

GLOBAL IMBALANCES: The Role of African Crisis

Desbalances globales: El papel de la crisis de África

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Abstract

A significant geopolitical conflict is unfolding on a global scale, characterized mainly by the rivalry between dollar-denominated capital and capital linked to Asian currencies. The impressive indebtedness of the USA has coincided with a significant capital accumulation of predominantly Chinese origin, which, despite hostile international legislation, is pressing to participate in the ongoing processes of centralization and monopolistic tendencies. The African continent holds a pivotal role in this context, as it continues to represent a source of primary raw materials of utmost importance. Africa is not experiencing an "economic miracle"; on the contrary, its fragility in terms of indebtedness, poverty, and inequality is so profound as to preclude any autonomous development for its local populations. This profoundly compromised situation could set the stage for potential future "frictions" among the major players of current global capitalism, thereby once again profoundly shaping the history of the entire continent.

Keywords: Debt Crisis, Inequalities, Currency war

Resumen

A escala global se está desarrollando un importante conflicto geopolítico, caracterizado principalmente por la rivalidad entre el capital denominado en

dólares y el capital vinculado a las monedas asiáticas. El impresionante endeudamiento de EEUU ha coincidido con una importante acumulación de capital de origen predominantemente chino, que, a pesar de la hostil legislación internacional, presiona para participar en los procesos de centralización y las tendencias monopolísticas en curso. El continente africano desempeña un papel fundamental en este contexto, ya que sigue representando una fuente de materias primas primarias de suma importancia. África no vive un "milagro económico"; al contrario, su fragilidad en términos de endeudamiento, pobreza y desigualdad es tan profunda que impide cualquier desarrollo autónomo de sus poblaciones locales. Esta situación profundamente comprometida podría sentar las bases de posibles "fricciones" futuras entre los principales actores del capitalismo mundial actual, lo que volvería a marcar profundamente la historia de todo el continente.

Palabras clave: Crisis de deuda, desigualdades, guerra de monedas.

JEL Codes: F34, H63, F63

Introduction: The Debt and the Currency War

In the first volume of *Capital* (Chapter 24), Marx extensively discusses public debt. He defines it as an "alienation of the state" that distinctly marks the capitalist era. He writes: "The public debt becomes one of the most powerful levers of primitive accumulation. As if by magic, it endows unproductive money with the power of procreation and thus turns it into capital. This occurs without the money having to face the troubles and risks inseparable from its employment in industry or even in usury." Marx further observes that, in reality, state creditors give nothing. The lent sum is converted into easily transferable public bonds. These bonds continue to function in the hands of the creditors just as so much hard cash would.

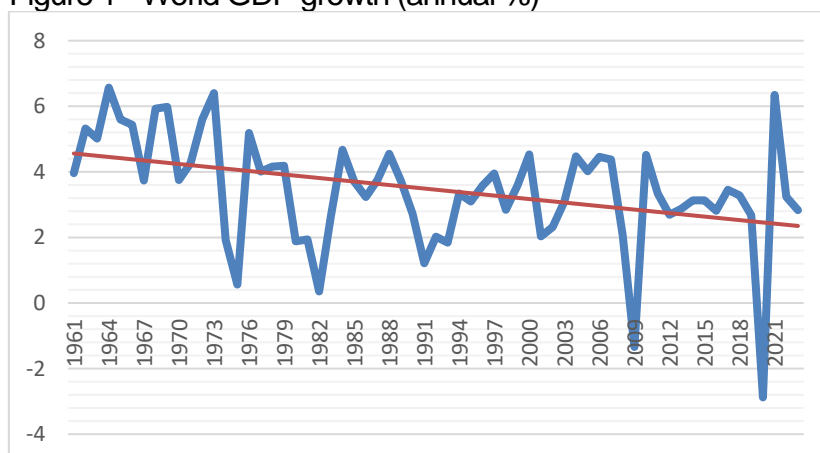
Consequently, public debt—and thus the system of private credit—becomes the "creed of capital." This principle persists across various stages of development, though it assumes different forms over time. For instance, during the 1970s, 1980s, and 1990s, the indebtedness of developing countries grew excessively. Coercive imperialist policies first forced these nations to borrow large sums at usurious interest rates. Then, to avoid another inevitable default, they were compelled to accept the oversight of global financial institutions. These institutions, led by the IMF and the World Bank and controlled by imperialist states, acted as enforcers. The result was the forced sale of vast natural and energy resource deposits to private creditors. It also delivered masses of workers to European and American capital, ready for maximum exploitation. This process was executed with the approval of increasingly wealthy local elites, who diverged significantly from the historical model of the European bourgeoisie.

