

‘Open for Business’ but Bankrupt: Currencies, the ‘New Dispensation’ and the Zimbabwean Economy

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Abstract

The paper examines the Mnangagwa government’s economic policies in Zimbabwe. It looks at its ‘new’ dispensation economic policies, passed off as creating a middle-income economy by 2030. The study suggests that these policies, encapsulated in the ‘open for business’ rhetoric, were designed to create an image of political and economic reform. However, efforts to mask the ZANU-PF government’s unmistakable authoritarian traits failed. It is increasingly apparent that there is no significant departure in economic policies from the previous Mugabe regime. Zimbabwe’s crisis endures as the technocrats fail to resolve the monetary crisis and the economy continues to collapse.

Keywords

Mnangagwa, Ncube, new dispensation, open for business, politics, economics, crisis

Introduction

Greeted with much euphoria by some Zimbabweans and cautious optimism by others, Emmerson Mnangagwa succeeded Robert Mugabe through the November 2017 coup, with hope for political renewal and economic reform (including currency changes). Riding on this wave, and as a way of legitimizing the coup, Mnangagwa’s government publicly presented itself as a new dispensation. In the elections that followed in July 2018,

Mnangagwa’s ZANU-PF ran on a platform of international political and economic re-engagement, with the state president proclaiming that ‘Zimbabwe was open for business’ (Hodgkinson, 2019; Ndimande and Moyo, 2018). Mnangagwa soon appointed a number of technocrats to his cabinet as a way of showing his commitment to change. The most prominent of these was Finance Minister Mthuli Ncube, whose task was to reform the monetary system (particularly the problems of currency instability) and how this affected the financial system. More broadly, in seeking to move away from the isolationist stance of the final two decades of Mugabe’s rule and reintegrate the Zimbabwean economy into the world economic system, Mnangagwa and Ncube attempted to attract foreign investors and financing from international institutions, almost as a panacea for Zimbabwe’s economic woes. The major objective was to restore local economic fundamentals, resuscitate the depressed economy, create employment and improve people’s living standards. By 2020, however, the euphoria and goodwill that greeted the military take-over had transformed into widespread public disillusionment. Moreover, the currency challenges persist and there seems to be no end in sight as the *Reserve Bank of Zimbabwe* (RBZ) struggles to find a lasting and sustainable solution. As indicated already, in 2018, Ncube’s approach to currency challenges missed the point as these challenges were merely a symptom of an even greater problem (*Business Times*, 2018). In this context, this article explores the question of political and economic continuity between the Mugabe and Mnangagwa governments, using the prism of money (and a currency ‘muddle’) and its effects on the economy in doing so.

Currency challenges and Zimbabwe's unending financial crisis

The term 'currency muddle' depicts tensions, challenges and constant changes in currencies in a context of a monetary crisis (Pallaver, 2019). Zimbabwe's currency 'muddle', which predates Mnangagwa's rule, demonstrates the complexities of what Guyer (2012) terms the hard/soft currency spectrum. The hard currencies of the industrialized global North (such as the US dollar, British pound) are far stronger than the currencies of so-called emerging nations, with their soft currencies being highly volatile and unstable because of uncompetitive trade arrangements arising from the primary and extractive commodity export complexes of the global South (Guyer, 2012). The tasks of post-colonial governments, in many neo-liberal rationalizations, is to 'catch up' by 'modernizing' their economies on the basis of established economies' models of growth and development (Kim and Kim, 2013).

In the case of Zimbabwe, its currency came under significant pressure in the 2000s because the country's exports were insufficient to sustain stable exchange rates, to the effect that it faced record hyperinflation. During this period, the country's monetary authorities experimented with various currency forms such as agro-cheques and travellers' cheques, among others, contributing to a problematic and futile currency muddle before dollarizing in February 2009. The currency crisis caused a number of economic problems such as food, fuel and other shortages, forcing people to either seek patronage from the state or find other ways of making do (Jones, 2010; Madimu, 2020; Saunders and Nyamunda, 2016). Thereafter, dollarization took the form of a basket of foreign currencies as legal tender but, within a space of 10 years, these arrangements would be abandoned, only to return again in 2019. Presently, the country seems to be stabilizing, for the moment, as US dollars have again started dominating exchange in economic transactions in Zimbabwe.

As in the case of Zimbabwe, failure to establish a framework of sound local and international exchange has led to all sorts of unintended outcomes. In the light of effects of fundamental postcolonial economic changes such as land reform, de-industrialization and rising unemployment as well as informalization of the economy, currency has been negatively affected. However, the RBZ has largely responded to economic and financial crises by attempting extra-ordinary but highly problematic manipulation of the local currency to try and retain exchange rate stability. The volatility of the currency in Zimbabwe is worsened by the exchange rate peg system upon which the country's economy is based. This system is managed through the National Income Accounting (NIA) framework designed by the International Monetary Fund (IMF).

