Economic Development, Poverty and Class Struggle in Africa

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Are the majority of people benefitting from investments and profits?

Despite claims that Africa is experiencing one of the highest growth rates in the world, growing class divisions and higher consumer prices are having disproportionate impacts on working people and the poor. Countries that are the focus of these reports of phenomenal growth such as Nigeria and Ghana are undergoing internal crises related to the rising cost of living and the need to expand government spending on infrastructural development.

Nigeria has recently been designated as the largest economy in Africa outstripping the Republic of South Africa, yet some analysts warn that these interpretations of economic data may be misleading. Meanwhile workers, farmers, women and youth are escalating their demands for access to wealth and resources.

Nonetheless, several alarming reports surfaced during April that would indicate that the changing economic landscape in various regions of Africa is more complex than periodic news stories would suggest. What lies behind these problems and how will they be addressed by African governments in the coming period?

The Duality of the African Media Image

There are two seemingly contradictory portrayals of developments in contemporary Africa. Civil wars in the Central African Republic (CAR) and the Republic of South Sudan over the last several months reinforce the perception within the western media that Africa is incapable of resolving its own internal affairs.

The fighting in the CAR and the Republic of South Sudan has its roots within the legacy of colonialism under France and Britain. With the United States becoming the dominant imperialist power since the conclusion of World War II its interests must always be evaluated in analyzing both foreign and domestic policies of independent African states.

Nonetheless, both of these states have substantial natural and mineral resources that are of profound interest to the U.S., the European Union states as well as Canada, a major investor in mining in Africa. However, when the internal political and military conflicts within the CAR and South Sudan are discussed by the corporate media, the interests of the western imperialist states are never taken into consideration.

Internal military conflicts and political crises in the CAR and South Sudan provide a rationale for the intervention of the U.S. and other imperialist states. In the CAR, France is attempting to continue its long-held policy of dominating the economic and social character of its former colonies. The U.S. as the leading neo-colonial world power cannot allow other rival imperialists to gain the initiatives in Africa as well as other regions of the world.

Meanwhile a counter-narrative has surfaced in relationship to phenomenal economic growth on the continent. The states which have been designated as having the most rapid expansion are largely producers of oil and natural gas.

In fact there have been huge findings of oil and natural gas throughout Africa and off its shores for several years. In Ghana, Nigeria, Chad, Sudan, Algeria, Tanzania, Somalia, Mozambique, Kenya, Uganda and other states there has been a major push to exploit the energy sector.

The investment by western transnational corporations along with the People's Republic of China and the EU has made a significant difference in the living standards within various African states. Revenues generated from foreign investment and trade has brought about a rise in income and household wealth and at the same time the emergence of a new national bourgeoisie which deals in financial speculation, technology transfers and the importation and distribution of consumer goods.

Nevertheless, there are problems within these societies which stem directly from the broader economic crisis within the capitalist world. The volatility of the stock market, the instability of national currencies and the problems of rising poverty and structural unemployment are also plaguing Africa during the second decade of the 21st century.

For example in Ghana, a recent report on the declining value of the cedi, the national currency, indicates that there are continuing unresolved issues that must be addressed in the so-called "emerging economies." A public forum on the issue demonstrated the degree to which there is concern about these developments.

The Ghana Broadcasting Corporation reported that "The forum was on the theme: 'The Bank of Ghana's Response to the Cedi Crisis: An interim Review and Way Forward'. Dr. Nii Noi Ashong, the Deputy Rector of Ghana Institute of Management and Public Administration (GIMPA), said high economic growth rates in Ghana since 2009 had brought in its wake an increase in economic activity and a corresponding higher demand for imports." (GBC, April 21)

This same analyst went on to say that

> "Ghana's investment requirements far exceeded the levels of domestic savings needed to finance them and in such an environment, current account deficits are natural occurrences which put pressure on the domestic currency to depreciate…. Dr. Ashong therefore urged the Bank of Ghana to aim at reasonably high holdings of international reserves to cushion the nation against any potential pressures that might arise from operating liberalized open capital accounts."