In the new millennium, public debt has also become a concern for European ruling classes, partly due to the inexorable advance of the systemic crisis. This time, however, it positioned them in opposition to their local subordinate classes. These classes had previously been largely shielded from the issue and had, through public indebtedness, labored under the illusion that their interests could be reconciled with those of the ruling class.

Consequently, the concept of public debt has become largely linked—especially in Europe—to the policy of so-called “austerity.” This framework mandated necessary, yet imposed, privatizations, as seen in Greece during the 2010s crisis. These measures were enforced by a supranational accounting system, the EU Fiscal Compact, whose economic validity has never been conclusively demonstrated. This remains true even within the confines of conventional academia, as exemplified by the Reinhart-Rogoff controversy¹. Within a few years, the most tangible result of these policies has been a massive transfer of resources. This transfer has occurred from the lower classes to the beneficiaries of profits, a trend particularly pronounced over the last quarter-century. The mechanisms for this shift are clear: the precaritization of the labor market, the reduction of social services (which constitute indirect wages), and the weakening of social security reforms (which represent deferred wages).

As the mode of capital production continues in a contradictory manner (see Figure 1 and 2), the issue of public debt has simultaneously taken on an important role in the management of the imperialist conflict that currently pits dollar-based capital against capital linked to the Asian currencies. In fact, presumably for the first time, the enormous US public debt has been accompanied by a proportional accumulation of capital of predominantly Chinese origin, which has led to perspective hegemonic shift and, thus, potential changes in the global economic system (Figure 3).

Figure 1 - World GDP growth (annual %)



Source: Authors' elaboration on World Bank data

¹ See also https://en.wikipedia.org/wiki/Growth_in_a_Time_of_Debt

Figure 2 - GDP growth (annual %) (NY.GDP.MKTP.KD.ZG)



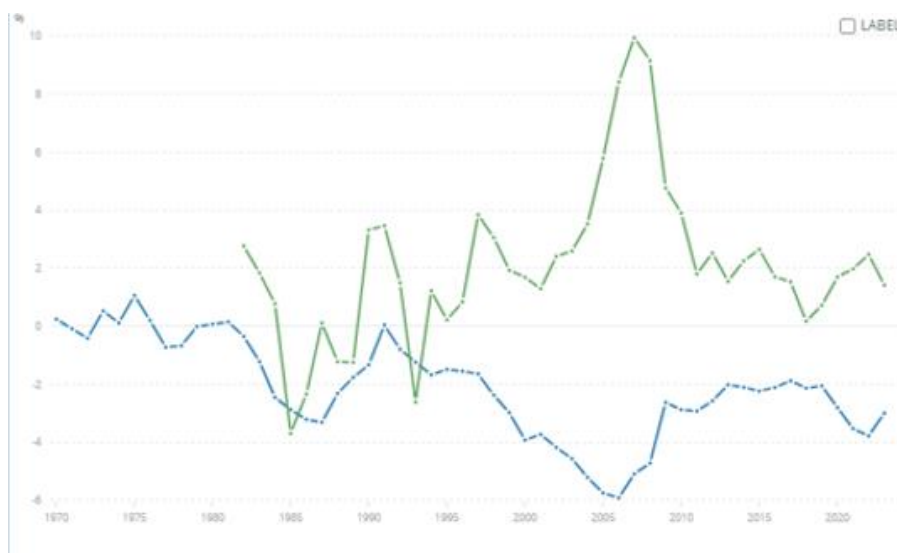
Source: Authors' elaboration on World Bank data

