the increasing foreign-exchange dependence of manufacturing growth and decreasing role of manufactured exports in the economy.

"All these influences combined swamped the impact of the policies and incentives for manufacturing still in place from the mid 1960s, which had created the record levels of manufacturing expansion achieved in the first nine years of UDI," Riddell concludes.[40] The Confederation of Zimbabwean Industries' chief economist in the early 1990s attributed the late 1970s crisis to "the intensification of the liberation struggle, the oil shock and the emigration of skilled manpower."[41] Even the political economist Seidman merely cites the war and international recession as reasons for "hampered growth,"[42] while, as with the others, no mention is made of more general problems arising from the *intrinsic character* of value production and realisation in Rhodesia.

Yet as Ernest Mandel once put it, "The detonator does not *cause* the crisis. It merely precipitates it inasmuch as it triggers... the *cumulative movement of the crisis*: reduction in employment, incomes, investment, production, etc... In order for it to be able to trigger this chain of events, however, a whole series of preconditions must coincide, and these in no way flow automatically from the detonator itself." (original emphasis)[43] Using Riddell's disaggregated manufacturing data and the Central Statistical Office's Census of Production surveys, we can identify such preconditions in particular subsectors that came under pressure (see Section 5).[44] Prior to that, however, exogenous factors stemming from international and domestic influences are considered.

4.2 International influences

First, then, how strong a role did the operations of the international law of value play in crisis formation in the Rhodesian economy? Kadhani insists that "At the level of technical and structural parameters, the overall production performance of the economy continued to exhibit very rapid responses to the international environment."[45] Yet in many respects such a strong emphasis on global dynamics as the reason for either the strong growth of the late 1960s, or the deep recession of the late 1970s, is misleading.[46] For example, Rhodesia's terms of trade declined momentarily when sanctions were imposed. But sanctions cannot be held wholly responsible for long-term deterioration in income terms of trade, since they mainly affected export volumes (not export values or imports). In any case, by 1968 their effect was, in Davies' words, "negligible, causing a fall in export volumes of only about 5%... Sanctions are likely to have had a once-and-for-all effect on the terms of trade, causing an initial but not a continuous

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[40] Riddell, "Zimbabwe," pp.352-53.

[41] Humphrey, M. (1990), Untitled speech to annual Confederation of Zimbabwe Industries congress, Confederation of Zimbabwean Industries, Harare, p.1.

[42] Seidman, *Money, Banking and Public Finance in Africa*, p.65.

[43] 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, p.34.

[44] In lieu of developing a multi-sectoral econometric model of the economy (which would be difficult because quantifying war damage and other exogenous costs is impossible), this means extending the quantitative analysis into subsectoral investment patterns, and the qualitative analysis of industry beyond once-off and exogenous factors (which in any case many Rhodesian industrialists proved themselves capable of coping with through their oft-cited "ingenuity"). While not denying the reality of (unquantifiable) exogenous problems, a classical Marxist approach attempts to unveil structural constraints to growth that continued well beyond the 1970s era of war, drought, high oil prices and lack of foreign exchange.

[45] Kadhani, "The Economy," p.106.

[46] Note, for example, that a brief global downturn in 1971 had no visible effect on the Rhodesian economy, as GDP increased from 2.2% in 1970 to 8.8% in 1971 and 8.5% in 1972.

deterioration."[47] Terms of trade then improved dramatically in the early 1970s, reflecting mainly speculation-driven upward price movements of minerals and agricultural commodities. The subsequent global industrial shake-out was led by the dramatic collapse of the automobile and construction industries (important users of Rhodesian mineral exports such as chrome and asbestos). This was followed by a two-decade long collapse of international commodities prices to (in 1992) their lowest level in recorded history.[48] Such a downturn was no accident, nor merely an explanatory factor to account for local crisis in Rhodesia, alongside other exogenous forces. It reflects rather too ominously the uneven sectoral and spatial workings of the international system, as speculative financial fevers periodically ravage selected markets and currencies.

Notwithstanding such external pressure, Rhodesian manufacturers performed surprisingly well in earning foreign funds necessary for crucial imports.[49] Direct foreign inputs were reduced as a percentage of total manufacturing inputs from 42% at UDI to 35% a decade later. Problems with certain inputs arose (and in the 1980s became severe), but in spite of global inflationary conditions hostile to importers of industrial goods, the blockages and cost increases arising from foreign exchange shortages do not seem to be the most serious dynamic underlying what was an exceptionally deep recession. Indeed as Section 5 shows, massive fixed capital investments occurred from 1974 through 1976, indicating that available foreign exchange was at least sufficient for the most needed foreign inputs.

4.3 Domestic influences

If international developments in manufacturing did not by themselves devastate the industrial economy of Rhodesia in the late 1970s, what were the domestic factors? It is important to look internally for the well-spring of manufacturing crisis, since as international improvements occurred in the 1980s, they largely bypassed Zimbabwe's economy. The main domestic influence was civil war, which had mixed economic effects and need not detain us in this theoretical investigation.[50]

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[47] Davies, "Discussion Note on Chapter 13," pp.297-299.

[48] Aside from gold, there was one major exception to the softening of international commodity prices during the 1970s, and that was oil. In Rhodesia, the oil shock contributed to a sharp increase in the unit value index of imports — from 130 in 1973, to 177 in 1974 (1964=100). Fuels had accounted for 7.5% of the value of total imports in 1965, 15% a decade later, and 23% in 1978. (Central Statistical Office [1980], "Statement of External Trade by Commodities," Salisbury: Government Printer, pp.iii,4.)

[49] Kadhani argues that "The deliberately engineered 1965-72 boom led to the overheating of the economy, reflecting in large part the import-intensity of production (particularly in respect of investment activity)." ("The Economy," p.106.) The import-intensivity of that investment was not, in fact, the crucial dilemma that ultimately faced industrialists. Indeed, in 1975, when net capital investment in manufacturing reached a peak of R$125 million, manufacturing import allocations were *a third lower* than in 1974, when net capital investment was R$102 million (Central Statistical Office, *Census of Production 1979/80*, p.21; RAL *Executive Guide to the Economy*, December 1983). The case is even stronger when other major investments (eg, mining and electricity and water supply) are taken into consideration, as they helped maintain high levels of capital investment in 1976 and 1977, despite steadily diminishing foreign import allocations.

Most manufacturing subsectors had reached unprecedented levels of import self-sufficiency by the late 1970s, well after the crisis had set in. Exports as a percentage of imports in the manufacturing sector had risen from 15% in 1952 to 40% at UDI to more than 70% just prior to independence. Even in the metals and metal products sub-sector, the self-sufficiency ratio reached 70% by 1979. Foodstuffs, beverages and tobacco, textiles, clothing and footwear, and wood and furniture all recorded export levels far greater than import levels. In contrast, sub-sectors that remained heavily import-dependent were paper and paper products, chemical and pharmaceutical products, non-metallic minerals, transport equipment and other miscellaneous manufactured products. In some cases the high import levels can be attributed to a sophistication in consumption (electrical machinery, spirits, some plastics, chocolate) and in production processes (including military material) that may not have been necessary had the local market been structured differently (ie, with a greater basic needs emphasis). In other cases such as pharmaceuticals, import substitution efforts were unsuccessful. (Riddell, "Zimbabwe," pp.346-348; Wield, "Technology and Zimbabwean Industry," p.158.)

[50] The war was the main reason for increased government spending — to more than 40% of GDP by 1979 (there was also extensive investment by the parastatal electricity supply authority, which recorded huge capital spending from 1975-78). In aggregate economic terms the war could have been counter-cyclical, but the skills shortages, social tensions and physical destruction that accompanied it probably overpowered any economic stimulation. As war-related devaluation of vast tracts of land proceeded, other much weaker measures were being taken by the state to extend the range of accumulation geographically. Ultimately, however, public fixed investment was only marginally counter-cyclical, increasing in real terms in 1975 but declining just as sharply as private fixed investment through 1979. (World Bank [1989a], "Zimbabwe: Private Investment and Government Policy," Southern Africa Department, World Bank, Washington, DC, Report #7646-ZIM, 30 May, p.5.) Moreover, Davies suggests (without providing further details) that the war and concomitant white skills shortage is no explanation for the crisis: "Because of the substitution of black for white workers that has taken place, I would argue that the effects of the war on output have not been great, and that one has therefore to look elsewhere for the primary reasons for the recession." (Discussion Note on Chapter 13," p.300.)

An important means of interpreting the crisis often utilised by political economists is "underconsumption theory": i.e., internal lack of effective demand was the key constraint faced by Rhodesian manufacturers. In this vein, Davies and Stoneman argue, "It cannot be assumed that (the UDI boom) would have continued in absence of war and world recession, for the most profitable import-substitution possibilities were becoming exhausted and it is generally accepted that the discrimination against the rural population and the low level of black wages must have restricted the size of the internal market."[51]

Indeed, per capita private fixed consumption expenditure peaked in 1972.[52] Industrialists themselves viewed the problem primarily in these terms at particular junctures, with 57% of those polled by the University of Zimbabwe in 1981 (a year in which large real consumption increases occurred) citing insufficient domestic demand as a factor constraining industrial expansion.[53] The theory is backed by evidence that profits (as opposed to wages and salaries) took an unusually high share of national income during the 1970s.[54] Yet Stoneman quickly advanced beyond simple underconsumption theory by examining the *articulation* of production and consumption, in Rhodesia's notoriously skewed racial context:

> The market became more distorted in the direction of luxury consumption, a tendency reinforced by sanctions against imports. A number of manufacturing industries (in particular in food processing and clothing) had developed to supply black needs both domestically and in the Federation, and their attention was redirected to the white market... Much of the new industry has therefore been at the expense of far more urgently needed rural investment and is furthermore geared to supplying luxury products on a very small scale, rather than the basic requirements of the population as a whole.[55]

This more closely matches the general argument about failed Import Substitution Industrialisation models in the Third World.[56] Wield concurs that in retrospect, a key reason for the early UDI growth was that "luxury production used under-utilised capacity from earlier periods, often in a creative and innovative fashion" to produce breakfast cereals, cube sugar, high quality furniture, lollipop sticks, canned asparagus, bird seed, fifteen varieties of hair shampoo, ten different hand cleaners, five lipsticks, seven varieties of swimming pool paints, and ten varieties of pet foods. These corresponded to a vast expansion in local industrial production units (ie, with ten or more workers) from 665 at UDI to 1,036 five years later, as the number of different products increased from 1,059 in 1967 to 3,837 in 1970.[57] By 1971 it was said that the homes of even high-income whites could be entirely furnished with Rhodesian-made goods.[58] The

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[51] Davies and Stoneman, "The Economy," pp.95-96.

[52] The 1972 per capita income peak was R$339 in 1980 dollars, although real aggregate consumption continued rising (to R$2.05 billion in 1976) before dropping back in 1977. (Central Statistical Office, *National Income and Expenditure Report 1988*, p.3.)

[53] Central Statistical Office, *National Income and Expenditure Report 1988*, p.3; University of Zimbabwe (1981), "Business Opinion Survey," Harare: University of Zimbabwe Department of Business Administration.

[54] Davies and Stoneman, "The Economy," pp.97-98. Note, however, that the share of gross operating profits relative to wages, was lowest (36%) in 1977 and 1978, the two years of deepest recession. (Kadhani, "The Economy," p.106.) Moreover, from 1978 to 1980, profits took a high and increasing share of national income, yet this was the period in which recovery began.

[55] Stoneman, "Industrialization and Self-Reliance in Zimbabwe," p.281.

[56] See, for example, the excellent study of "disarticulated" accumulation by de Janvry, A. (1982), *The Agrarian Question and Reformism in Latin America*, Baltimore: Johns Hopkins University Press. According to Nixson, "ISI does not in general result in greater self-reliance or self-sufficiency. ISI has been heavily dependent on foreign capital, technology and expertise, it has been based on the consumption patterns, tastes, marketing techniques, and so on, of the developed capitalist economies and the changes in the import structure and the failure to alleviate the balance-of-payments constraint have exacerbated the dependence of the IS economy on the external sector." (Nixson, F. (1982), "Import-Substitution Industrialization," in M. Fransman (Ed), *Industry and Accumulation in Africa*, London: Heinemann, p.50.)

