Bull run on the ZSE: heads you win, tails you win

Financial markets, previously in a form of paralysis, were relieved to see the back of the Supplementary budget presented by the Minister of Finance last Thursday. Significantly, the budget indicated that the country's domestic debt has soared to Z$8,1 trillion largely due to high interest payments, which at 6.1 trillion accounted for 75,4% of total debt.

Of the proposed Z$37.1 trillion, Z$25.5 trillion is recurrent expenditure whilst Z$11.6 trillion is capital expenditure. Whilst there is no significant investment in infrastructure or policies likely to encourage economic regeneration, it appears clear as professed by one Minister that the country is living from hand to mouth.

The government is clearly spending more than it's making, which in elementary economics is the breeding ground for inflation. The budget deficit implies a relationship between a ratio of the government's current liabilities with future values of inflation, interest rates, GDP and money growth. Whichever way you look at it, inflation forecasts cannot be pretty.

Regardless, the state's paternalistic price control and wage freeze policies signifies a return to the socialist politics of the 1980s, when Zimbabwe's government sought to achieve growth with equity to address unacceptable inequalities inherited from the colonial past.

Perhaps, the government once scarred by Neo-liberal, Washington Consensus type structural adjustment programmes now knows better and is slowly transforming itself into an entrepreneurial state. Even with gritted teeth, every stakeholder will be hoping the state's economic experiments will crank up the rattling motor to start. The Chinese believe ‘it is better to light up one small candle than to curse the darkness' – perhaps we ought to believe the same and hope for the best.

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