Debt is a structural part of the general law of capitalist accumulation and, for this reason, is an instrument used in different ways depending on the needs of the ruling class and the internal conflict that inevitably accompanies capitalist development. From this point of view, the military outcome of World War II sanctioned the predominance of the US and the dollar in the capitalist system—which for years opposed the Soviet system and its satellites—initially determining, according to the Bretton Woods agreements, the adoption of the US dollar as the reference currency for international trade, "as secure as gold," to which it was normatively anchored. However, while the flood of US dollars guaranteed unlimited credit to US capital globally (substantially all countries needed the dollar commodity to pay for their imports), it also exposed the US itself to a potential demand for gold that grew proportionally to the increase in the amount of dollars requested and sold on the foreign market.

For this reason, only a few decades (1971) after the end of the war, President Nixon sanctioned the unilateral suspension of the Bretton Woods agreements, essentially affirming the US's inability to manage the situation as it had arisen immediately after the end of World War II. Thanks to the onset of an accumulation crisis that continues to develop—with very different phases to this day—as well as tensions in the Middle East in the energy sector, the US economy showed the world the fragility of a system that was considered immaculate and eternal, not least because it was a model to contrast with the very insidious successes of the Soviet Union. But despite these early signs of decline, the dollar continued to play a crucial role in the management of international trade and to be identified as the strong currency "par excellence" for the international reserves that central banks keep at their disposal for various purposes. Even in the decades that followed, the demand for US dollars, despite the "divorce" from gold, remained extraordinarily high. But it is important to

emphasize how this corresponded to a proportional flow of goods or services that were necessary precisely to determine the exchange.

Figure 3 – Net Export (Share of GDP)



Source: Authors' elaboration on World Bank Data

At least since the 80s, the US has consistently reported current account deficits (in current dollars, but also as a percentage of GDP, Figure 3) but, symmetrically in the last decades, the People's Republic of China has recorded huge surpluses, also as a percentage of GDP, despite their exorbitant growth (+7300% for China, +300% for the US over the same period). This means that, over the last half-century, more and more goods and services produced by foreign companies have entered the US in exchange for US dollars, while US-made products have been proportionally less successful outside their homeland. Reversing the sign of the difference between exports and imports, we obtain almost the same result recorded in China over the same period.

This process has visibly characterized the history of the world economy, especially after the end of the Soviet experiment, creating a formidable imbalance between the two countries with the highest GDP, with the US evidently being the most indebted country in the world while China has accumulated enormous amounts of capital. The great fear of the US is that these accumulated resources will end up being lent prevalently at very low interest rates (through loans to the US itself, to developing countries, etc.) and return to the capitalist game of centralization, that is, the tendency toward monopoly in many key sectors, where, through mergers and acquisitions, the big fish swallow the small ones (see also Brancaccio et al., 2023 and Brancaccio, 2024). In other words, the current transition is testing to what extent will the protectionist policies be able to halt this "shift to the East" of global capitalist centralization, which at present seems inevitable.

Leaving aside for a moment the military collisions, the inter-imperialist clash that is currently taking place between monetary areas and that clearly now pits dollar-linked capitals against those linked to Asian currencies. The attempt to internationalize the yuan-renminbi can be read as a necessary reaction to an increasingly polarized situation: however, although for the first time in 2023, the PRC's international trade was conducted predominantly using the local currency (the US dollar was almost exclusive just a few decades earlier) and although for the first time (late 2024) Saudi Arabia explicitly requested that oil be traded in yuan-renminbi as well (renouncing the agreement with the US signed in 1973), even today the role of the dollar is reduced but still predominant (at least as a reserve currency). However, concerns about the erosion of the US dollar's "exorbitant privilege" also in the institutional context lead us to support the thesis that the conflict between monetary areas is at the root of the current economic and military dynamics. The *21st Century Dollar Act* and the *Chinese CDBC Prohibition Act 647* represent two important regulatory instruments in the strategy to protect the US dollar, which clearly point in the direction indicated.