[57] Wield, "Technology and Zimbabwean Industry," pp.107,127; Nyathi-Mdluli, V. (1980), "The Manufacturing Industry in Zimbabwe," in United Nations Conference on Trade and Development, *Zimbabwe: Towards a New Order: An Economic and Social Survey*, Working Papers, Vol.One, Geneva, p.84.

[58] Handford, *A Portrait of an Economy Under Sanctions*, p.141.

backwards and forwards linkages of luxury goods production were tightly coordinated, due to high levels of corporate concentration within most sectors of the national economy.[59]

As the crisis emerged, certain lines of consumer goods subsequently experienced dramatic declines. Consumption of durable goods fell by 35% in real terms from 1974-77 (although sales of radios and televisions — the largest durables component — doubled in 1978 and quadrupled again in 1980). Private consumption of vehicles dropped by nearly half over the same period, picking up again in 1978, while consumption of furniture and carpets dropped by 40% that year. Meanwhile, non-durable manufactured goods (including food, drinks and tobacco) continued rising during the first two years of recession, then fell by 11% in 1977 alone, but subsequently recovered strongly until 1980.[60]

Notwithstanding declines in these particular sectors, however, total consumption expenditure by private residents actually increased in real terms from 1974-76. The single most substantial annual decline in total consumption during the crisis was 12% (in 1977), a smaller drop than that experienced elsewhere in the economy (eg, in manufacturing capacity utilisation).[61] Thus, while manufacturing and agricultural investment were devastated by the downturn, private consumption expenditure in the (mainly white) luxury-goods market was not nearly so badly affected, which in turn suggests that underconsumption was not obviously the driving force behind the crisis. In other words, the issue was not necessarily declining absolute levels of consumption, though the unbalanced articulation between production and consumption was certainly a deep-rooted structural problem.

At the other end of the racially-delineated consumption skew, low-income blacks still managed to maintain purchases of consumer necessities throughout the recession. The volume of foodstuffs output, for example, continued to grow (by 13%) during the 1974-78 downturn, and drink and tobacco edged up 2%. "Annual reports from companies with large retailing and wholesaling operations report food sales holding firm," according to Wield. However, as the recession hit black workers especially hard, larger purchases such as furniture (blacks made up 51% of the domestic market) and even clothing and footwear (68% of the market) suffered reductions of 28% and 12%, respectively.[62]

In sum it would appear that underconsumption theory has little to offer as a means of explaining the intensity and timing of the crisis, and this is especially evident in the endurance of the crisis beyond independence. For example, throughout the 1970s, the major food processing industries reflected the residual strength of consumption in both white high-income and black low-income markets. Beer and wine suffered virtually no underconsumption crisis, and along with cigarettes, represented the largest single item (15%) of personal consumption expenditure. Similarly, meat processing and dairy products experienced significant build-up of inventories mainly during the few years occasioned by point-of-production factors in the fields, but both subsectors continued growing in real terms during the four worst years of economic slump.

Thus the blame for Rhodesia's crisis cannot be laid primarily at the door of either low-income blacks' failure to gain access to "basic need" commodities relative to their consumption of these in prior years, or the failure of key counter-cyclical sectors (like construction) to maintain their pre-recession growth rates. If such were the case, post-independence state fiscal expansion, and sustained building activity would have led to a more sustainable growth path than was ultimately experienced.

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[59] Bennell found that in 1970 Rhodesia's four firm concentration ratio in most manufacturing subsectors was extremely high, and he observed "the growing dominance of large enterprises" during the subsequent fifteen years. (Bennell, P. [1991], "Market Power and Mark-Ups: Manufacturing Industry in Zimbabwe, 1970-1986," Working Paper in Economics, Department of Economics, University of Zimbabwe, Harare, p.5.)

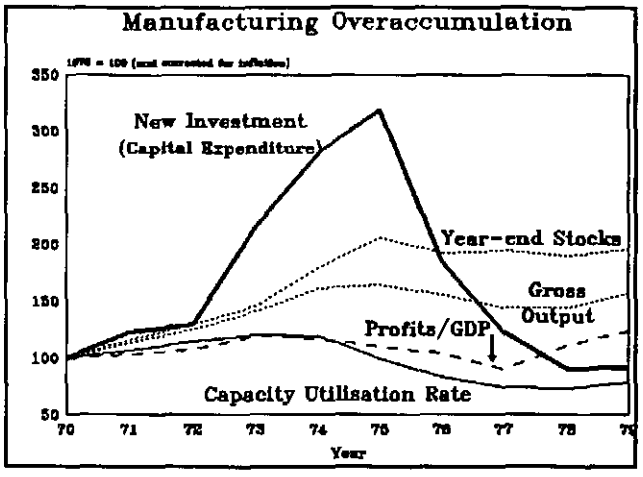
[60] Central Statistical Office, *National Income and Expenditure Report* (various years).

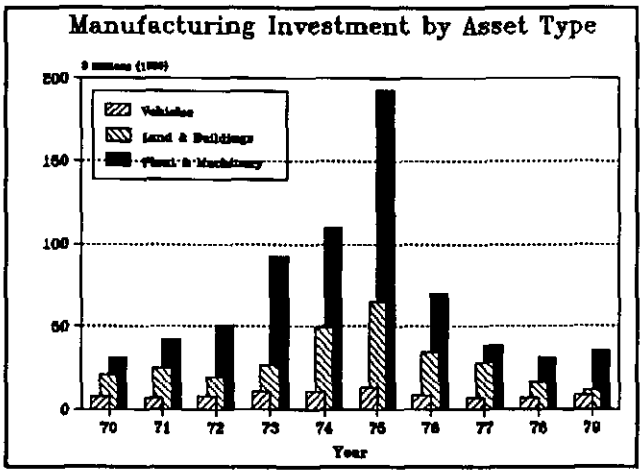
[61] Central Statistical Office, *National Income and Expenditure Report* (various years).

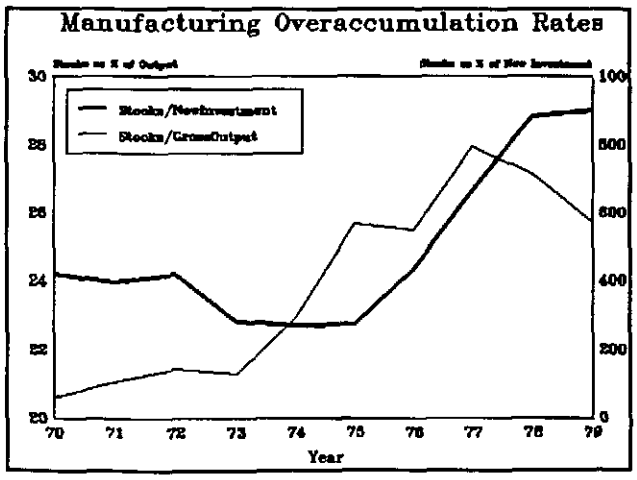
[62] Wield, "Technology and Zimbabwean Industry," pp.128,107.

5. Overaccumulation, 1970-79

If underconsumption is an unsatisfactory theoretical basis for understanding the crisis, it is, instead, to data covering manufacturing output, investment, year-end inventories ("stocks") and capacity utilisation that we turn to consider an interpretation of what was an *overproduction/overaccumulation crisis* in the UDI economy during the late 1970s. Taking 1970 as a base year, in real terms manufacturing output rose to levels 60% higher by 1975, new investment rose by a factor of more than three, inventory build-up doubled, and capacity utilisation and profits rose significantly (Figure 3). During the process, plant and equipment took enormous amounts of new investment, as the manufacturing process deepened substantially: the mid 1970s investments were intensive (Figure 4) (in contrast to earlier extensive and small-scale investments).







Then, following the 1975 peak, ratios of inventories to output and especially of inventories to new investment soared, as the problem rapidly became full-blown (Figure 5). (This is as clear evidence of overaccumulation as may have existed at this point anywhere, yet was by and large ignored by Rhodesia's period economists.)[63] Net profit rates as a percentage of gross national income rose to more than 20% in the early 1970s, but declined rapidly thereafter, to 12% in 1977.[64] The manufacturing crisis stemmed from both classic overinvestment in heavy industrial sectors (Department One) and overinvestment in certain consumer goods (Department Two). "It matters little whether the slump begins in one or the other of these two departments," Mandel notes. "Empirically, it may be noted that most often it begins in Department Two... But this empirical fact expresses no particular intrinsic logic."[65] In Rhodesia's case, as we shall observe, key Department Two subsectors exacerbated generalised overaccumulation in 1973, even before growth declined, but it was in Department One that overaccumulation reached intolerable levels by the late 1970s.

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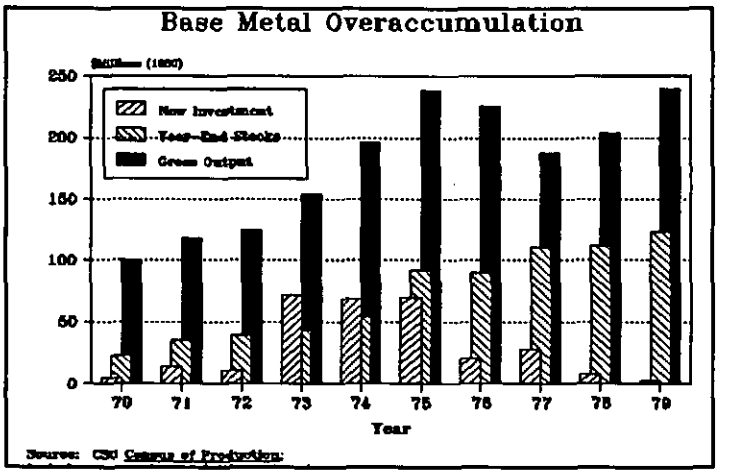
[63] There was a single Zimbabwean researcher who put a finger on the theoretical basis for the crisis of manufacturing overaccumulation — if only partially and momentarily — and it is worth recording this. Cheater examined "Zimtex" (a pseudonym for a major textile firm in the Midlands), and discovered a clear "crisis of overproduction" in the early 1980s. However, Cheater's subsequent analysis reveals a naive expectation that the "The orthodox marxist view [of] crises of capitalism, such as the one which Zimtex faced," would lead to a resolution in the interests of the working-class through intervention by what in reality was a *state-capitalist* (not "Marxist-Leninist") post-independence government. (Cheater, A. [1986], *The Politics of Factory Organization*, Gweru: Mambo Press, pp.143-149.)

[64] Wield, "Technology and Zimbabwean Industry," p.118.

[65] Mandel, "Theories of Crisis," p.33.

5.1 Capital goods

Consider first Department One branches of manufacturing, which were historically well-developed and relatively balanced thanks to post-war Southern Rhodesian import protection. (The World Bank includes as "capital goods" rubber, base metals, machinery — both electrical and non-electrical — and transport equipment, and these categories will be used in what follows.)[66] Capital goods accounted for about half of the country's manufacturing output and a third of all employment even prior to UDI. Metals and metal products represented some 17% of manufacturing sector value added in 1960, and the subsequent rapid growth and decline in this sub-sector are worthy of particular attention.[67] The production of both basic metals and metal products grew enormously during the first decade of UDI — to more than a quarter of value added in 1975 — buoyed by the processing of chrome into ferrochrome and vast increases in the production of iron and steel. Most importantly, from 1973-75, R$127 million of (nominal) net capital expenditure took place in "non-ferrous metal and iron and steel basic industries," the single largest amount of any manufacturing subsector and 43% of the manufacturing sector as a whole.[68] In 1974, the Rhodesian Iron and Steel Corporation — 49% government-owned and the country's largest company — was making "the cheapest steel in the world."[69] By 1977 RISCO was self-sufficient and had doubled its capacity to a million tonnes per year thanks to an expansion of both steel-making and continuous casting technologies through cutting-edge Austrian sanctions-busting. Nevertheless, in 1977, just 100,000 tonnes were exported, whereas at least 400,000 tonnes in exports were required to repay the seller, Voest. Capacity utilisation fell to 40% of peak 1973 levels.[70]



Even though in this case (iron and steel) world market gluts did prove a problem, the phenomenon of overproduction was already long evident across a range of capital goods industries. Base metals producers added year-end stocks worth 38% of output in 1975, compared to an average of 30% for the previous four years, and in subsequent years this rate increased to well over 50% (Figure 6). Similarly, metal products (including machinery and non-electrical equipment) experienced a ratcheting up of inventories, from levels of gross output of 20% in the early 1970s, to an average of 25% from 1974 on, as annual net capital expenditure in metal products increased steadily to more than R$8 million in 1975.[71] These two subsectors form the largest component of manufacturing, and their huge output in the late 1970s was at the centre of the overaccumulation crisis. The problem was not brand new, however. The volume of production of metals and metal products had expanded by 307% from 1964-74 whereas the entire economy expanded by just 213%. In spite of the high-

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[66] World Bank, "Zimbabwe: The Capital Goods Sector," p.9. Unfortunately, it is impossible to distinguish between transport equipment used for Department Two consumption rather than Department One investment.