The crisis emerging from the volatility of the local currency in Zimbabwe has resulted in a 'muddle', that is, too many changes in types of money in too little time which, itself, arises from crisis. First of all, the mere existence of multiple currencies in itself is not problematic. As Hart suggests:

We tend to think of money as one thing akin to the national monopoly currency that we are familiar with. It is the same with theories of money. Most people stick with their favourite, to the exclusion of all others. But this monolithic assumption of money is losing power in our time. Singular conceptions of money are giving way to plural versions not just of money but of the kinds of society that it supports. (Hart, 2017: 3)

However, Zimbabwe has had its fair share of plural money since the 2000s which signifies a broader crisis. Secondly, local uses of money intertwined with its globalizing effect resulting in situations internationally whereby 'the monetary terms and numbers that depict transactions in the world may become our main common language. Hardly anything now falls completely outside the monetary nexus, even – and perhaps especially – in the register of the everyday' (Guyer, 2017). In the case of Zimbabwe, it is this language that continues to trap the financial authorities into fixating on money

as a way of attempting to resolve the country's economic challenges. Unfortunately, they continue to use mainstream economic solutions, akin to a false paradigm hardly suited to Zimbabwe's complex political and economic challenges and, particularly, the kinds of structural transition it has undergone (Weeks, 2010).

What follows unpacks these complex monetary dynamics in Zimbabwe's recent history following the 2017 coup. It establishes that Zimbabwe's muddle can be traced back to the time before the adoption of a multi-currency system and demonetization of the Zimbabwean dollar. This also involves examining the liquidity crunch emanating from insufficient supply of US dollars in the Zimbabwean economy. The article also considers the ways in which the Zimbabwean government introduced bond coins and notes as a coping mechanism, as well as the Real-Time Gross Settlement (RTGS) dollar. Ultimately, currency developments culminated in the demonetization of the multicurrency system and the reintroduction of a local currency all in a space of 10 years. However, as this proved unsustainable, the Mnangagwa administration has once more started a process of dollarization, allowing US dollars to be used alongside the RTGS and bond currencies. The article thus establishes the extent to which the 'new dispensation' deviated from the Mugabe regime in terms of managing monetary policy. Within the context of the continuity of the NIA-based hard/ soft currency spectrum influencing Zimbabwean economic policies, the article establishes to what extent the Mnangagwa government broke with the past in terms of monetary and economic matters.

Pre-coup economic collapse: origins, crisis and dysfunctions

Although the political precursors to the November coup are the subject of increasing scholarly attention, much less attention has been given to economic factors, particularly their continuities and discontinuities. These are crucial in properly contextualizing post-coup policies and strategies. Indeed, the claims of the newness of the post-coup dispensation has been questioned despite its re-engagement attempts. The claims by technocrats at the Ministry of Finance and the Reserve Bank that they would turn Zimbabwe into a middle-income economy by 2030 are now in serious doubt. In fact, the deepening collapse of the economy was well underway within a few months of the coup and continued into 2020 (*Business Tech*, 2020).

Rather than contrast the current economic malaise with pre-coup policies and comparing which is better, the challenge is to recognize whether or not there are actually any substantive changes (*The Standard*, 2019). To do this, a summary of the origins of the crisis is necessary. The multilayered crisis in Zimbabwe evolved in different ways, one of which was the hyperinflation that occurred between the mid-2000s and 2009. In this context, the economy became dysfunctional on many levels. Workers' salaries were rendered worthless, pricing in businesses was made extremely difficult resulting in multiple-tier pricing, and erosion of savings in local currency took place. The government operated on deficit financing, making it impossible to sustain its operations, with the economy plummeting to the worst levels of dysfunctionality. As people abandoned the Zimbabwean dollar in search of some level of monetary stability, in 2009 the Mugabe government realized the need to dollarize.

The historiography of the early manifestations of the 'crisis' point to 'the impact of the land reform programme and its consequences' and how it was compounded by 'the descent into political tyranny by the ZANU PF government'. However, while these factors certainly accelerated the economic decline, Gwande argues that signs of disaster began to show in the early 1990s (Gwande, 2017: 91–92). Gwande correctly identifies the Economic Structural Adjustment Programme (ESAP) of 1990–

1995, the unbudgeted 1997 gratuity payments to ex-liberation war fighters and the expensive involvement of the Zimbabwean army in the Democratic Republic of the Congo between 1998 and 2002 as the triggers of the economic crisis.