Since 2008, despite the dollar's privilege, the US economy has grown little, albeit significantly more than the economies of the eurozone (33% versus 15% according to World Bank data). People's Republic of China, have achieved much more significant results (+202% in the same period²). In short, if it is true that Europe is a not good condition, we could say that the United States is also facing difficulties, especially in light of what has happened in the BRICS+ and other emerging countries. If, therefore, it is clear that the eurozone countries now seem to lack the ruling class cohesion that led them to adopt a single currency with German traction, the US, despite having a huge military apparatus with bases all over the world, as well as a highly refined financial system, certainly cannot be considered to be in an expansionary phase. The emergence of the structural crisis of overproduction that culminated in the crash of 2008 clearly brought about paradigm shifts in the capitalist system, especially with regard to the economies that had driven the capitalist mode of production for decades (see Figures 1 and 2).

However, what happened at that time and in the following years can be read as the way in which the first recent "currency war" (dollar/euro) reached a point of stagnation, identifiable with the surrender of the "old" continent's capital to that of American origin. If, in fact, this hostility had become increasingly clear in previous years, the series of speculative attacks that hit the *vulnerabilities* of the monetary area between 2010 and 2012 (the so-called *Piigs*, Portugal, Italy, Ireland, Greece, and Spain) must be considered from this point of view. It is widely documented that these were the result of capital planning based in New York with the main objective of demolishing, in the first instance, the weakest European country (Greece, with his

² Authors' calculations on World Bank data.

unsustainable public debt): European capital, faced with an offensive of this magnitude, could not help but succumb, prevented from reacting by the same obtuse rules written in accordance with the idea of austerity—back in vogue after almost a century—thus importing, almost automatically, the most disastrous results of the crisis, which had already emerged in the United States.

The Role of Private Indebtedness

The functionality of public debt is structural to the laws of development of the capitalist system. The issue of private debt, although crucial in the current decadent phase of the mode of production, takes, to some extent, on a different meaning. The current situation is characterized by an explosion of global private debt (therefore not exclusively of households, which currently represent about one-third of the total) also as a percentage of GDP. In other words, while after the end of World War II the level of debt was lower than GDP, in the latest updates, with regard to the US, doubled in the last 20 years, reaching in 2025 \$18.39 trillion increasing by \$4.24 trillion since the end of 2019 (Federal Reserve of New York, 2025). It is important to note that the US is not the only advanced capitalist country to be structured in this way, but, based on the available data, a substantially similar situation emerges in almost all Western countries, although differences remain, especially at the household level.

To understand the significance of private debt, one need only consider its role in daily life. Many individuals can only access housing through mortgages or private loans. Similarly, people often must borrow to finance the purchase of cars or even essential household appliances.

In other words, entire segments of the working population—including those once considered part of the (low)middle class—now depend on credit to acquire essential or significant goods. This access is contingent on their ability to borrow resources from others. The cost of this access is paid through personal toil and, frequently, usurious interest rates.

Private debt is therefore a necessary element, on the one hand, to mask the structural inequalities and the enormous class differences that exist: if workers were able to understand the intrinsic meaning of having to resort to debt to secure a roof over their heads while they work, while the owners of production have the resources to immediately buy dozens of houses and apartments, the so-called "social peace" could be called into question. On the other hand, the system could still encounter enormous difficulties in managing the excess production of goods and services that it naturally produces. The explosion of the crisis in 2008 and the reckless sale of mortgages not coincidentally defined as *subprime* is an example that may be useful for understanding the issue.