[67] Riddell, "Zimbabwe," p.344.

[68] In contrast, iron and steel had received just R$28 million in net capital expenditures during the entire previous eight years since the announcement of UDI, and R$44.9 in the entire subsequent four years prior to independence. Although these are nominal currency figures, the trends are striking, and reflected in figures shown in the accompanying graphs which are inflated by their presentation in 1980 dollar terms. (Net capital expenditures were calculated by Wield, and includes straight-line depreciation estimates of 9% per year, which are not included in the data presented. ["Technology and Zimbabwean Industry," p.110; other figures are from the Central Statistical Office *Census of Production*, various years.])

[69] Handford, *A Portrait of an Economy Under Sanctions*, p.143.

[70] Wield, "Technology and Zimbabwean Industry," p.108,123; World Bank, "Zimbabwe: The Capital Goods Sector," p.7.

[71] Central Statistical Office, *Census of Production 1979/80*, p.18. Space limitations prevent inclusion of illustrated accounts of each of the subsectors (similar to Figure 6). These can be found in "Finance and uneven development in Zimbabwe," Appendix Two.

skill nature of metals, the investments paid off in terms of productivity: production volume increased by just 27% per worker but value added rose 229% per worker (in contrast, the value of wages in the subsector rose by 60% during the same period).[72]

But such expansive Department One production quickly proved untenable. For Stoneman (using under-consumption analysis), the capital goods investments were untenable because "their scale was determined by a biased income distribution and therefore highly restricted market." Stoneman apparently believed, incorrectly, that such overinvestment would quickly be mopped up by high levels of more balanced consumption after independence, for he concluded with respect to the mid 1970s investment in capital and intermediate goods, "All these developments are likely to prove beneficial to the needs of the future state."[73] But there was much more to the problem. From 1974-78, inventories were so large that declines in the volume of new production of metals and metal products reached 18%.[74] Base metal capacity utilisation fell to a level just 40% of the 1973-74 peak, non-electrical machinery to 45%, and electrical machinery to 58%. In each case, there were dramatic inventory build-ups while new investments peaked and then declined markedly. Electrical machinery, while not as large a subsector, witnessed an enormous jump in inventory build-ups from 25% of gross output in 1975 to 32% in 1976 and 35% in 1977.

Once materials stockpiles build to unprecedented levels and unsold inventories accumulate, the signal to halt new investment is unmistakeable. Interestingly, stockpiles in the iron and steel subsector accumulated in enormous quantities from 1977 to 1980 in spite of diminishing new investment and declining capacity utilisation — there were R$113 million in stocks accumulated at the end of a year of firm economic recovery, 1979, during which net capital expenditure amounted to just R$2.7 million. Similarly, large stocks of metal products (typically R$35 million per year) and electrical machinery ($11 million) built up relative to new investments (R$5 million per year) during the late 1970s. The other subsectors classified by the World Bank as constituting capital goods showed similar (though unevenly-timed) tendencies, with rubber losing 14% of capacity utilisation from 1974-78 due in part to extreme overproduction in 1973-74, and transport equipment 50%.[75]

The local assembly of transport equipment is also worthy of attention. Transport ranged in importance as a share of fixed capital investment in manufacturing, from 13% in 1970, down to 7% during the peak investment years of the mid 1970s, and up to 15% at decade's end. But the absolute level of local production declined along with the rest of the economy (30% over the 1974-78 period). Capacity peaked during the Federation expansion, then fell, before picking up temporarily from 1969-75 to levels just two-thirds those of the early 1960s. Plants designed by Ford, Austin, British Motor Corporation and Morris Motors ultimately assembled thirteen models of French, Japanese and Italian automobiles, as well as British Leyland Landrovers.[76] Although the transport subsector maintained large inventories relative to gross output (usually in excess of 30%), the only serious problem with overproduction arose in 1972, when the ratio reached 42%, and was then resolved.[77]

5.2 Consumer goods

Consumer goods include some subsectors which overlap with capital goods, including construction materials industries (consisting of "non-metallic minerals" including clay, cement, asbestos and glass). Construction, of course, entails both Department One and Department Two built environment functions. Growth in non-metallic materials — illustrated by expansion of employment from 3,600 in 1965 to more than 9,000 in 1975 — was due mainly to the local construction boom. But the building boom then collapsed, and construction fell from 4.9% of GDP to 3.3% by 1979. Meanwhile, however, the cement industry had reached production capacity of a million tonnes per year, which sat mostly idle in the late 1970s. Inventories of bricks and clay (a separate subsector) rose from 11% of gross output from 1970-72 to as high as 33% in 1977. In addition to bricks, other non-metallic construction materials were worst-hit

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[72] Central Statistical Office, *Monthly Digest of Statistics*, various issues.

[73] "Industrialization and Self-Reliance in Zimbabwe," p.282.

[74] Wield, "Technology and Zimbabwean Industry," pp.107,161.

[75] World Bank, "Zimbabwe: The Capital Goods Sector," p.9.

[76] World Bank, "Zimbabwe: The Capital Goods Sector," p.9; Wield, "Technology and Zimbabwean Industry," pp.107,159.

[77] Central Statistical Office, *Census of Production, 1979/80*, p.84.

of all branches of manufacturing, declining some 53% from 1974-78 in terms of volume of output, as inventories climbed from 17% of gross output in 1973 to 34% in 1979.

Other intermediate goods also suffered at crucial points. Evidence of this is seen in the local production of agricultural inputs. Heavy investments were made in fertilizers, insecticides and pesticides from 1968-72. However, worsening export conditions contributed, from the mid 1970s, to an enormous build-up of end-of-year stocks (typically R$15 million) relative to gross output (from 15% in 1973 to 25% in 1975) and to new investment (R$1.5 million). Agriculture-related overaccumulation was more severe than problems faced elsewhere in the economy.[78] Without export markets or a more balanced domestic market, excessive farm production — of meat from 1971-72 and 1975-77 and of grains in the early 1970s — resulted in towering inventories. What with the official policy of food self-sufficiency, domestic demand was expected to pick up the slack when agricultural exports failed. Thus increased barriers to Rhodesian tobacco sales led to a major infusion of investment in local value-added tobacco products and packaging (R$5.6 million net) from 1974-76. This, however, merely resulted in average annual accumulations of inventories of 38% of gross annual output from 1974-78, and reduced subsequent net capital expenditure substantially. Dairy products and beer and wine witnessed overproduction problems earlier, from 1970-73 and 1971-76, respectively.

A more important Department Two subsector, for export as well as domestic purposes, is textiles. Ginning, spinning and weaving became increasingly capital-intensive as a result of receiving 8% of all capital expenditure in the late 1960s and early 1970s.[79] Yet after recording inordinate overproduction in 1973, another major surge in investments followed from 1974-76 (nearly R$30 million). This led to a dramatic increase in year-end stocks — from an average of R$13 million from 1965-74, to R$50 million from 1975-79 — notwithstanding the fact that production levels were cut back 9% from 1974 to 1978 and net annual capital expenditure waned to R$2.6 million by 1979. The effect was an increase in the ratio of year-end stocks to gross output from 19% in 1971 to 42% in 1976, before declining again to 33% by 1979. In contrast, much less significant problems arose in knitted products, clothing and footwear, mainly in the early 1970s. Other manufacturing subsectors that experienced periodic overproduction problems, even before the 1974-78 slump, include furniture, wood products, paper products, and printing, all of which intensified the broader tendency to overaccumulation beginning in 1973.

There were, on the other hand, subsectors of the manufacturing economy that were barely affected by overinvestment, where the build-up of stocks was insignificant (sometimes because of perishability, as in the case of dairy products). As noted above, stocks of beer and wine were sold quickly notwithstanding impressive levels of new investments and output, aside from the crisis years 1976-77. A distinct lack of new post-UDI investment was noted by the UNCTAD study in canning, sugar, soap and detergents, matches and tires.[80] However, soaps, detergents and other pharmaceutical products nevertheless overproduced relative to the size of the local market consistently from 1974.

5.3 The dynamic of overaccumulation

All of this raises the issue Mandel referred to — can the origins of overaccumulation be specifically pinpointed to a specific Department and sector of the economy? In Rhodesia, the rhythm of overaccumulation in various manufacturing subsectors relative to the growing overaccumulation crisis in the economy as a whole, can be crudely measured as a ratio of year-end stocks to gross output, an "overaccumulation ratio" which for the manufacturing sector as a whole increased from 21% from 1970-73 to 28% in 1976, before falling to 24% at decade's end. It was an extremely high level at this stage, far higher than any comparable figure over the two-decade period for which data were recorded. This ratio suggests how the rhythm of overaccumulation affects various departments, sectors and subsectors of the Rhodesian economy. Table 1 provides overaccumulation ratios for 22 major manufacturing subsectors.

Beginning with the sectors responsible for the greatest volume of manufacturing output — base metals, metal products, textiles, grain milling, dairy, fertilizers, and meat processing — it is clear that the worst overaccumulation (with ratios double the average in the late 1970s), was experienced in base metals (mainly steel). Moreover, the dramatic increase in steel overaccumulation from 1974 is timed exactly with the onset of general manufacturing stagnation. Metal products showed overaccumulation tendencies no

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[78] Bond, "Finance and Uneven Development in Zimbabwe," Chapters 6,7,11

[79] Wield, "Technology and Zimbabwean Industry," p.112.

[80] Wield, "Technology and Zimbabwean Industry," p.129.

TABLE 1

Manufacturing Overaccumulation, 1970s

Year-end stocks/Gross output

and sector ratio in relation to manufacturing average

(inflation adjusted to $1980)