However, such a policy would place an even higher burden on the public sector of the economy. Money held to shore-up the national currency could very well hamper much needed investments into education, healthcare, the acquisition of technology and other essential needs to transform the country into a self-reliant state.

In response to these debates about the character of the burgeoning economic difficulties in Ghana, Mr. Samuel Kweku Doughan, the Central Regional Secretary of the Council of Labor, emphasizes that the government needs a cohesive and consistent national development policy.

Doughan point out that

> "the trend where every government worked according to its own manifesto thereby neglecting the previous government's efforts irrespective of their importance was doing the country a disservice, hence the need for the plan. The official was speaking at a meeting of the Cape Coast Metropolitan Council of Labor in Cape Coast to address issues ahead of May Day which will be celebrated under the theme "Ghana's Economy: A Concern For All." (GBC, April 21)

This same report went on to note that

> "Mr. Doughan said the fall in the value of the cedi, 14 percent inflation and removal of subsidy on fuel had made living conditions unbearable and that the average Ghanaian was going through hardship. He said unemployment had resulted in the formation of the Unemployed Graduate Association and urged the government to create jobs for the teeming unemployed youth."

If economic growth does not necessarily translate into tangible gains for workers, farmers and youth, then the criteria for determining what actually constitutes growth must be examined. The situation in Ghana is not unique and is being replicated in various states across the continent.

In Nigeria, which is said now to have outperformed South Africa in regard to growth and the overall volume of the national economy, there are serious unresolved problems associated with the distribution of wealth and the improvement of the living conditions of the masses. An internal conflict in the north of the oil-rich country has created a security situation that does bode well for economic development.

During the same week that the announcement was made that Nigeria had become Africa's largest economy, the political capital of Abuja was hit by a bomb attacks at a bus stop that killed dozens of innocent civilians. The following day, over 125 school girls were kidnapped allegedly by the Boko Haram sect that claimed responsibility for the attack in Abuja as well as hundreds of other similar operations which have killed and maimed thousands since 2009.

Ejike Okupa wrote in the African Executive with respect to the Nigerian national economy that

> "Here are three basic aspects of economic development: job creation, stabilized interest rate and stable currency. A major fluctuation in any of the three factors makes an economy stand on a faulty foundation — quicksand. That is why Nigeria's Naira is weak currency — it has lost tremendous value and Nigeria's banks cannot afford to make loans on amortizing schedule." (April 16)

This same writer went on to say

> "Nigeria does not have economic development; but mainly a transaction economy that is fuelled by consumption of imported goods and reliance on foreign goodwill to achieve its basic needs. If more than 75 percent of what Nigeria needs to survive as a nation is imported, can such a country be considered as growing and developing?"

The Financial Times reported that

> "Millions of people in emerging markets have over the past 30 years moved from poverty into the consuming middle classes. But with growth slowing, their fates are now one of the biggest challenges confronting governments." (April 16)

Also according to the Financial Times, "The African Development Bank estimates that Africa's middle class, that numbered 115 million in 1980, has grown to 326 million in the past three and a half decades. But less than 14 per cent – about 44 million – have firmly achieved that status, earning $10-$20 a day."

Which Way Forward for African Political Economy?

These questions will be intensely debated over the next period with the looming potential of another major downturn in the world capitalist economy. This uncertainty is a direct by-product of a class system where the interests of the rich dominate the priorities of the state.

Under socialism, the wealth generated by African resources and trade would be primarily re-invested in the society through the funding of agricultural production, housing construction, healthcare programs, public education, environmental improvements and infrastructural projects to develop roads, utility services and public transport. Without these fundamental building blocks real economic development cannot be achieved.

When African states pattern their economic policies on those being carried out by the imperialist countries, genuine growth which leads to sustainable development, will remain elusive. Most states within Western Europe and North America have instituted austerity measures in the face of a declining labor participation rate and the failure to address class divisions which are becoming more pronounced.

At a time when there should be an increase in social spending within these capitalist states, their governments are pursuing a strategy that increases poverty and exploitation. Africa must reject this response to the ravages of modern-day capitalism and break with the policies of neo-colonialism and move rapidly towards unity and continental socialism.

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