In the suffocation caused by the structural crisis caused by the tendential reduction in the rate of profit, there are the seeds of overproduction of capital and, therefore, of goods. In a historical period in which hunger and poverty are problems that almost one half of the world's population struggles with on a daily basis, this seems paradoxical. Anyway, it is precisely because of the nature of the capitalist mode of production that this happens, especially when the world market is close to saturation. It is therefore important to remember that the aim of capital is not to satisfy needs, but to produce profit; the aim of the production of commodities and services is exchange, not use (that is still necessary).

Marx explains in *Capital* that the capitalist mode of production is only a relative mode of production, whose limits are not absolute, but become so for the mode of production itself. Indeed, a lack of demand for those goods that people need is caused by the fact that, through the specifically capitalist connection, the surplus product takes on such a form that the person who owns it can only make it available for consumption when it is converted back into capital for him. Therefore, in order to extract the maximum surplus value from labor activity, capital paradoxically reduces the overall and average wages (i.e., purchasing power), and this represents a condemnation when goods reach the market and do not find adequate payment demand due to the inequality of distribution established by itself.

In this sense, the reduction in wages and, therefore, in the purchasing power of workers, is certainly an impediment to the realization of the value and surplus value already produced, dramatically aggravating the critical situation resulting from the enormous excess of goods produced. This type of contradictory dynamic, which arises in the production phase and manifests itself in the circulation phase, especially in acute periods of general crisis, can claim a remarkable number of victims—both in terms of workers and capital—and cause severe shocks to the capitalist system in general. Aware, despite everything, of the general inability of wage earners to buy - in the face of the "consumer sovereignty" of bourgeois economic theory - capital has been trying for several years to solve the unsolvable, instilling a way of being that compels them to buy, even in the absence of material conditions.

The practice of indebtedness has therefore strategically used the instrument of commodity fetishism which, like any other form of religiosity, has used appropriate means to enable its spiritual elevation. Taking advantage of a class consciousness reduced to a minimum, it was relatively easy to impose this type of lifestyle which, by concealing material conditions, is based on possession and property. The mechanisms that induce the masses to go to huge shopping malls on weekends are numerous and extremely functional: inside them, there is an assault on all the senses through a system of specifically designed visual and auditory stimuli that induces the purchase of goods whose use value is often overlooked in favor of the

form and symbol they represent. That is why, paradoxically, stores are dominated by items on sale, sold below cost, and loans are offered for paltry amounts that, a few years ago, no one would have dreamed of borrowing.

Africa: The Illusion of Prosperity

Africa today occupies a place of undeniable importance in the global landscape. Its demographic vitality, its strategic reserves of natural resources, and its expanding role in global markets make it central to the dynamics of international growth, sustainability, and geopolitical balance. Within this broader framework, the continent's recent economic performance has attracted growing attention. The longstanding pessimism that once surrounded Africa's prospects – dominated by images of stagnant economies described as “basket cases” – has been replaced by narratives that emphasize entrepreneurial dynamism, the expansion of Chinese investment, and the emergence of a middle class (Fine et al., 2012; *The Economist*, 2013; Pinkovskiy and Sala-i-Martin, 2014). These shifts are evident in the data. As Rodrik (2016) underlines, following prolonged economic decline during the 1980s and 1990s, Sub-Saharan Africa experienced a marked recovery after 2000, with per capita growth approaching 3% annually. While this pace did not match the exceptional performance of East and South Asia, it was nevertheless stronger than that recorded in Latin America over the same period. Importantly, the improvement was not driven by investment alone: for the first time since the early 1970s, the region also achieved positive growth in total factor productivity, signaling a broader and more substantial turnaround in economic performance.

It is equally clear that Africa's recovery over the past two decades was supported by an exceptionally favorable global context. Commodity prices remained high, interest rates low, and private capital inflows were buoyed by increased official aid. China's rapid growth drove demand for African resources and fueled direct investment, while the global financial crisis had little direct impact on the continent due to its limited integration with international financial markets and relatively low levels of financialization.