Sector (1975 output)	ratio	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
manufacturing average		.206	.210	.214	.213	.229	.255	.279	.271	.257	.237
	ratio	100	100	100	100	100	100	100	100	100	100
1. base metals		.228	.301	.318	.283	.276	.384	.396	.588	.548	.515
(R$238m)	ratio	110	143	149	133	121	151	142	217	213	217
2. metal products		.236	.213	.199	.229	.255	.270	.260	.272	.249	.244
(R$212m)	ratio	115	101	93	107	111	106	93	100	97	103
3. electrical machinery		.258	.242	.243	.248	.273	.249	.316	.347	.307	.249
(R$60m)	ratio	125	115	114	117	119	98	113	128	119	105
4. rubber		.198	.175	.176	.272	.268	.219	.238	.260	.273	.251
(R$37m)	ratio	96	83	82	128	117	86	86	96	106	106
5. transport		.289	.280	.417	.336	.325	.299	.319	.316	.321	.316
(R$80m)	ratio	115	180	169	176	168	206	258	116	88	91
6. bricks/clay		.105	.113	.109	.136	.163	.199	.272	.329	.213	.197
(R$11m)	ratio	51	54	51	64	71	78	97	121	83	83
7. construction materials		.205	.224	.192	.165	.188	.202	.241	.284	.335	.341
(R$63m)	ratio	100	107	90	77	82	79	86	105	130	144
8. fertilizers		.226	.165	.188	.150	.193	.245	.198	.161	.173	.202
(R$107m)	ratio	110	79	88	70	84	96	71	59	67	85
9. meat products		.071	.064	.119	.072	.064	.071	.106	.172	.127	.080
(R$128)	ratio	35	31	56	34	28	28	38	63	49	34
10. grains		.087	.103	.113	.129	.162	.129	.129	.105	.102	.103
(R$96m)	ratio	42	49	53	61	71	51	46	39	40	43
11. tobacco products		.296	.256	258	.236	.441	.354	.338	.400	.360	.249
(R$43m)	ratio	144	122	121	111	193	139	121	148	140	105
12. dairy products		.133	.157	.200	.215	.182	.227	.201	.227	.219	.216
(R$119m)	ratio	65	75	93	101	80	89	72	84	85	91
13. beer/wine		.114	.085	.095	.105	.136	.166	.221	.189	.162	.149
(R$74m)	ratio	55	41	44	50	60	65	79	70	63	63
14. textiles		.254	.186	.220	.287	.243	.372	.416	.330	.394	.325
(R$176)	ratio	123	88	103	135	106	146	149	122	154	137
15. knitted products		.380	.401	.403	.347	.407	.466	.455	.479	.440	.409
(R$26m)	ratio	185	191	189	163	177	183	163	177	171	173
16. clothing		.334	.436	.322	.312	.318	.294	.290	.281	.291	.289
(R$102)	ratio	162	208	150	147	139	115	104	104	113	122
17. footwear		.280	.242	.257	.281	.271	.213	.248	.257	.228	.259
(R$36m)	ratio	136	115	120	132	119	84	89	95	89	109
18. furniture		.237	.251	.219	.213	.267	.231	.224	.255	.262	.259
(R$31m)	ratio	115	124	102	100	117	91	80	94	102	109
19. wood products		.194	.207	.221	.189	.236	.250	.234	.204	.169	.146
(R$26m)	ratio	94	98	103	89	103	98	84	75	66	62
20. paper products		.224	.222	.195	.198	.221	.241	.240	.277	.233	.219
(R$62m)	ratio	109	106	91	93	97	94	86	102	91	93
21. printing		.152	.138	.162	.172	.171	.205	.210	.196	.176	.191
(R$54m)	ratio	74	66	76	81	75	81	75	72	69	83
22. pharmaceuticals		.255	.267	.240	.232	.318	.339	.305	.303	.297	.271
(R$63m)	ratio	124	127	112	109	139	133	109	112	115	143

worse than those of the economy at large, while textiles hit record levels of overaccumulation in 1975, 1976 and 1978, approximately 50% higher than the economy's average. Each of these sectors was producing some R$250 million in output by the end of the 1970s.

The next four major subsectoral sources of output, ranging from R$120 million to R$140 million by decade's end, were grain milling, dairy, fertilizers and meat processing. These agriculture-driven sectors were profoundly affected by weather conditions, but their periodic introduction of new machinery also had some effect on the tendency to overaccumulation of stocks relative to output, as previous figures have demonstrated. Most importantly, however, because the capacity to hold such stocks is extremely limited, the overaccumulation ratios of these four subsectors in relation to those of the rest of the manufacturing sector were extremely low. Just as noticeable, was the tendency to increase stocks in the early 1970s rather than the mid and late 1970s.

Further unpredictable patterns of overaccumulation can be observed in the next most important sectors, namely clothing and transport (ranging from R$100 million to R$120 million by 1980), which both witnessed extremely high ratios in the early 1970s (in the vicinity of double the national average), followed by average ratios in the mid 1970s, and an increase at decade's end. Other subsectors which drove the overaccumulation process in the mid 1970s (i.e., with a significantly higher ratio than the average from 1974-1978) were tobacco and knitted products.

In sum, there is a relatively uneven sectoral pattern evident, with areas of potential export such as metals and textiles having vast overcapacity problems in the mid 1970s. It is difficult to pin this down to disproportionalities between departments of production. Instead, the importance of this data is in its reflection of the geographical limits to growth, a subject touched on in the next section.[81]

To put the mid 1970s problem into perspective, consider the period 1957-60, a time when the limits to spatial expansion in the Central African Federation were also drawing near. Those years experienced much higher real levels of net capital formation than any subsequent years save 1973-75. The rather high industrial investments of the 1950s include plant which is by all accounts still in use in a number of branches and rather old," Wield commented in 1980.[82] The circumstances of the late 1960s — when relatively small volumes of industrial capital were invested in rather wide sectoral extensions — provided little scope for a full-fledged manufacturing transformation towards intensive export-orientation (as was happening in East Asia). (Rhodesian manufacturing investment was subsequently extremely intensive, but never achieved the economies of scale required for export-competitiveness.) The economy was cemented into a disarticulation

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[81] A similar measure might be applied to inventories and *new investment*. This measures the rapidity with which build-up of stocks leads to a decline in new investment. Subsectors which do not reduce new investment quickly run the risk of running up even higher inventories in the future. Although not automatically correlated to the ***absolute*** build-up of inventories and scale of investments, and although the relationship between inventories and investments varies widely across subsectors, this secondary ratio nevertheless also illustrates the rhythm of overaccumulation.

During the early 1970s, when total manufacturing investment was still relatively modest, only grain milling and clothing systematically overproduced. But already at this stage, some capital goods (electrical machinery and transport) were outproducing the rest of the sector, and chronic overaccumulation was registered in most lines of clothing and textiles. It was only in 1973, however, that a very wide range of Department Two subsectors contributed to what would soon become the most dramatic economic downturn since the 1930s. Aside from clothing and textiles, these extreme cases — in excess of three times the average manufacturing overaccumulation ratio — included paper products and printing, furniture and wood products. A very high overaccumulation ratio for electrical machinery and transport products in 1973 and 1974, respectively, also foreshadowed further problems in capital goods. By the mid 1970s, metal products and rubber were already showing chronic overproduction. Additionally, the agricultural sector had recently peaked, and substantial overaccumulation affected fertilizers and tobacco products in the mid 1970s.

In sum, manufacturing overaccumulation in relation to subsequent investment during the 1974-78 slump was exhibited, most convincingly, in clothing and textiles, followed by furniture, and to a lesser degree by machinery and other metal products. Overaccumulation in the important base metals subsector then kicked in, becoming most acute at the end of the decade, as other industries — especially furniture and wood, and paper and printing — began to emerge from the partial devaluation. All these examples of overinvestment and inventory accumulation in various basic manufacturing industry subsectors suggest that the onset of — and temporary recovery from — the crisis was highly uneven. The growing number of key Department Two subsectors that overproduced as early as 1973 suggests that the crisis emerged here, but not necessarily because of declining private consumption of manufactured goods (which, in real terms, didn't occur until 1977). Just as important as low absolute levels of effective demand, was the inherited skew in consumption patterns, exacerbated by the UDI social structure and the untenable increase in luxury goods production.

[82] Wield, "Technology and Zimbabwean Industry," p.111.

of production and consumption that portended inevitable crisis at some stage, notwithstanding the impressive flexibility many producers showed within that framework.

Thus the nature — and depth — of the 1970s crisis of the Rhodesian economy was already predetermined, in a sense, by the ruling class failure to come to grips with the challenge of constructing a trajectory of sustainable accumulation during the early 1960s. In spite of the state's valiant efforts to balance investment in the appropriate sectors, the UDI economy placed inordinate emphasis on luxury goods production for the domestic white market, rather than expanding into extensive low-cost basic consumer goods which might have helped generate increased effective demand in the process and which would have had greater export potential into independent Africa. Not only did this climate overencourage producers of certain capital goods, it ultimately widened the socio-economic and political divisions between whites and blacks within Rhodesia. Soon, the depth of the economic crisis proved a greater threat to the business establishment than the prospect of government by nominally-"Marxist-Leninist" forces, with whom business leaders increasingly sought reconciliation.[83]

This survey of overaccumulation in Rhodesia during the 1970s highlighted the relationship between investment and build-up of year-end stocks that was at the heart of the economic slump. But the slump may have been displaced, temporarily, or at least more effectively managed, were it not for other exogenous factors that drained the regenerative capacity of the productive sectors. To some degree, crisis displacement was subsequently attempted by the Rhodesian regime, through both spatial and temporal processes, as described in the next two sections. Both ultimately proved insufficient. But it is worthwhile to examine why space and time did not displace capitalist crisis more potently — in contrast to experiences in other places or in Zimbabwe during the more recent period — in order to enhance the general argument about the depth and direction of Rhodesia's economic demise.

6. Uneven Development and the "Spatial Fix," 1974-79

6.1 Space and uneven development

To begin, it was clear that geography played a considerable role in the immediate psychological and material effects of UDI. The enhanced sense of Rhodesian territoriality fostered a ruling class seige mentality which only deepened over the subsequent decade and a half. Such mentality in turn tolerated active (though friendly) state regulation — and the imposition of sanctions in 1966 had a bracing psychological effect, particularly on manufacturers and tobacco growers, whose response was rapid, flexible, and thoroughly class-conscious.

In terms of the production process itself, manufacturing industries were recovering from an early 1960s slump that had added only very small quantities of investment, and these were weighted towards plant and machinery rather than land, buildings, vehicles, infrastructure and civil engineering. From 1965-71, manufacturing maintained a much more spatially- and sectorally-extensive character. Land, buildings and vehicles rose as a proportion of fixed capital investment, as significant spatial vacuums and outlying markets still unexploited by capitalist commerce, agriculture, mining and manufacturing were filled. But during the subsequent upsurge in capital investment, businesses (including mining companies and farmers) turned again to rather excessively *intensive* production processes, to their regret.

There were, as well, urban, rural and regional aspects of uneven spatial development, particularly relating to the construction of the built environment. The cities were affected by factors such as the flow of capital into white suburban-sprawl development (and to a much lesser extent into Salisbury CBD property) and the great swell of urbanisation of war refugees that occurred in the late 1970s. Together these provided a stimulus to (highly-circumscribed) changes in the built environment for collective consumption. And prior to the pressure of the war of liberation, rural areas — white commercial farms but especially black communal areas — witnessed an important extension of the agricultural sector across space (though this quickly reached natural limits).

But before long geography proved to offer fewer opportunities to the realisation of value, as the wave of industrial investment quickly surpassed the consumption limits of the captive but badly skewed domestic market. Rhodesian capital had encountered the limits to the "spatial fix" to overaccumulation.

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[83] The Centre for African Studies printed a series of statements of local business leaders, who, from mid 1976, finally established that "white minority rule is an anachronism." (Centre of African Studies [1979], "Zimbabwe: Notes and Reflections on the Rhodesian Question," Mimeo, Maputo: Centre of African Studies, March, p.42.)

6.2 The spatial fix

We have observed that overaccumulation in Rhodesia left capital to pile up in sectoral bottlenecks without being put back into new productive investment, and we have documented other symptoms such as unused plant and equipment, huge gluts of unsold commodities, and an unusually large number of unemployed workers. When an economy reaches the stage of overaccumulation, it becomes difficult to bring together such resources in a profitable way to meet social needs. At the root of this problem is the advance of the "forces of production" (especially machinery, in the form of automation) beyond the capacity of the "relations of production" (particularly the skewed distribution of income and wealth characteristic of capitalism) to reproduce the system.

The only "solution" to overaccumulation — ie, the only response to the crisis capable of reestablishing the conditions for a new round of accumulation — is widespread "devaluation," which takes forms as diverse as depressions, banking crashes, inflation, plant shutdowns, and the destruction of physical and human capital. But devaluation will often be resisted (or deflected) by whatever local, regional, national or international alliances exist or are formed in areas under pressure. Hence the condition of overaccumulation has very important geographical and geopolitical implications, as highly contested attempts are made to transfer devaluation to different regions and nations or to push overaccumulated capital into the built environment. It is this process that Harvey terms the spatial fix to overaccumulation.[84]

During the 1950s, in the previous economic cycle, Rhodesian capitalists had encountered overaccumulation problems but had managed to temporarily displace these across space. The Central African Federation helped expand trading markets, and notable investments in the built environment — ranging from the Salisbury Central Business District to Kariba Dam — captured unprecedented resources. In addition, the deepening of the financial system provided a variety of other investment outlets for overaccumulated capital. However, these solutions had unfortunate unintended consequences by the early 1960s, as the Federation ended in political disarray, the built environment was vastly overbuilt, and, as noted at the outset, the financial system went through a tough period of restructuring and was burdened with a qualitatively new level of state control.[85] Similarly, during the 1970s in many crisis-ridden advanced capitalist economies, factors such as inflation, rising debt, region-specific deindustrialization, and the transfer of overaccumulated capital to the Third World had a displacing effect which enabled global accumulation to continue, slightly checked, prior to the deep 1980-82 recession.[86] Many of these temporary fixes to overaccumulation took a spatial form, in particular the reinvestment of profits in other places far from their original source, and the development of property markets.