Despite the economic collapse on a day infamously known as Black Friday (14 November 1997), the origins of Zimbabwe's economic challenges can be traced even further back (*The Herald*, 2014; Nyamunda 2016a), including in relation to global demands on peripheral nations like Zimbabwe (Nyamunda and Sibanda, 2020). For instance, criticizing crisis literature produced before 2005, Phimister argues that 'some of the present tyranny in Zimbabwe will be found in the authoritarian nationalism under construction in the 1960s' (Phimister, 2005: 126). Although the origins of the crisis are important, it is the ways in which it was confronted that are crucial to the Mugabe versus Mnangagwa comparison.

The ZANU-PF government under Mugabe exhausted its democratic façade by the end of the 1990s and, stretched to the limits of its legitimacy, its version of nationalism shifted gear into authoritarianism as the economy collapsed. The gradual economic decline between the 1980s and 1997 and rising formal unemployment, correlated with the increasing unpopularity of ZANU-PF, given other factors such as the 1980s' Gukurahundi massacres. Added to the mix was a burgeoning national debt which resulted in the country needing to repay up to US\$1b per year in interest payments, while corruption and delayed economic transformation led to mounting popular frustrations (Jones, 2011), and the late-1990s' crushing of popular food riots and worker strikes.

The turn towards a mix of state authoritarianism and patronage in the late 1990s, and the Black Friday collapse resulting in the currency depreciating by 74% in just four hours, led to what Bond and Manyanya (2003) term Zimbabwe's plunge. This involved a period of sustained crisis characterized by election violence, human rights abuses and land seizures, all of which invited European Union and American sanctions. In the course of the 2000s, Zimbabwe lost investments, its drawing rights at the World Bank were suspended and it could no longer borrow, while production declined and the economy descended into hyperinflation (Bond and Manyanya, 2003). Simultaneously, the Mugabe regime started a process of international dis-engagement, highlighted by Mugabe's withdrawal of the country's membership from the Commonwealth in 2000. By 2009, when the Zimbabwe dollar was abandoned, the year-on-year rate of hyperinflation peaked at 89.7 sextillion percent (Al Jazeera, 2019).

Currency muddling under Mugabe

To facilitate his retention of power, and closely working with Mnangagwa, Mugabe ramped up authoritarian nationalism, claiming that he was fighting Western anti-imperialist forces. Abandoning his call for unity in the 1980s, Mugabe became increasingly racist and divisive along multiple fractures such as race, ethnicity, nationality and politics. Being couched in a strong anti-imperialist sentiment, this exclusionary authoritarianism found traction among other African leaders, despite the major problems it wrought to Zimbabwean citizens. Zimbabwe became a nation fractured along partisan lines. Anyone who opposed ZANU-PF was said to exist outside the Zimbabwean nation, whether they were white, of foreign descent, or simply 'sell-outs'. This rhetoric was accompanied by policies such as the Indigenisation and Economic Empowerment Act (2007) that gave locals access (officially) to at least 51% of the mainstream economy and facilitated access to seized land (under the fast track land reform), all in the spirit of ensuring that Zimbabwe 'would never be a colony again!'. While these actions retained power for Mugabe and ZANU-PF, the economy suffered severely.

As had been the trend since independence, a number of technocrats were brought in to halt economic decline in Mugabe's crisis-ridden Zimbabwe. Though these technocrats tended to articulate ideological inconsistencies in their policy stances, Mugabe had a strong belief in the capabilities of economists to manage the economy. At independence, he first appointed Bernard Chidzero as Minister of Economic Planning and Development because of his wide experience as an internationally respected technocrat who had worked for the World Bank. From 1983 to 1995, Chidzero went on to become Zimbabwe's longest-serving Finance Minister. With a few exceptions of lawyers like Mnangagwa, Tendai Biti (under the Government of National Unity (GNU) between 2009 and 2012) and Patrick Chinamasa, most of Chidzero's successors and Reserve Bank colleagues such as Kombo Moyana were similarly economic 'experts'. Despite their experience and efforts, the Zimbabwean economy gradually declined until it buckled under pressure in the late 1990s and eventually lost its local currency to hyperinflation in 2009.