Still, given the relative current slowdown in China, advanced economies, and other emerging markets, serious doubts persist over whether Africa can sustain its recent growth momentum and, if so, at what pace. Moreover, in contrast to the optimistic narrative portraying Africa as a continent firmly on the path to prosperity – characterized by an expanding middle class and broad-based economic progress – more recent and empirically grounded analyses of its trajectory have underscored the slow pace of poverty reduction (Fosu, 2009, 2015; Beegle et al., 2016; Fosu, 2017a, 2017b, 2018) and the limited progress achieved in non-monetary welfare indicators (David et al., 2025).

Although poverty has declined in most African countries, the pace has lagged behind that observed in other developing regions with comparable growth rates (Thorbecke and Ouyang, 2018). A widely discussed reason for this weaker performance lies in the non-inclusive character of African growth (Fosu, 2009; Christiansen et al., 2013; Fosu, 2015; Cornia, 2017; Fosu, 2017a, 2017b; Odusola et al., 2017; Fosu, 2018). Scholars often explain Africa's post-colonial growth record by pointing to its dependence on primary sector expansion rather than on manufacturing-led structural transformation, which in other developing regions has historically underpinned job creation and sustainable poverty alleviation (McMillan et al., 2014; Rodrik, 2016). Moreover, this growth pattern has been shaped by the persistence of extractive institutions inherited from colonial rule, which allowed political and economic elites to capture resource rents (Devarajan, 2013; Atkinson, 2014; Knight Frank Research, 2015). When growth is driven by resource booms and managed by such institutions, the benefits accrue disproportionately to ruling elites, leaving the majority excluded (Robinson et al., 2006; Acemoglu and Robinson, 2012; Sala-i-Martin and Subramanian, 2012; Devarajan, 2013). As a result, growth in Africa has largely failed to "trickle down" to the poor, given the absence of robust secondary sectors that could generate more equitable and durable outcomes.

Another line of explanation challenges the very accuracy of the "African miracle". Jerven (2013, 2015) highlights weaknesses in GDP measurement, arguing that much of the recorded growth may be statistical rather than real, reflecting mainly the incorporation of previously uncounted informal activity (Jerven, 2015). If growth figures were overstated, the sluggish decline in poverty would be less surprising. Yet, this argument alone does not fully resolve the issue. Clementi et al. (2019) compare GDP per capita growth with household consumption growth, the latter being the welfare metric typically used to estimate poverty (Adams, 2004; McKay, 2013). Their analysis reveals that the gap between GDP and consumption growth is wider in SSA than elsewhere, but average annual household consumption still grew at around 2.3%, a rate comparable to South Asia and slightly higher than Latin America. Thus, while consumption did rise, poverty reduction proceeded more slowly in SSA than in other developing regions.