During the 1970s in Rhodesia, the state and foresighted capitalists also sought avenues for displacement of overaccumulated capital. The limits of geographical displacement are examined first, followed in Section 7 by discussions of the search for a "temporal fix" through financial flows and state financial policies. The dual focus in this section is on efforts to expand built environment investments, and on attempts to address uneven development through displacing investment capital away from the main business centres (Salisbury and Bulawayo).

6.3 The built environment

Rhodesia was somewhat protected from the effects of international spatial responses to overaccumulation, because of the lack of new direct foreign investment or credit inflows, and because the state had erected firm national barriers to competition that might have threatened local manufacturers. However, one geographical response to crisis in many parts of the world entailed ever-higher levels of government debt in order to expand the built environment. This applied mainly to infrastructural investments, often in outlying areas (beyond the major urban centres), but was also partially affected by the boom in urban property investments through 1974.

In Rhodesia's case, there were strict limits to the implementation of a state-led spatial fix to overaccumulation. There was an initial effort to shift overaccumulated capital into state-directed investment,

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[84] Harvey, D. (1982), *The Limits to Capital*, Chicago: University of Chicago Press, Chapter 13.

[85] Bond, "Finance and Uneven Development in Zimbabwe," Chapters 4-6.

[86] Various attempts to deal with the post-1973 overaccumulation crisis are analyzed by Clarke, S. (1988), *Keynesianism, Monetarism and the Crisis of the State*, Aldershot: Edward Elgar, pp.279-360; Mandel, "Theories of Crisis"; Harvey, D. (1989), *The Condition of Postmodernity*, Oxford: Basil Blackwell, pp.180-197; and Armstrong, K., A. Glyn and J. Harrison (1991), *Capitalism Since 1945*, Oxford: Basil Blackwell, pp.169-260.

as central government and public enterprises increased their share of gross fixed capital formation from 37% in 1974 to 43% in 1976 — largely on the strength of military infrastructure, black housing, posts and railways and water/electricity supply investments. However, the ratio steadily declined as government expenditure was subsequently redirected towards recurrent war costs. The brutal nature of counterinsurgency imposed other constraints to a spatial fix, and in the process further accentuated the deep legacy of rural underdevelopment.

In addition, the mid 1970s intensification of production processes in industrial districts, in mines and on commercial farms fostered even more inequality in urban, rural and regional development, which devastated the vast majority of the Rhodesian population. The towns were overwhelmed by flows of war refugees, at the same time employment levels in the urban manufacturing sector suffered enormously, and there were also deep (white) emigration-related cuts in domestic services employment (black maids and gardeners). Commercial farms were in the midst of their purge of farmworkers, which affected, between 1974 and 1983, some 100,000 employees and their families.

The Rhodesian Front regime is largely to blame for the way the brunt of the crisis was borne by those in society who were already worst off. Yet the preceding litany of spatial unevenness and human degradation is not the full story. Many of the other "non-political" factors determining the economy's geographical limits — eg, world recessionary barriers to exports, the intensive (not spatially extensive) nature of the mid 1970s investment wave, the limited effective demand for housing commodification in black townships, overproduction (and subsequent land underutilisation) on commercial and communal farms — can be traced not merely to state repression and neglect, but to the laws of motion of capitalism itself. Neither is this meant to excuse the Rhodesian Front regime for failing to creatively invest surpluses that had built up in the economy. However, it is to argue that the geographical barriers to growth were substantial, and that in a sense, capital imposed some of these upon itself. The proof of the argument lies in the endurance of the distorted geographic logic of capitalism following independence. (As noted in Section 8, an even more uneven spatial fix was implemented in Zimbabwe as some of the other constraints, especially the immobilising features of war, were lifted.)

6.4 Decentralisation

Even if built environment investments did not mop up overaccumulated capital during the late 1970s, another spatial fix presented itself as a socio-economic option. In many parts of the world the locational pattern of cities within regions was placed on the agenda more urgently than ever before. State officials in increasingly desperate territories kicked off new rounds of interurban and interregional competition between themselves through promotion of decentralised investment, including the establishment of capital cities in their hinterlands.[87] Often decentralisation policies were inspired by efforts by central governments of any and all persuasions to establish "growth poles" in underdeveloped regions within their boundaries.

Decentralisation of investment was the subject of long-running debates in Rhodesia.[88] As economic crisis and war intensified in the late 1970s, the urban/rural divide was more striking than ever. Planners traced regional underdevelopment to the suboptimal location and lack of maturity of secondary economic centres. Basing their analytical framework on a theory of an urban-rural "dual economy," they generally advocated the extension of urban market-related institutions and systems (such as credit) into geographical

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[87] Rhodesia may have been tempted to follow the highly visible model of South Africa. In large part through mid 1970s foreign borrowings, Pretoria financed wide-ranging parastatal expansion, emphasising improvements in transport and communications, and the extension of electricity grids and water supply. The Vorster regime was also in the midst of an ultimately futile effort to prop up its Bantustans with regional decentralisation initiatives. By the 1980s this had degenerated to giving billions of rands in incentives to Afrikaner, Taiwanese and Israeli industrialists in order to attract them to "deconcentration points." (Some of the issues are reviewed in Tomlinson, R. and M. Addleson [Eds][1987], *Regional Restructuring Under Apartheid*, Johannesburg: Ravan Press; while a spatial fix analysis is provided in Bond, P. [1992b], "Re-Using the Spaces of Confinement: From Urban Apartheid to Post-Apartheid without Post-Modernism," *Urban Forum*, v.3, #1.)

[88] *Commerce* (April 1952) reported, myopically, on "Decentralization as the Answer to the Problems of our Big Cities," while those in the regional hinterlands often expressed general dissatisfaction with the geographical distribution of credit. According to *Property and Finance* (March 1960): "There was often 'loose talk' that building societies took money from the smaller centres for investment in Salisbury." At a 1955 national congress, regional business leaders arguing (unsuccessfully) for a decentralisation policy even suggested that "An Industrial Bank is needed to help new industries in small towns." (*Commerce*, September 1955) Such concerns corresponded to international trends. "Muted during the Great Depression and in the immediate post-war period, the regional question took on new importance in the 1950s," according to Soja (Soja, E. [1989], *Postmodern Geographies*, London: Verso, p.167.)

areas not fully penetrated by the market.[89] The implications of this framework for Rhodesia's emerging regional policy are important. "Urbanization is well developed at the upper levels but poorly developed at all other levels," according to a seminal study by Heath in 1978: "If the growth of medium-sized cities can be encouraged by implementing a vigorous policy of decentralisation, they may become true 'growth points,' each serving separate regions, attracting migrants from surrounding rural areas, and contributing significantly to the national economy and overall national development."[90]

This sort of logic emerged not from an analysis of the real dynamics of Rhodesian colonial capitalism and the variety of articulations between capitalist and non-capitalist modes of production,[91] but on an idealised notion that the spatial extension of capital would improve the lot of the rural peasant. It was a particularly easy recommendation to make at a time when urban markets were relatively saturated with investment, as was the case in the mid and late 1970s.

Thus in 1974, the government launched an initial attempt to address the question of regional and rural underdevelopment through a White Paper, but this, however, "failed to offer specific incentives or disincentives, or to promote particular growth points in the Tribal Trust Lands, expressing instead merely a desire for decentralisation anywhere outside Salisbury," according to Davies, who labelled it "a pre-majority rule concept concerned only with the developed parts of the national space economy."[92] Subsequently, a 1976 Regional Town and Country Planning Act delineated six planning regions, though these were hopelessly biased towards administrative not functional boundaries.

By 1978 a revised policy was issued. According to Heath, "Official thinking appears to be that if 'growth points' can be created in the TTLs, regional disparity will be lessened and the economic development of the problem areas will be boosted."[93] Economic functionality was at the heart of this approach (although "consultation" with community residents was given lip service and ignored in practice). But the intellectual reliance upon both orthodox planning models (eg, Christaller central place theory) and the dual economy thesis, which saw the trees but not the forest, ensured the root causes of uneven regional development would be ignored.[94]

In fact, moderate as it was in reconstituting spatial relations, the regional development scheme was adopted in modified form by the Zimbabwean government after independence. Its lack of real potential to "solve" uneven development (particularly rural underdevelopment), however, should be seen not merely in the failure of state bureaucrats to tamper effectively with economic processes (the lesson neo-classical

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[89] A good example is a study by the Whitsun Foundation (1980), "Peasant Sector Credit Plan for Zimbabwe," Project 3.04(2), Salisbury: Whitsun Foundation. The World Bank and US Agency for International Development used a similar approach to post-colonial urban-regional-rural development.

[90] Heath, R.A. (1990)[1979], *Service Centres and Service Regions in Rhodesia*, Supplement to *Zambezia*, Harare: University of Zimbabwe Press pp.179,181.

[91] The work of Arrighi would have been useful in this respect: Arrighi, G. (1973)[1967], "The Political Economy of Rhodesia," in G. Arrighi and J. Saul, *Essays on the Political Economy of Africa*, New York: Monthly Review.

[92] Davies, D.H. (1981), "Towards an Urbanization Strategy for Zimbabwe," *GeoJournal*, v.5, Supplementary Issue #2, p.76.

[93] Heath, *Service Centres and Service Regions in Rhodesia*. Some of the new growth centres would serve barren, arable areas (Sanyati in Mashonaland West, and Tshotsholo and Nkai in Matabeleland North); others would centralise livestock (Maphisa, Mataga, Ngundu and Rutenga in Matabeleland South); others still would support mining and forestry (Chisumbanje, Pungwe and Hauna in the eastern highlands); and others would serve densely-populated regions (Mharadzano, Gutu, Nyka, Jerera). Basic services to be offered included town planning, infrastructure development, building and housing construction, and business promotion.

[94] At the end of the day, the regional displacement of overaccumulation that occurred during the 1970s was geared to enforcing the status quo. The 1978 "Integrated Plan for Rural Development" allocated the greatest proportion of resources — 26% — to commercial agriculture. Special focus was given to tobacco, coffee, cotton, grains and livestock, where the development problems identified included potential white managerial difficulties in adapting "to changing political circumstances and the economic expectations of the labour force"; the scarcity of imported resources; the demand for additional financing; poor transport; and the "need to emphasise high value, low bulk exports." The stated goals were food and raw material self-sufficiency, a larger foreign currency earning capability, and increased employment opportunities. As for the regional growth poles in Tribal Trust Lands — a dozen or so towns where the large black rural population could congregate or gain access to interregional transport — just R$575,000 would be allocated to each; which would amount to only 3% of all investment in development envisaged in the regional plan.

economics teaches), but in the *overdevelopment* of other spaces. Intensive investment processes had, by the mid 1970s, cemented into the Rhodesian economy such powerful overaccumulation tendencies in the key urban centres that there appeared no feasible short-term geographical outlet for those funds. After the half-dozen main manufacturing centres, nowhere else in Rhodesia could begin to offer the infrastructure, amenities or reserves of skilled labour, given that the basic disarticulated structure of the economy was not being challenged.[95]

On balance, therefore, space — whether the built environment or decentralised investment — proved a relatively ineffectual factor in crisis resolution at the time it was most desperately needed, during the late 1970s, and this is one reason for the great depth of the downturn that Rhodesia experienced. The contrast with other times and places is evident enough. For example, during the 1950s Southern Rhodesian industrialists and farmers could depend (for at least a few years) upon expanding Federation and international markets in order to overcome the tendency to overaccumulation. Likewise, in South Africa during the 1970s there was a powerful, multi-faceted spatial fix applied through expansion of the built environment, one implemented by capital as well as government. In contrast, such spatial routes were barricaded in late 1970s Rhodesia.