Efforts to reverse the currency decline saw the appointment of Gideon Gono as *Reserve Bank of Zimbabwe* Governor. Gono implemented numerous measures such as putting struggling indigenous banks (that had mushroomed in the mid-1990s) under curatorship and closing others such as Barbican Bank owned by Mthuli Ncube. The Governor also attempted to reign in the stock exchange and other financial sector organizations and was subsequently accused of turning Zimbabwe into a 'Casino economy' (Gono, 2008). Efforts to save the Zimbabwean dollar from hyperinflation were expressed through the revaluation of currency by slashing zeros off money or reconfiguring the currency into travellers' cheques and agro-notes. Gono defended his policies, arguing that he needed to implement 'extraordinary measures for extraordinary times'. Although accusing and targeting the financial sector for causing the 'casino economy', evidence suggests that his policies were meant to sustain the Mugabe regime in a context of hyperinflation, deindustrialization, capital flight, and restricted access to international lines of credit. This was made worse by the criminalization externalization of foreign currency. All of these factors were central to the sustenance of the Zimbabwean government before 2000. While in place, sanctions by the US and EU imposed in the early 2000s ravaged the Zimbabwean economy, and despite Gono's best efforts, hyperinflation destroyed the Zimbabwean dollar.

Although the economic crisis of the first decade of the 21st century resulted in declining support for ZANU-PF, Mbeki's intervention in the 2008 elections resulted in a GNU between the Movement for Democratic Change (MDC) and ZANU-PF. Mnangagwa has suggested that Mugabe almost admitted defeat in the 2008 presidential elections, had it not been for his intervention. He publicly boasted that, when ZANU-PF lost the elections in 2008, he told the 'old man' to hold fast while they 'sorted' it out (BBC News, 2018). It was unsurprising when election results were withheld for over a month and the army tanks deployed following the March 2008 elections. In many ways, this could be viewed as the first coup that restored ZANU-PF to power and stopped opposition leader Morgan Tsvangirai from ascending to the presidency. But, crucially, the economy had become effectively dollarized by 2009, though claims existed that a currency basket consisting of a number of currencies was adopted. During the GNU period, there was a temporary economic reprieve, but the crisis resumed following the lapsing of the GNU and the return of ZANU-PF to power as the sole governing party in 2013.

When Chinamasa replaced Biti as Minister of Finance in 2013, the economy faced numerous challenges, the most devastating of which was a severe liquidity crisis. It was in this context that Chinamasa was forced to introduce, from 2016 onwards, a version of the local currency that is known as bond notes. Initially introduced as an export incentive, these notes were imposed into the economy despite passionate resistance from various politicians and social movements. This gradual

return of a version of a local currency was completed by Mthuli Ncube, the Finance Minister under Mnangagwa from September 2018. Indeed, between 2009 and 2019, Zimbabwe underwent a number of currency changes until the state announced the return to a version of the Zimbabwean dollar on 24 June 2019 (*Government of Zimbabwe*, 2019).

As the economy collapsed in the period prior to the coup, major monetary policy changes were implemented. The state began by introducing the use of multiple foreign currencies on 12 February 2009, with the official demonetization of the Zimbabwean dollar (Z\$) announced in the 2014 budget and effected on 30 September 2015 (*Zimbabwe Finance Act*, 2009).¹ The 'basket' of currencies formally recognized as legal tender on 29 January 2014, although dominated by the United States dollar (US\$) and South African rand (rand), also included the Botswana pula (pula), British pound sterling (pounds), euro, Australian dollar, Chinese yuan (renminbi), Indian rupee and Japanese yen. Thereafter, citing challenges with accessing coins to use as change in smaller everyday transactions, the *Reserve Bank of Zimbabwe* issued US\$10m worth of 1, 5, 10 and 25 denominations of bond coins on 18 December 2015 (and more were printed beginning in March 2015 when 50-cent coins were released) (Reserve Bank of Zimbabwe, 2016). Citing deepening liquidity challenges, the RBZ introduced bond notes denominated in \$2 (B\$ hereafter) in November 2016 followed in February 2017 by B\$5 notes (Nyamunda, 2016b).

Meanwhile, the government had been operating on deficit financing, thus running up electronic balances denominated as RTGS and funding its budgets through issuing Treasury Bills (TBs). Because the RTGS balances ran up to almost US\$9b, in excess of the over US\$600m African Export and Import Bank (AFREXIM) facility on which they were based, the government introduced an RTGS currency in February 2019 (Reserve Bank of Zimbabwe, 2019a: 7). However, as none of these currencies could be redeemable into US dollars at the parity at which they were introduced (on the basis of the AFREXIM facility), the government simply monetized the bond notes and RTGS dollars as the new Zimbabwe currency (see later), while demonetizing the multicurrency system on the basis of an interbank rate of Z\$1 to US\$6.32 (Reserve Bank of Zimbabwe, 2019b). But this rate has since skyrocketed on the official market (where foreign exchange is difficult to acquire if one is not an elite connected to the corridors of power), and is no less than double on the black market where it is more readily available.

