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'Economic crisis takes country back 50 years'

Ray Matikinye

ZIMBWABWE'S economic crisis has deepened to levels that have set the country back more than 50 years when the average person had an average income of $760 a year, a report by the Centre for Global Development says. The report says the speed of this income decline is unusual outside a war situation. The income losses have been greater than those experienced during recent conflicts in the Ivory Coast, Democratic Republic of Congo, and Sierra Leone.

Researchers Michael Clemens and Todd Moss say the economy has contracted in real terms for the past five years and the local currency has lost 99% of its value forcing an estimated 20% of the population to flee the country.

Interpolating data from the World Bank and United Nations forecasts of infant mortality rates, the report says the impact of Zimbabwe's current economic crisis on child health has the potential to be at least half as bad as that of Aids within the next five years.

The report rebuts assertions by the Zimbabwe government that economic difficulties are a result of the drought and economic sabotage by Western countries saying the frequent claims of external plots to destabilise Zimbabwe are "bouts of official schizophrenia" and signs of growing paranoia among the leadership. They cannot be a credible explanation of the crisis.

The report recognises that although the suspension of aid from donors has a part to play, its impact is less compared to lost

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revenue owing to lower revenues because of the crisis.

The study shows that the loss of resources to government from economic decline is vastly larger than resources withdrawn by donors.

"Taking that foreign aid to Zimbabwe for the health sector declined by US$43 million ($752 billion) between 1994 and 2003, we can then ask how much more domestic money for health the government could have if economic production had not collapsed. We find that domestic resources for health could be almost twice as large at US$154 million (about $2,7 trillion) per year if GDP had not collapsed," the researchers say.

Economist Craig Richardson, using rainfall data from Zimbabwe's own Department of Meteorology, shows that the tight historical relationship between GDP growth rates and rainfall cycles over two decades does not hold.

"Since 1948 there has never been a two-year period in which an important drop in rainfall in Zimbabwe's maize producing region was not associated with a corresponding drop in Zambia and Malawi."

Richardson says despite this pattern, Zimbabwe's decline in maize production has been dramatically greater than its neighbours over the past five years.

The report blames misrule, the land seizures and absurd macroeconomic management for Zimbabwe's current economic woes. It says government has run a huge budget deficit estimated at 22% of GDP and printed more money to cover the gap.

Manufacturing has shrunk by 51% since 1997 and inflation peaked at 620%, the highest in the world, in November 2003.

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