What was most wrong, it appears, is that massive and ultimately extravagant *intensive* manufacturing and mining investments characterised the mid 1970s. These consequently made it difficult for state and capital to accomplish a smooth and sustainable switch of funds into more spatially and sectorally *extensive* productive circuits. Moreover, the ability of the state to increase infrastructural investments (eg, water and electricity) or black housing in counter-cyclical fashion during the late 1970s was constrained by mounting budget deficits and by war. The war itself may have provided some stimulation to the besieged economy, yet to the degree that it enhanced uneven sectoral development by drawing resources into military production, this further curtailed effective demand in the consumer market, as witnessed by ever-higher levels of taxation not to mention the interruption of rural trade in many areas. Furthermore, there were diminishing prospects for further import-substitutions given the small absolute size of local markets.

In sum, given the contingencies of the UDI period, all these diverse geographical factors ultimately limited — rather than enhanced — the capacity of capitalists and policy-makers alike to cope with the economic crisis by systematically displacing it through space. Even more troublesome, perhaps — and in contrast to the deepening of financial markets during the earlier period — in the 1970s a new set of constraints emerged which prevented a temporal fix through recourse to finance.

7. Finance and the "Temporal Fix," 1974-79

7.1 The temporal fix

The temporal fix to overaccumulation, Harvey argues, occurs not only through obvious forms such as speed-up of the production process through new technologies or more rapid transport of goods to market — neither of which could be revolutionised given technical constraints and overinvestment in existing manufacturing fixed capital stock present in the Rhodesian economy at the time — but also through the displacement of overaccumulated capital across time, through recourse to financial markets. The point here is to find mechanisms to consume and invest now (in order to mop up overaccumulated capital), but to delay the need to realise the surplus value which is required to provide a return on the investment, until some later time. To permit repayment for consumption and new investment to be stretched over time, there arise new financial outlets for overaccumulated capital, including new or expanded forms of credit, and innovative ways to securitise debt instruments (some of which complement — and exacerbate — existing speculative investment outlets such as shares and real estate). Across the world the 1970s and 1980s were littered with

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[95] *Within* the six leading urban centres, the overaccumulation crisis did not exacerbate unevenness or encourage a "primate city" effect. Manufacturing output and relative retail sales activity both showed slight advances by the smaller of the six cities, but bank loan/deposit ratios offset any decentralising tendencies.In 1970, Rhodesia's banks made debit entries to current accounts at a rate 63% of the existing demand deposits (the "deposit turnover rate"), a figure that rose to 94% in 1975 and fell to 75% at the 1978 trough. In Salisbury the ratio rose far higher and held out longer — from 76% in 1970 to 122% in 1977 — than any other centre, with Bulawayo also recording impressive gains. Full details are available in "Finance and Uneven Development in Zimbabwe," Chapter 6.

such attempts, which effectively (if only temporarily) displaced overaccumulated capital into financial markets and provided the illusion that economic stagnation was being postponed indefinitely.[96]

Indeed by focusing again on developments in the Rhodesian financial system, a great deal more about UDI-era economic processes and state policies can be made intelligible. By the end of UDI, "The banks and non-bank financial intermediaries accumulated enormous amounts of financial power," Clarke reported in the UNCTAD study:

> It would probably be correct to state that this accumulation has had a disequalising influence in the economy vis-a-vis overall asset and income distribution. Not only have the institutions been able to themselves become powerful economic centres, amassing funds for their shareholders, but they have tended to be socially and sectorally specific in their credit and investment policies.[97]

If Clarke is even partially correct, the monetary and financial system represents an excellent window on several processes of uneven development and ineffectual crisis resolution which plagued the Rhodesian economy during the final stages of UDI. For one, the financial system played a short-lived role in capturing some flows of funds directed away from the circuit of productive capital by manufacturing firms. However, notwithstanding a tightened monetary policy in the late 1970s, the low rate of return on financial assets — and especially the lack of likely speculative outlets — limited the attraction of the financial circuit to increasingly liquid investors. In any case, long-term financial investments were to be avoided in view of the generalised search for greater liquidity that was underway as an uncertain political transition approached.

In light of the theory and evidence of crisis in the productive sectors covered earlier, how are we to interpret the role of finance during the late 1970s? What flows of capital were underway and which institutions accommodated them? What were the indications of the rise in importance of finance, relative to production and distribution?

7.2 Limits to the rise of finance

In 1974-1975, as manufacturing fixed capital investments peaked, there were noticeable shifts in funding flows between productive and financial circuits. In his theoretical dissection of overaccumulation, Mandel argues that "The decline first appears in the following form: a fraction of *newly accumulated* capital can no longer be invested productively at the 'normally anticipated' conditions of profitability. This capital is then increasingly directed to speculation."[98] Such tendencies existed in mid 1970s Rhodesia as much as they did again a decade later in Zimbabwe, but the volumes of funds involved and the preferred outlets were very different. As overaccumulation became apparent, Rhodesia's four commercial banks were the immediate beneficiaries.[99] When they offered a new three-year time deposit, their fixed and savings deposits soared to extraordinary levels — R$313 million in 1975 (a 92% increase over 1974) — partly on the basis of R$15 million in new funds drawn from firms in manufacturing, mining and agriculture (Figure 7).[100] Indeed from 1973-1977, the share of GDP contributed by finance and insurance rose impressively

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[96] Harvey, *Limits to Capital*, Chapter Ten. For evidence of the rise of finance internationally, see Magdoff, H. and P. Sweezy (1987), *Stagnation and the Financial Explosion*, New York: Monthly Review; Harvey, *The Condition of Post-Modernity*; and Bond, P. (1990), "The New US Class Struggle: Financial Industry Power vs. Grassroots Populism," *Capital and Class*, #40.

[97] Clarke, "The Monetary, Banking and Financial System in Zimbabwe," p.324.

[98] Mandel, "Theories of Crisis," p.36.

[99] The individual increases in total assets/liabilities (in R$ million) of the four commercial banks between 1974 and September 1976 are as follows:

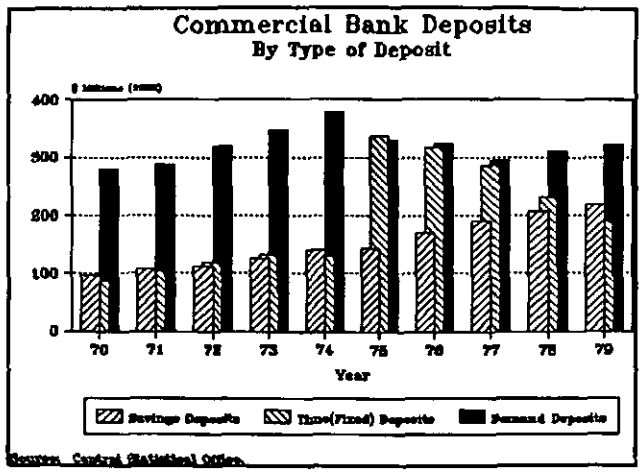
Bank	1974	1976
Standard	236	314
Barclays	167	227
Rhobank	89	113
Grindlays	53	72

(Source: Clarke, *Foreign Companies and International Investment in Zimbabwe*, pp.102,125.)

[100] As they invested in commercial bank fixed deposits, industrial capitalists fleetingly raised their borrowings from the same banks. During 1976 there was a huge surge of lending to the manufacturing sector (a 58% increase in nominal terms), following the point at which new capital investment had peaked. Similarly, in 1977, mining firms followed with a 60% nominal increase in borrowing from the banks, directly *after* the sector's peak year of capital expenditure. Mandel offers a general explanation for such

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from 3.9% to 6.6%. Bank profits were consistently strong, and in relation to total gross operating profits jumped from 1% in 1965 to nearly 5% in 1977 (although they receded when industrial capital subsequently began to recover).[101]



Later, the banks' tendency towards "delinking" from industrial investment under such conditions was subsequently confirmed by a rapid decrease in loans to manufacturing and other value-producing sectors, concomitant with an increase in loans to finance and insurance companies between 1976 and 1979.[102] Finance was the only area of the economy to increase its commercial bank indebtedness in real terms in the late 1970s, as even public sector borrowing declined. But under these conditions, it would be wrong to treat these symptoms of a rising financial circuit of capital — in particular the large 1975 bank deposits by industrialists — as "speculative" (in Mandel's usage). The rate of return on financial assets was often guaranteed (especially in time deposits) and was generally negative in real terms,[103] which suggests the depth of the overinvestment crisis. On the other hand, the deposits were not without a risk component, since nationalisation of the country's banks was being taken seriously by 1978, with Rhobank publicly lobbying against it.[104] (Nationalisation was the one sustained radical proposal made during subsequent UNCTAD discussions.)[105]

The crucial difference between financial sector investments in the late 1970s and the late 1980s rests on the lack of viable speculative outlets. Aside from bank deposits, which provided listless returns, other outlets for holders of liquid funds looked even gloomier as the downturn deepened and as foreboding political change grew closer. Real estate, for example, was considered too long-term — even staid pension and provident funds rapidly disinvested their property loans and building society shares at a rate of more

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[100](...continued)
behaviour:

> On the one hand, under conditions of continuing expansion and intensification of speculation, a fall in the average rate of profit must entail *constantly greater recourse to credit*, and therefore an aggravation of the indebtedness of companies... The credit boom is practically inevitable, since the banks strive to avert chain reaction by failures which could cause them severe looses. There is thus an imperceptible shift from a boom to an "overheated" economy. For the time being, this further veils the forces inexorably preparing the crash... On the other hand, as the expansion, not to mention the overheating, develops, instances of excess production capacity, that is potential over-production, *must* inevitably appear. (original emphasis) ("Theories of Crisis," p.37.)

Yet borrowing by Rhodesian manufacturers and mining firms turned out to be a rather short-term response to the crisis, and in 1979 fell sharply as internally-generated revenues recovered.

[101] Central Statistical Office, *Digest of Statistics*.

[102] Central Statistical Office, *Zimbabwe: Statistical Yearbook 1989*, p.238. The 40% (nominal) increase in financial institution borrowing was the largest of any sector over the three-year period. Clarke suggests that since "The 'financial sector' at large has maintained a net deficit position with the banks... this highlights the dominant position of the banks." (Clarke, *Foreign Companies and International Investment in Zimbabwe*, p.121.)

[103] Negative real interest rates were common across the developing world prior to the 1980s-90s era of positive real rates. For a defense of the policy in relation to productive sector growth, see Burkett, P. and A.K. Dutt (1991), "Interest Rate Policy, Effective Demand, and Growth in LDCs," *International Review of Applied Economics*, v.5, #2.

[104] Nationalisation is "likely to inflict great and unnecessary damage on the [banking] institutions concerned and, ultimately, on the economy itself," according to the Rhobank 1977 annual report. (Quoted in Clarke, *Foreign Companies and International Investment in Zimbabwe*, p.106.)

[105] Stoneman, C. and L. Cliffe (1989), *Zimbabwe: Politics, Economics and Society*, London: Pinter Publishers, p.42.

than 10% per year during the late 1970s, and as insurance companies pulled back even faster.[106] The Rhodesian Stock Exchange offered little relief, as it only began its recovery in 1978, and as turnover was well below the level reached in 1980.[107]

Soon another important shift occurred in the financial system's liability structure. Liquidity rose significantly as the transition to majority rule approached. In 1975, financial liquidity levels were generally close to the regulatory minimum required for building societies and finance houses, but over time they loosened considerably in all financial institutions (banks, for example, at one point in 1979 held R$120 million more in liquid assets than required). In 1977, investors moved tens of millions of dollars from the commercial banks to a "flexi-deposit" scheme of the building societies which featured easier liquidity. Then investors switched time deposits worth tens of millions of dollars into yet more liquid savings and checking accounts (demand deposits) in commercial banks, with the outflow peaking in March 1980, a month before the election (Figure 7). Similarly, the "cash-on-hand" of pension and provident funds rose from R$25 million in 1978 to R$48 million in 1980.[108]

In the waning years of Rhodesia, insurance assets shifted dramatically, as well. In 1979, finance and insurance firms invested R$26 million in new buildings, accounting for a full 7% of national gross fixed capital formation that year. During the previous seven years, the sector had invested a total of just R$21 million in new buildings (0.8% of gross fixed capital formation).[109] But more generally, insurance companies registered declining property portfolios, as both mortgages and investments (in houses and landed property) fell from R$61 million in 1976 to R$48 million at independence. Stocks and shares also declined through 1979. Yet during the same period total insurance assets soared from R$414 million to R$690 million. Most of the increase was funnelled into government securities and non-specified investments, and cash-on-hand rose from R$44 million in 1976 to R$64 million in early 1980. The sector was led by SA Mutual Life Association (Old Mutual), which accounted for nearly half of all local insurance assets.[110]

In sum, the expansion of the financial sector in the last years of the Rhodesian economy was not sustainable under conditions where liquid funds could simply not be invested in well-established speculative markets such as shares and property, as these markets were not in the least attractive until the mid 1980s (see Section 8). Partly because of the anticipated political turmoil, partly because with regulated interest rates the returns on financial assets were low, and partly because the emergence of overaccumulation in the productive sectors was relatively recent, the Rhodesian financial circuit lacked the kind of growing power that was in evidence in many other parts of the world. A decade later, things would be very different, partly as a result of state policies adopted soon thereafter, which for the most part were sustained into the 1980s.