As the state experimented with different currencies over a number of years, the public were not passive recipients of these policies. Although government officials argued that their efforts were designed to bring stability and reform the economy, the public media, civil society, labour unions, opposition political parties (particularly the MDC), research institutes and academics, among others, were never convinced of the sincerity of the government, nor of its capacity to achieve stated objectives (Jones, 2010; Southall, 2017). Much as the people in colonial East Africa confronted their currency-induced circumstances, the people in Zimbabwe's decade of Zimbabwe dollar abandonment and return reacted in ways that 'engaged, contested, deflected, and appropriated' the policies of an authoritarian state (Pallaver, 2019). Ironically, it was this public frustration with the Mugabe government that Mnangagwa and his allies would seize upon to justify what first appeared to be a popular take over.

Going back to the beginning: muddling along under Mnangagwa

The run up to the coup was characterized by a mix of intertwined political and economic dynamics. First, instead of the ZANU-PF versus MDC contest that had dominated politics since 1999, the 2013 elections effectively weakened the latter. The MDC had failed to use the period of the GNU to its advantage and, despite many irregularities in the 2013 elections, it grudgingly conceded defeat.

Thereafter, political fault lines recalibrated along factional lines within ZANU-PF, with Mnangagwa as the front runner of his 'Lacoste' faction that had military support. After the suspicious death of Solomon Mujuru, the 'Gamatox' faction led by his wife, Joice Mujuru, was weakened and effectively eliminated. This left Generation 40 (G40), whose public face was Grace Mugabe (the president's wife), in serious contention for ruling party leadership. Between 2014 and November 2017, there was several severe conflicts between the two factions, all of which did little to aid efforts in resolving the deepening economic malaise. As the scheming between the two sides continued and people's material conditions worsened in a context of a weakened opposition, the gulf was filled by a number of social movements, for example, Evan Mawarire's 'this flag' and Prosper Mkwanzizi's Tajamuka/Sesijikile ('we have risen'). They organized successful mass protests and stay aways.

Facing a money supply and credit supply shortfall, the government was left with little option but to print its own currency (Ngwenya et al., 2018). However, when Finance Minister Patrick Chinamasa introduced bond coins in phases between January and March 2016, the move was greeted with suspicion and mistrust by the public, and viewed as a way in which the government would bring back the Z\$ through the back door. By the end of November 2016, over US\$29m worth of bond notes were introduced on par to the greenback, ostensibly based on the promise of a US\$75m credit facility from the AFREXIM bank. Although introduced as an export facility, the option was never fully utilized; in fact, it was only used as currency, despite failing to offset the liquidity crisis (Blogs at LSE, 2016). The unpopularity of this imposed move deepened the economic crisis (Nyamunda, 2016b) and became an important political game changer before the 2018 elections. Reacting to worsening economic circumstances and responding to such policies, social movements managed to galvanize opposition against the Mugabe regime. This entailed, for instance, confronting the Reserve Bank Governor (John Mangudya) who had introduced the bond notes, insisting that he rethink a position that would 'unbond' Zimbabwe's confidence in the system. Mangudya's refusal to concede, keeping this policy in place, was combined with increasingly toxic factional politics within the ruling party and exposed ZANU-PF's shortcomings in managing the economy, contributing to Mugabe's removal from power.

G40's final attempt to eliminate its contesting faction resulted in the firing of Mnangagwa as Deputy President. Lacoste's military allies retaliated by rolling out tanks on 14 November 2017, starting the military coup dubbed 'Operation Restore Legacy' (*The Herald*, 2018). By 21 November 2018, Mugabe had been forced to resign and Mnangagwa's faction was firmly in control. It promised to hit the ground running, and amongst the ways of achieving this was to engage experts, particular in the Ministry of Finance. The individual identified for this position was an accomplished economist, who had established Barbican, a bank that eventually collapsed under hyperinflation (*Financial Mail*, 2019). He had held fellowships at leading academic centres such as the Centre for the Study of African Economies at Oxford University and held important positions in financial institutions in Europe. Mthuli Ncube was tasked with fixing Mugabe's economic mess.

Mnangagwa's technocrat (Mthuli Ncube)

There were high hopes that Ncube would perform very well as Minister of Finance given his credentials. He came in with significant energy and plans for transforming the economy. In one of his first interviews, he highlighted that some of his short-term objectives included the removal of the bond notes, which he described as 'a surrogate Zimbabwe dollar but without the macroeconomic credibility. . . to support it, because it is bad money' (*New Zimbabwe Television*, 2020). Ncube's alternative considerations were either to join the rand monetary area until the Zimbabwean economy was stabilized or fully re-instate the multi-currency basket dominated by 'the US dollar [as] a core currency of focus' (*New Zimbabwe Television*, 2020). He also wanted to service debt and drive

down the budget deficit to a level of 3 to 5% of gross domestic product (GDP) and eventually restore a Zimbabwe dollar after credibility to the 'macro picture' (*New Zimbabwe Television*, 2020).