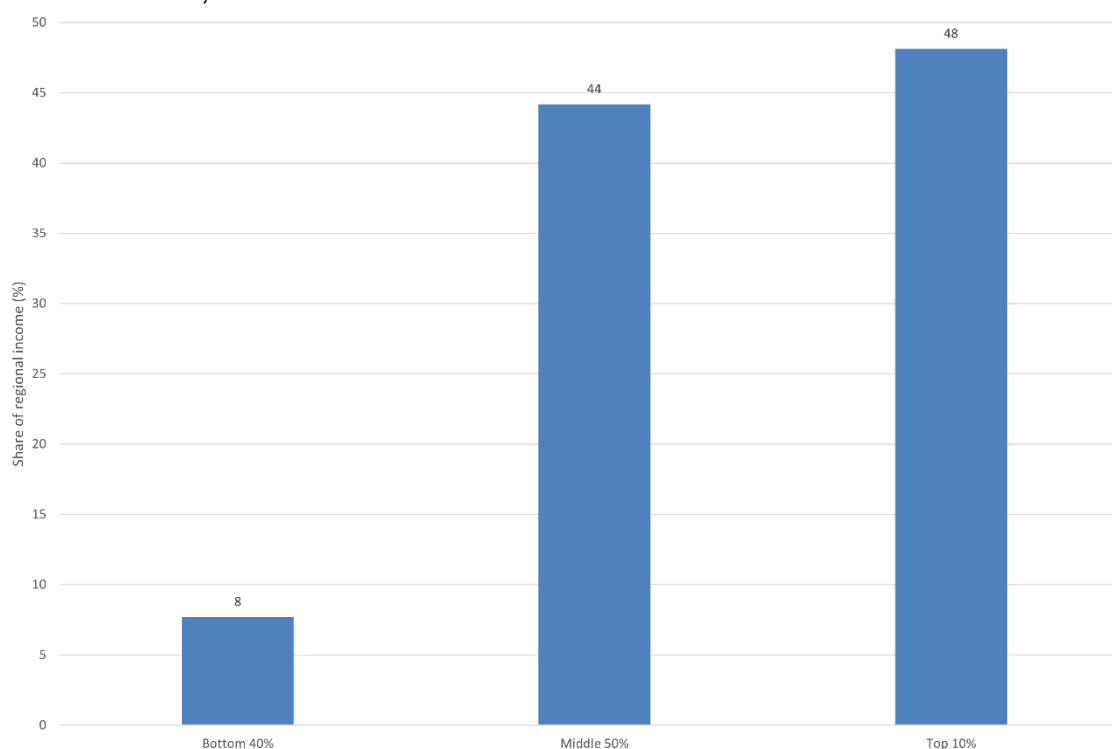
A more convincing interpretation points to the role of persistently high levels of inequality. The relationship between inequality, growth, and poverty has been intensely debated. Dollar and Kraay (2002) contend that growth benefits all income groups proportionally, making distributional concerns less relevant for poverty alleviation. In contrast, Bourguignon (2004) and Ravallion (2005) argue that inequality substantially reduces the poverty-reducing power of growth. Similarly, Thorbecke (2013) stresses that widespread poverty combined with high inequality explains Africa's low growth elasticity of poverty, as both factors depress growth directly and weaken its impact on poverty indirectly. Empirical evidence from SSA

supports this view: Fosu (2009, 2015, 2017a, 2018) shows that while growth reduces poverty, the size of this effect diminishes systematically with higher initial inequality. Consequently, the persistently low elasticity observed in Africa over the past two decades is plausibly attributable to growing inequality, which has undermined the pro-poor character of growth.

Stata of Play of Inequalities in Africa

Considering the recent empirical evidence on inequalities in Africa, the continent stands out as one of the most unequal regions worldwide. In 2022, the richest 10% of the population received 48% of total income, while the poorest 40% accounted for only 8% (see Figure 1). The income gap between these groups is wider than in other highly unequal regions, with the top 10% earning 30 times more than the bottom half. The Gini coefficient, averaging 0.53 in 2020, was significantly higher than the 0.41 observed in other low- and lower-middle-income countries (David et al., 2025).

Figure 4: Income Share of the Bottom 40%, Middle 50%, and Top 10% in Sub-Saharan Africa, 2022.



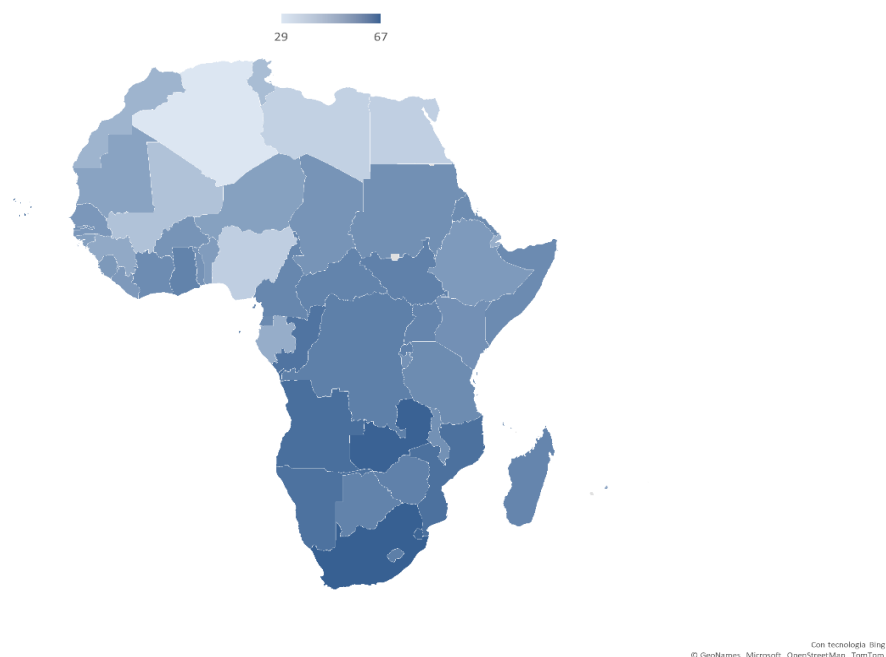
Source: Authors' elaboration using data from UNU-WIDER (2025).