7.3 State policy and politics

There are several areas of state financial policy to consider. First, the devaluation of the Rhodesian dollar in the mid 1970s represented an about-face on a twenty-five year old practice. Second, a relatively conservative monetary policy continued to have a subordinate status relative to counter-cyclical fiscal policy during the slump. Third, the fiscal stimulus that the state could have provided through expanding the credit system beyond mild increases in government borrowing — for example to fund longer-term infrastructural development — was also underutilised (relative to other state revenue sources). Finally, financial capital played a role — though nearly invisible — in broader debates about the impact of the transition to majority rule.

In 1975 the Rhodesian dollar was devalued by 10% against the South African rand and 8% against major currencies. In late 1977, Rhodesia announced another 3% devaluation against the rand and 6% against the major currencies. And again in April 1978, there was a devaluation, this time 5% against the rand and

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[106] In 1979, however, the fixed property holdings of pension funds more than doubled to R$47 million. (Registrar of Pension and Provident Funds [1982], "Report for the Years Ended the 31st December 1979 and 31st December 1980," Harare: Government Printer, pp.13,15.)

[107] Insurance company investments in stocks and shares were anaemic in 1978 and 1979, but increased by 35% during 1980. (Central Statistical Office, *Zimbabwe: Statistical Yearbook 1989*, p.252.)

[108] Registrar of Pension and Provident Funds, "Report for the Years Ended the 31st December 1979 and 31st December 1980," p.13.

[109] Central Statistical Office, *National Income and Expenditure Report*, pp.22-24.

[110] Registrar of Insurance (1982), "Report for the Year Ended the 31st December 1980," Harare: Government Printer, p.15.

8% against the major currencies.[111] Exchange control — especially multinational corporate profit repatriation — was toughened marginally in 1976.[112]

Simultaneously, in real terms monetary growth slowed in 1975 and 1977, and monetary velocity slowed even in years (1976, 1978, 1979) that the money supply increased, thanks to what Kadhani calls "radically restrictionist policies of the classical IMF short-run stabilisation variety."[113] Green suggests, "Over 1974-79 Rhodesia (as it then was) ran an IMF type stabilisation programme — for different reasons and also without using Fund resources."[114] Yet the bank rate was consistent at 4.5% and treasury bills were offered at a low 3.5%, so it is clear that a restrictive interest rate-based monetary policy was not invoked to these ends.[115] As statistics cited earlier suggest, liquidity in financial markets remained high. Ironically, the "IMF short-run stabilisation" effect was apparently achieved through higher taxes (including a huge 12% surcharge imposed in 1977) and wage restraint, which together were key vehicles for slowing consumer spending.

Fiscal policy appeared far more powerful than any manipulation possible on the monetary side, as the government budget deficit reached an astonishing 15% of GDP in 1979.[116] But the precise use of the Rhodesian fiscus was not optimal for crisis displacement. Generally, it should be possible to displace the contradictions of overaccumulation crisis through temporally-extended investments (such as major development projects), which absorb funds in the present, but which entail the need for more intensive surplus value extraction in the future. This was certainly the approach used in much of the Third World in the late 1970s. In Rhodesia, however, there ultimately emerged a powerful psychological sense, from 1977 or so, of the difficulty of displacing the economic crisis to a future time through long-term public works infrastructural investment (especially when that investment came under increasing military attack). Notwithstanding the barrage of official propaganda about the unpopularity of the Patriotic Front liberation

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[111] The effect was unclear, because as Clarke reports, "It is doubtful whether export volumes were able to respond quickly or significantly — because of transport bottlenecks, skills shortages as a result of military call-up in export sectors, and lengthy export pipelines caused by sanctions." (Clarke, "The Monetary, Banking and Financial System in Zimbabwe," p.327.)

[112] This reflected the deepening crisis of foreign exchange, as Rhodesia's net foreign assets declined. According to the Reserve Bank, "In the period 1975-77, the foreign sector acted as a significant constraint on monetary growth." (Reserve Bank of Zimbabwe [1980], *Quarterly Economic and Statistical Review*, v.1, #1, p.17.) The Whitsun Foundation explained: "By diverting an increasing proportion of national resources to the war effort and by absorbing an increasing proportion of the available foreign exchange in the process, Government placed a large part of the foreign exchange beyond the reach of the private sector and business activity was accordingly reduced." (Whitsun Foundation, [1983], "Money and Finance in Zimbabwe," Project 1.09, Harare: Whitsun Foundation, October, p.114.)

[113] Kadhani, "The Economy," p.106.

[114] Green R. (1985), "IMF Stabilisation and Structural Adjustment in Sub-Saharan Africa: Are They Technically Compatible?," *IDS Bulletin*, v.16, #3, p.61.

[115] The Reserve Bank had adopted what it termed a "compensatory monetary policy" which allowed the money supply to expand gradually. Only in May 1979 were liquid asset ratios of the banking sector increased by 10%.

[116] A loan of R$195 million was arranged from South Africa to cover deficits in 1978 and 1979. (Central Statistical Office, *National Income and Expenditure Report*; Whitsun Foundation, "Money and Finance in Zimbabwe," p.119.) Interestingly, the role of financial capital with respect to the huge deficits was ambivalent (particularly in comparison to the opposition subsequently raised by bankers to Zimbabwe's deficits), since government's domestic shortfalls were largely covered by the domestic non-bank (hence non-inflationary) sector. State borrowing also shifted during the 1970s, as the foreign public debt component dropped 40% in real terms and internal borrowings increased from R$900 million in 1971 (1980$) to R$1.2 billion in 1979. In 1979 alone, R$314 million was borrowed internally through loans, stock and bond issues and treasury bills, and another R$33 million of maturing debt was refinanced, while the corresponding (1980$) figure for new loans in 1971 was R$141 million. Ever-smaller proportions of the budget were funnelled by the state to other (government-related) borrowers, following a peak of new lending in 1975. By 1979, public financial assets in the form of long-term loans were just over R$500 million, a real decline of R$200 million from 1971 (in 1980 dollars). The bulk of outstanding loans at the end of the decade were owed by the railways (R$195 million), the Agricultural Finance Corporation (R$51 million), housing authorities (R$42 million), Posts and Telecommunications (R$23 million), the Electricity Supply Commission (R$22), and various other parastatals. (In 1971, these figures — measured in 1980 dollars — were, respectively, R$195 million, R$55 million, R$46 million, R$57 million, and R$56 million.) (Government of Zimbabwe-Rhodesia [1979], "Financial Statements 1979," Salisbury: Government Printer; Government of Rhodesia [1972], "Budget Statements 1972," Salisbury: Government Printer.)

movement amongst the masses, smart investors turned decidedly liquid during the late 1970s, fearing the eventual outcome, a government led by Robert Mugabe and ZANU.

Thus on the one hand fiscal policy played something of a counter-cyclical role, though not as strong or strategic as could have been the case without the pressure of war. On the other hand, the Finance Ministry and Reserve Bank risked adopting perhaps an excessive degree of monetary conservatism in the late 1970s. While this might have pleased equally-conservative bankers concerned about rising inflation and the potential for currency degradation, the corresponding deflationary impact on the economy did little to pave the way for a smoother political settlement.

And indeed there exists little concrete evidence of a positive role played by financial institutions in the political transition. What little information there is does not contradict the general thrust of these conservative trends. There was, for example, an effort to attract foreign financial capital to Rhodesia. This would have more than a psychological impact — it would also tie the future state to the dictates of foreign creditors (including the parents of the Rhodesian bank branches). As early as 1968, the local chairperson of Standard Bank suggested, "What is needed, and will only be possible with a settlement that would bring an end to sanctions, is a massive injection of outside development capital to create the necessary job opportunities."[117]

But notwithstanding promises of billions of dollars in development finance by British and US negotiators in the event of a political settlement, financial sanctions prevented international financiers from playing anything beyond a very minor role in the Rhodesian economy, and no role at all in the Lancaster House settlement.[118] The World Bank, whose 1950s Kariba Dam loan and other credit extensions the Smith government had defaulted on in 1965, appeared to have a definite — if somewhat limited — agenda in Rhodesia. As Mugabe put it in 1979,

> In the wake of the escalating war and the flight of so many European settlers, an African petit-bourgeoisie is being formed very rapidly as Africans move into white farms, suburban homes and even jobs. In 1974, with the help of the World Bank, local European businessmen launched a fund and a Foundation, called the Whitsun Foundation, to provide capital to the new black petit-bourgeoisie to buy property and to initiate a variety of economic studies. The national development plan proposed by the Foundation is a blueprint for neocolonialism that militates against the freedom of the future independent State of Zimbabwe to embark upon programmes for socialist transformation.[119]

These words proved prophetic. Both the Bank and the Whitsun Foundation strongly promoted credit expansion as a rational — and still profoundly market-oriented — approach to post-independence "development." However, in contrast to such far-sighted liberal initiatives, local financial institutions played only a muted role in the political transition, in spite of their economic power.[120]

In sum, in contrast to the importance Clarke attributes to finance in the late 1970s, the attempt to find a temporal fix to overaccumulation through expansion of the financial sector — both in terms of assets and in terms of political power — was not effective. The rise of finance was truncated and politically irrelevant.

Financiers should theoretically have supported efforts to set the stage for a transition of formal state power to black nationalists that would retain the basic features of the Rhodesian capitalist system, but in deracialised form. Those depended quite heavily on infusions of credit, into black townships, rural areas and small black-owned businesses. The feasibility of such visions of small farmer credit and housing finance

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[117] *Herald*, 10/12/68, quoted in Windrich, *Britain and the Politics of Rhodesian Independence*, p.149.

[118] The illegal US$29 million loan for RISCO in the early 1970s was followed by a US$15 million loan floated in the Eurodollar market on highly advantageous terms in 1978, but there were no other private placements to speak of. (Clarke, "The Monetary, Banking and Financial System in Zimbabwe," p.327; *International Insider*, 31/7/78.)

[119] Mugabe, R.G. (1979), "Preface" to "Zimbabwe: Notes and Reflections on the Rhodesian Question," Mimeo, Maputo: Centre of African Studies, March, p.iii. Indeed one of the men Mugabe refers to, D.H. Grainger, was himself a World Bank official for many years.

[120] Rhobank called for "a planned transition to majority rule" in late 1978, but argued that "expanded credit and loan facilities to 'indigenous entrepreneurs' should not itself be a criterion but should occur as a process of upliftment of these individuals through improved basic technical know-how and information." (Clarke, *Foreign Companies and International Investment in Zimbabwe*, p.106.)

might have been recognised as highly dubious,[121] for at the end of the day domestic financiers did not discover any effective vehicles for providing sustainable levels of credit to black borrowers (with the exception of those from the nascent middle-classes desegregating the formerly whites-only suburbs). This was due, as usual, to insufficient levels of effective demand.