Ncube hoped as well to change the situation where over 80% of the budget was servicing the wage bill. He mentioned how creating jobs would be 'the silver bullet' to building the economy, complemented by investment in 'smart' infrastructure maintenance and development. Ncube's aspirations included building a Zimbabwe Economic Advisory Council to reach out to Zimbabweans in the diaspora to advise the government on how best to grow the economy, as well as stimulate both foreign and domestic investment through restoring a venture fund. In terms of improving government revenue through taxation, Ncube advocated for the collection of revenue from the informal sector through mobile technological options. More interestingly, Ncube stressed how he had 'assisted' other countries elsewhere who could now assist Zimbabwe. Ncube favoured the international economic policy of 'looking everywhere, not East, not West, but everywhere!', and he suggested that Zimbabwe could even try to get its membership back into the Commonwealth (*New Zimbabwe Television*, 2020). These aspirations deviated significantly from the politics of dis-engagement that informed the last nearly 20 years of Mugabe's rule.

After Mthuli Ncube's appointment, his encounter with reality proved how complicated achieving his objectives would be. While the 'new' dispensation gave the impression that it would be politically tolerant, before the election results of 2018 were even counted, the government unleashed heavily armed anti-riot police and soldiers against protestors, leaving at least six people dead and many others injured (*Human Rights Watch*, 2018). The initial impression of tolerance was muddled by these killings, as Ncube and Mnangagwa began their re-engagement campaigns on such platforms as the Davos Economic Forum. Minister Ncube's own efforts at international events such as Davos were blemished by these killings. Around the same time, government hiked fuel by over 150%, making it, at the time, the most expensive in the world. Ncube seems to not have considered the seemingly obvious point that 'unlocking urgently needed international assistance . . . depend[ed] on reform that moves beyond the economy, and takes on entrenched patterns of political behaviour and generations of bad governance' (*Mail and Guardian*, 2019). Without meeting the conditions set for American and EU sanctions to be lifted, that is, press freedom and human rights, among others, all of the efforts he was making on the economic front were merely cosmetic.

The financial and economic dimensions of the new dispensation were contained in its strategy of re-engagement. This strategy was articulated in the efforts of economic technocrats at the Ministry of Finance and the Reserve Bank, in trying to realize the new dispensation vision of making Zimbabwe a middle-income country by 2030. Despite the over 30 foreign visits to places such as Davos, the United States, Russia, China and the Middle East, Mnangagwa and his Finance Minister failed to secure the US\$27b of investment for platinum mining, iron and steel and the construction of new hydropower dams, almost two years into the new dispensation (*Business Day*, 2019; *The Independent*, 2020). Far below international investments into neighbouring southern African countries, Zimbabwe barely attracted US\$500m, falling far short of the promised mega deals (*Business Day*, 2019). If anything, the fundamentals that Ncube was hoping to restore to get the country on track to middle-income status were becoming increasingly unattainable.

Working within such a toxic political environment, and where there were shortages of fuel and pharmaceuticals, a liquidity crunch and increasing electricity load shedding, among other challenges, quickly transformed Ncube from his role as a technocrat into a politician defending ZANU-PF policies (such as violence against protestors). This also involved giving false impressions about the state of the country's economy, its infrastructure and other public utilities such as the health system (*The Zimbabwe Mail*, 2019). Capturing the general sentiment within Zimbabwe, Dan Hodgkinson

commented that, '[the] way in which the Zimbabwean government [responded over the January 2019 fuel protests] has been totally abhorrent. Mthuli Ncube is a key part of it – he is the finance minister and he has collective accountability' (*The Zimbabwe Mail*, 2019). His appeal as a saviour of the Zimbabwean economy faded and gave way to public resentment of the policies he passed on behalf of the ZANU-PF regime.

Further currency reversals

In an interview on a *Capitalk Radio show*, President Mnangagwa claimed to 'have the strongest currency in the region' (*Capitalk Radio Show*, 2019). In the same interview, he emphasized his 'Zimbabwe is open for business' mantra and also spoke about the positive ways in which the government was confronting the crisis and working towards achieving economic reform. The president expressed confidence in the work of his technocratic Minister of Finance, Mthuli Ncube, whom together with the *Reserve Bank of Zimbabwe* Governor (John Panonetsa Mangudya) gave expression to a 'no pain, no gain' approach. In this light, the President called on people to tighten their belts (*Capitalk Radio Show*, 2019). This message was received with mixed reactions by the public, who were not prepared for it. One respondent argued that slave wages would continue and Ncube's condescending tone would soon be replaced by 'government excuses, blaming the sanctions, sell-outs and detractors once they lose control and the "new" currency starts depreciating again' (Interview with Lecturer, 2020).

Over time, Ncube backtracked on some of his original policies; for example, the removal of the bond notes, a key component in his original strategy to resuscitate the economy. Instead, he controversially demonetized the currency basket in which the US dollar had been legal tender in Zimbabwe, even as he began taxing vulnerable informal traders. On 24 June 2019, the government announced the full return of the Zimbabwean dollar (*Fin 24*, 2019). Although unprepared, many were not surprised by the return of the Zimbabwean dollar, given the precedent that had been set by a decade of tumultuous currency dynamics following the demonetization of the Zimbabwean dollar in 2009. While mostly Lacoste supporters expressed confidence in government technocrats and the capacity of Ncube and Mangudya to manage the transition, the independent media emphasized that the majority of the public were not as confident.

There were clear indications that his economic policies would not work. On 29 June 2019, he attempted to relay fears in an opinion editorial entitled 'Currency: Taking back control' (*The Herald*, 2019). In it, he used the metaphor of a journey, which he said Zimbabwe was travelling along in attaining middle-income status. Making the case for a post-coup economic dispensation, Ncube argued that to get to the destiny, '[y]ou must be willing to deal with those hardships, those challenges, which inevitably crop up on any difficult journey'. He concluded that the return of a local currency was the most decisive way of 'taking back control'. Ncube justified abandoning the multi-currency system, arguing that it was 'holding us back'. Yet it was clear that he was just buying time and preparing the public for a situation where the economy was not going to recover as rapidly as he had once claimed. The 'us' referred to by Ncube certainly did not consider public opinion.

In trying to sell this policy, Ncube suggested that regaining monetary policy control through 'returning' the Zimbabwean dollar would 'first and foremost benefit . . . the hardworking Zimbabwean. Our teachers and doctors, our entrepreneurs and cleaners; they don't earn in US dollars. So why sell in US dollars?' (*The Herald*, 2019). This is exactly what the banking public in Zimbabwe was concerned about: a possible return to the horrors of the hyperinflation that ravaged Zimbabwe in the 2000s until the abandonment of the Z\$ in February 2009. Despite these fears, Ncube proceeded with an unconvincing justification to introduce a version of the local currency at

par with the US dollar. Ultimately, none of these policies have yielded any positive results; if anything, people's standards of living have fallen and many workers are increasingly incapacitated and struggling to provide for their families.

The process of returning a local currency had many casualties. By deceitfully introducing the bond notes as an equivalent of the US dollar, the government wiped away all foreign exchange savings people had, and replaced their bank balances with RTGS balances (*Mail and Guardian*, 2019). Since it was nearly impossible for anyone to withdraw this money from the bank or via automated teller machines, an informal exchange rate emerged which devalued bond notes significantly. This immediately resulted in multiple tier pricing. If a person had foreign exchange, he or she could purchase products cheaper compared to using bond notes. The same products would be at their most expensive when making electronic payments. The state found it untenable to control these practices because enforcing the rules would have bankrupted many businesses dependent on imports, thereby creating shortages. Yet employees were generally paid in RTGS at parity to the US dollar.

To get a sense of how people were affected, a sample survey was conducted with university workers and civil servants for this article. Their views are also widely echoed in the public press. Generally, those interviewed did not share Mnangagwa's views about the strength of Zimbabwe's currency nor his confidence for economic recovery. One university lecturer, Mzaya (pseudonym) complained:

Things are difficult. At present, the value of my net salary [paid in RTGS dollars] has dropped from US\$2000 to just US\$200 on today's rate and I don't know how far this will get. At present, some school teachers are earning an equivalent of less than US\$30 per month. I don't how far we can go on! (Interview with Mzaya, pseudonym)

Frustrated by the extent to which the fictional bond and RTGS currencies lost their value, Mzaya shared widely the documents from the workers' union of his university about his negotiations with university management.² The situation became so bad that some employees of this university demanded that they be allowed to stay in students' accommodation, as they could no longer afford rent or transport to commute to work daily. Many announcements, memos and letters from service providers such as schools demanding payment in US dollars reveal the extent to which the Zimbabwean economy has become increasingly dysfunctional. But the challenges that face the post-coup government of Mnangagwa do not represent a break with the past. If anything, they represent a very strong continuity, as the political and economic challenges endure beyond Mugabe.