So whereas in many economies in crisis the search by financiers for spatial and temporal displacement was unrelenting, the Rhodesian ruling elite had few options. Characteristic of the spatial fix was the vastly increased use of the "chicken run" (white emigration) to South Africa. As for the temporal fix, the liquid state of the financial markets just prior to independence suggests the psychological bearing of those capable of pulling off a temporal fix was just as shaky. What is most important about the partial emergence of financial markets during this period, however, is that notwithstanding a set of political and policy-related contingencies that limited the operation of a temporal fix through finance, the underlying tendency was indeed operative: *overaccumulated capital flowed out of fixed manufacturing capital investments and into the financial markets.*

As the final section shows, it was only in the mid and late 1980s that this tendency was given free reign, and that the long-term crisis of stagnation experienced by Zimbabwean capitalists, whose roots we have traced to their vast overinvestment in fixed capital during the mid 1970s, ultimately led to a full transformation in the nature of the Zimbabwean economy. But this was not a transition to a socialist Zimbabwe, as the liberation movement promised, but ultimately to a decontrolled, deregulated peripheralised capitalism subservient to extremely powerful international financial markets.

8. Accumulation Crisis: From Rhodesia to Zimbabwe

This paper has attempted to incorporate the sectoral, spatial and temporal aspects of uneven development in 1960s and 1970s Rhodesia, by focusing on the way deep-rooted, underlying crisis tendencies emerged and played themselves out. Classical Marxist economic crisis theory has been important in this task, even if it was entirely overlooked by other commentators as a tool for examining the UDI period. During the late 1970s, even self-described Marxist researchers (especially those affiliated to the liberation movement) adopted a variety of non-structural interpretations of the most crucial issues: the impact of sanctions, the scope for post-independence redistribution, economic power relations, engagement with the international system, the forthcoming "transition to socialism."[122]

There was, unfortunately, very little effort to root these issues in the dynamics of sectoral accumulation, space and time. Instead the economic downturn was either attributed to exogenous, once-off factors, or too closely derived from the international crisis, or at best seen merely in terms of "underconsumption" (only one half of the equation). Deeper problems in sustaining accumulation, following the deluge of mid 1970s capital investments, were passed over, and their longer-term ramifications — such as tendencies towards increased financial liquidity, corporate indebtedness and speculation, all of which exploded in the late 1980s — were largely ignored. Why is all of this important to point out, nearly twenty years after the crisis began?

One of the more questionable of comments on post-independence economic policy was this by Stoneman: "Although the policy was far from coherent, it laid the basis for rapidly rising real profits in the

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[121] This is the only way of judging their subsequent implementation. To illustrate, even before the recent drought, 80% of peasant loans sponsored by the World Bank were in arrears or default. (World Bank [1989], "Staff Appraisal Report: Zimbabwe Agricultural Credit and Export Promotion Project," Report #7446-ZIM, Agricultural Operations Division, Southern Africa Department, Washington, DC: World Bank, 18 April; World Bank [1991], "Zimbabwe: Agriculture Sector Memorandum," Southern Africa Department, Agricultural Operations Division, Report #9429-ZIM, 31 May, Vol.II.)

And in the field of housing, building societies proved disappointing. During the 1980s, an annual average of just 1,350 low-cost homes were built, in comparison with an annual average of 5,200 during the prior five years of Rhodesian Front rule. (Central Statistical Office, *Digest of Statistics*.) This was in part because from the outset, US AID mandated a market-oriented housing policy, and the World Bank's Urban Mission argued there was in fact sufficient financial capacity in Zimbabwe's private sector to meet the country's housing needs: "It is, therefore, not overly ambitious to aim at getting up to scale in the short term so that house creation equals housing needs in all urban areas. This will, however, require policies that encourage private sector savings institutions to enter the low-income housing field." (World Bank, "Urban Sector Review," pp.4-5.) The complete failure of this policy meant that the housing backlog grew to Z$18 billion by 1992.

Black small business rarely received credit, as 97% of bank loans in Zimbabwe were to white customers (*Financial Times*, 9/8/89).

[122] Burdette and Davies adequately review the main contributions along these lines. (Burdette, M. and R. Davies [1987], "The Zimbabwe Economy: Prognostications and Realities after Six Years," *Zambezia*, v.14, #1.)

late 1980s, and thereby a resolution of the crisis of the 1970s." He cites as a "measure of this success... the continuous rise in the industrial index on the Zimbabwe Stock Exchange from under 300 in 1986 to 2,300 earlier this year [1991], the fastest sustained rise in the world."[123] Stoneman was not alone; the World Bank also tended to equate capital market performance with the underlying health of the economy and in May 1989 wistfully argued that the ZSE was "undervalued."[124] In contrast, Standard Bank's *Economic Review* reported in September that year, "Major institutional investors already consider even quality shares highly overpriced on current dividend yields."[125] Within six months (February 1990), Deloitte and Touche business consultants issued similar warnings about "share price inflation."[126] Bard Discount House economist Nigel Chanakira was even more blunt: "Investors appear to have grown indifferent to fundamental factors and information, in a stampede to acquire shares way beyond historical levels."[127] Few paid attention, and share speculation reached epidemic proportions. In money terms, the ZSE capitalization of approximately 50 listed companies rose from a 1984 low of Z$85 million to Z$1.4 billion by the end of a speculative wave in 1987, and soared to Z$7 billion by early 1991, reaching a peak of Z$9.5 billion in September.[128] So it was three months after publication of Stoneman's analysis, the ZSE crashed, ultimately losing 65% of share value. What had been celebrated as a "measure" of Zimbabwe's economic prowess was in reality a reflection of a fatal disease: speculative gains had taken the place of real investment, and insider trading and financial scams of various sorts proliferated.[129]

A deeper analysis of the long crisis of industrial stagnation in Zimbabwe would have identified the directions in which overaccumulated capital flowed, as manufacturers failed to generate substantial new employment and maintained an effective capital investment strike throughout the 1980s. The most conspicuous symptom of stagnation is the incessant decline in the percentage of the population formally employed, which peaked in 1960 at 19%, declined but peaked again in 1975 at 17%, and steadily dropped to below 12% in the early 1990s.

Investment also remained stagnant. From 1985-1988, a period of growth in the volume of manufacturing output, the rate of Gross Fixed Capital Formation as a percentage of GDP averaged just 12.5%, one of the lowest on record.[130] (Whereas conventional wisdom blamed the investment strike on foreign exchange shortages,[131] the easy availability of forex following the 1990 development of the Open

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[123] Stoneman, C. (1991), "Future Problematic," *Southern African Review of Books*, May/June 1991, p.18.

[124] World Bank, "Private Investment and Government Policy," p.31.

[125] *Economic Review*, September 1989.

[126] Deloitte & Touche (1990), "Doing Business in Zimbabwe," Harare: Deloitte Haskins & Sells, February, p.14.

[127] Chanakira, N. (1990), "Zimbabwe's Stock Market is Inefficient and Defies Textbook Theory," *Financial Gazette*, 18 May, p.4.

[128] *Dataworld Shareworld Crosstables*, various issues.

[129] *Moto*, May 1992.

[130] In real annual terms (measured in Z$1980), such investments amounted to only two thirds (around Z$200 million) of the amount invested in 1974 (R$325 million). In the manufacturing sector in particular, the entire investment in new plant and equipment amounted to just Z$60 million in 1986 (in Z$1980), and total fixed capital formation in manufacturing was just Z$116 million — as compared to total fixed capital formation in manufacturing of R$180 million in 1975 (also Z$1980). Moreover, other outmoded plant and machinery were taken off-stream at this stage. And there was finally a genuine recovery in the economy — to some degree due to good agricultural seasons — following an extremely bad period (1982-87) in which gross national income rose by less than 1.5% in five out of six years. As a reflection of the effective demand shrinkage over this period, private final consumption expenditure, which had reached Z$382 per capita in 1983, sunk to Z$226 in 1987. (All statistics not otherwise cited are from Central Statistical Office, *National Income and Expenditure Report 1990* and the CSO *Quarterly Digest of Statistics* and reflect the latest and most accurate figures available.)

[131] A valid argument may be that it was not the *lack* of foreign exchange, but rather the *surplus* of foreign exchange in the wrong hands and wrong sectors of the economy, that most adversely affected the manufacturers. This is the argument of Ndlela, who identifies in Zimbabwe what he terms a

(continued...)

General Import License did not lead to appreciable new capital investments but rather to stockpiling and luxury goods purchases.)[132]

What was missing in Stoneman's and the World Bank's analysis was a focus on how financial investments became a form of temporal *displacement* (not "resolution," as Stoneman has it) for the deeper crisis. Similarly, attention to the spatial dimensions of crisis displacement would have been in order. While decentralisation initiatives failed and the state ran out of funds for major infrastructural projects, the built environment — especially the Harare Central Business District — nevertheless hosted unprecedented real estate speculation in the late 1980s. The key impetus appears to have come from commercial banks, which sunk an unprecedented Z$70 million into 550 Harare mortgage bonds (mainly commercial) during six months from May 1984.[133] Indeed, harking to the late 1960s, financiers in the late 1980s again fed the flames of real estate speculation; in 1989 alone they pushed 65% more funds into property markets (Z$1.4 billion in 17,600 bonds) than the year before, leading to a 25% increase in value of property sales in Zimbabwe.[134] In 1990, the value of property sales was up to Z$860 million, and 21,000 mortgages were registered worth Z$2.1 billion. Central Harare alone was responsible for Z$500 million in new commercial investments in 1990, which typically took the form of flashy post-modern palaces built for or by financial institutions. The pace was maintained into the first half of 1991, with Z$1.374 billion in (10,700) mortgage bonds registered over the six month period.

The property market then crashed as rapidly and convincingly as the ZSE, as residential, commercial and industrial property prices fell on average 35% from mid-1991 to the present, and commercial rental charges dropped by 50%.[135] A symbolic event was Lonrho's May 1991 decision to withdraw from construction of a major new hotel between 3rd and 4th Streets and Samora Machel and Union Avenues.[136] Aside from generalised overbuilding, the main catalyst was an interest rate increase mandated by the World Bank (in September 1991 short-term rates went from 20% to 40% nearly overnight).

In the name of financial deregulation and trade liberalisation (a potent combination of temporal and spatial fix), the preferred investment outlets for Zimbabwe's overaccumulated capital stood exposed as shams. Worse yet, the desired export-led reorganisation of the manufacturing sector, under the aegis of the World Bank's Economic Structural Adjustment Programme, offered no signs of success.[137]

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[131](...continued)

"Dutch disease" because of the observed impact of the North Sea gas production on the Dutch economy. The strong export revenues from gas caused an appreciation of the Dutch guilder against other currencies which then exposed local industries to more intense foreign competition, causing unemployment. Large foreign aid inflows can be a special case of the "Dutch disease." Such large foreign aid inflows have in fact had similar effects on Egypt, as those generated by export revenues from cocoa on Ghana's economy, copper on Zambia and petroleum revenues on oil producing countries.

In the Zimbabwean case, the large inflows of foreign aid were likely to raise the price of inputs demanded by a certain sector (what we may call the booming sector) and initially increase the wages and salaries in this sector. In Zimbabwe, the booming sector was invariably the public sector at the beginning but it later on spread to other sectors. The other sectors that were likely to benefit directly from the boom were the services, utilities and transportation sectors... Thus the sector that stands to lose in this spending and resource movement effect is the manufacturing sector and in particular the still fragile heavy-industrial base of the economy, the capital goods sector. (Ndlela, D. [1984], "Sectoral Analysis of Zimbabwe's Economic Development with Implications for Foreign Trade and Foreign Exchange," *Zimbabwe Journal of Economics*, v.1, #1, July, p.72.)

[132] World Bank (1992), "A Policy Agenda for Private Development," Report #11533-ZIM, Southern Africa Department, Industry and Energy Division, World Bank, Washington, DC, 31 December, p.11.

[133] Unpublished data from the Deeds Office, Harare.

[134] RAL *Quarterly Guide to the Economy*, March 1990; First Merchant Bank *Quarterly Guide to the Economy*, June 1990.

[135] RAL *Executive Guide to the Economy*, December 1992.

[136] *Financial Gazette*, 23/5/91.

[137] Full discussion of ESAP can be found in Bond, "Finance and Uneven Development in Zimbabwe," chs8-13; and Bond, P. (1991b), "Geopolitics, International Finance and National Capital Accumulation: Zimbabwe in the 1980s and 1990s," *Tijdschrift voor Economische en Sociale Geografie*, v.82, #5.