Whatever the efforts made to turn around the country's economy by Ncube and his predecessors, the financial crisis resulted, on 27 June 2019, in the reintroduction of the Zimbabwean dollar, with foreign exchange ceasing to be legal tender in the Zimbabwe currency basket. But, within a year of this announcement, the government would be forced by deepening economic malaise, worsened by the outbreak of the global Covid-19 pandemic, to accept the use of the US dollar once more. The abandonment of the full return of the Zimbabwe currency less than two years after its introduction was justified by Ncube as a measure in the fight against the pandemic (*Al Jazeera Impact*, 2020). Even as the novel coronavirus currently ravaging global economies may provide the Mnangagwa government ample justification for the present failures, the deepening collapse of the economy was well underway within a few months of the coup dispensation and sustained to 2020.

As 2020 progresses, all indications are that Zimbabwe has lost control of all economic fundamentals and is based on a parallel market 'rate of the day' regime where people buy foreign exchange as a saving instrument in an uncertain and unstable economy, unless the bond notes are again completely abandoned as the currency flip flops or the muddle continues. The public's confidence in

the government and its economic technocrats' capacity to turn the Zimbabwean economy around continues to dwindle (Schlee, 2011). Only those with networks close to powerful politicians benefit (Dawson and Kelsall, 2012; Magure, 2013). But for ordinary citizens, the narrative is depressing. All of the challenges faced by the public on the currency, banking and economic front have revealed that there is no significant difference between the policies of the Mugabe regime and those of the so-called new dispensation under Mnangagwa.

Conclusion

One of the major mistakes that opinion makers initially made when calling for the appointment of Mthuli Ncube was concluding that, because of his credentials, Ncube would fix the Zimbabwean economy. His appointment speaks to two different challenges that continue to bedevil the Zimbabwean economy. First, technocracy with all its limitations has little room to implement policies because of negative political interference. In this context, as argued above, 'accomplishments in the world of Commerce, Banks and academia does not necessarily guarantee success when it comes to managing the much more complex politics of the national purse' (*Business Tech*, 2018). Second, the problem with technocracy is its continued re-invention of the wheel. The Zimbabwean economy's problem has never been a lack of technical expertise, from Bernard Chidzero to Ncube. Rather, there is a noncritical over-reliance on these experts which has led to a lack of imagination about what an economy in the context of Zimbabwe should look like. Both Chidzero (in his capacity as the main expert tasked with reconnecting Zimbabwe to the international economic network at independence) and Ncube (in his capacity as the first post-Mugabe expert) followed the very same approach, namely, re-engagement. It is this unitary reliance on an unreflective dependency on international networks, particularly the European Union and the US as well as the IMF and the World Bank, that is problematic.

Using a financial lens, it is difficult to separate pre- and post-coup politics and economic policies. Claims of a new dispensation are not so much about disconnections at a fundamental political and economic level, as they are about factional leadership, the deposing of Mugabe, and his replacement by his deputy from a different faction, Mnangagwa. Whatever public image that the new President tried to cultivate through the discourse of a new dispensation and international reengagement was soon frustrated, given the ways in which the power brokers within the party continue to use old Mugabe mechanisms of political power retention and patronage politics. Fundamentally, there have been insignificant changes between the Mugabe regime and Mnangagwa's dispensation, especially where monetary solutions and economic policies are concerned. In fact, there is more of a continuity despite the leadership and some personnel changes. Predominantly, despite the open-for-business calls and rhetoric of a new dispensation, Mnangagwa has carried on with many of Mugabe's policies.

The ongoing currency muddle in Zimbabwe points to something very disturbing. Given that the economic decline has persisted for over two decades, it is quite likely that Zimbabwe is transitioning to a highly indebted poor country, rather than a middle-income nation. Recognizing this would allow policy makers to try imagining ways of addressing the problem, instead of maintaining the fiction that what Zimbabwe is facing is a short-lived crisis that can be addressed through monetary policies, access to more debt and attracting foreign investors (who would never risk bringing their capital into a highly unstable Zimbabwe).

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Notes

¹. See *Zimbabwe Finance Act, No. 2 (2009)* on the adoption of the multi-currency system. For the official demonetization of the Z\$, see Reserve Bank of Zimbabwe, Demonetization of the Zimbabwe Dollar, Press Statement of 11 June 2015, <https://www.rbz.co.zw/documents/publications/press/demonetisationpress-statement-9-june-2015.pdf>

². The document dated 1 July 2019 addressed to the Midlands State University management from the Association of University Teachers was sent via the WhatsApp messaging platform.

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