Over time, inequality has tended to worsen. Between 1980 and 2016, most income gains accrued to the wealthy and super-wealthy, while the living standards of the majority remained stagnant (David et al., 2025). The share of Sub-Saharan Africans among the world's poorest rose sharply: in 2016, 33% of the global bottom 10% lived in the region, compared with 21% in 1990, while SSA remained virtually absent

among the world's top income groups. The 2000s also witnessed growing polarization across the continent. Households in Central and Eastern Africa concentrated in the lower deciles, while those in Western and especially Southern Africa increasingly moved upward in the income distribution (Clementi et al., 2021).

Inequality, however, is far from uniform. Southern Africa records the highest levels, while Northern and Western Africa show comparatively lower values (Oduola et al., 2017; Zizzamia et al., 2021; Chancel et al., 2023). Extreme disparities are evident in several countries: eight African nations have Gini coefficients above 0.60, and seven of the world's ten most unequal countries are located in Sub-Saharan Africa (see Figure 2). The evolution of inequality is equally heterogeneous. Between 1991 and 2011, it declined in 17 African countries but increased in 12, reflecting divergent national trajectories (Cornia, 2017).

Figure 5: Gini Coefficients of African Countries, 2022.



Source: Authors' elaboration using data from UNU-WIDER (2025).

Wealth inequality adds another critical layer. Although data limitations remain due to the lack of wealth taxation, recent household and panel surveys have shed new light. In countries such as Malawi, Tanzania, and Uganda, high income volatility hinder wealth accumulation, preventing income-rich households from staying wealthy long enough to build assets, a dynamic that sustains structural wealth inequality (De Magalhães and Santaaulàlia-Llopis, 2018). In Southern Africa, concentration reaches extreme levels: in South Africa, Namibia, and Botswana, the richest 10% own more than two-thirds of total wealth. In South Africa alone, the top 10% controls 86% of wealth, with the top 0.1% holding nearly one-third. These disparities cut across all asset types and have remained unchanged even after the

end of apartheid. Gender gaps further exacerbate wealth inequality, as women continue to face significant disadvantages in asset and land ownership (Gaddis et al., 2022).

Finally, inequalities in Africa extend beyond monetary measures. SSA records the world's highest rates of educational exclusion, with persistent gaps in secondary and higher education and marked gender disparities. Unequal education perpetuates intergenerational inequality, constraining labor market opportunities (David et al., 2025). Labor markets themselves are characterized by high informality, precarious youth employment, and limited access to formal jobs, all of which amplify disparities. Health inequalities are equally severe, with uneven access to services and the highest maternal mortality rates globally. Gender disparities span health, education, employment, and asset ownership, reinforcing broader socioeconomic divides. Climate change adds another dimension: although Africa contributes minimally to global emissions, it suffers disproportionately from climate shocks, with impacts heavily conditioned by pre-existing income and wealth inequalities. The rural-urban divide compounds the picture, with access to infrastructure and services heavily concentrated in urban areas (Clementi et al., 2022).

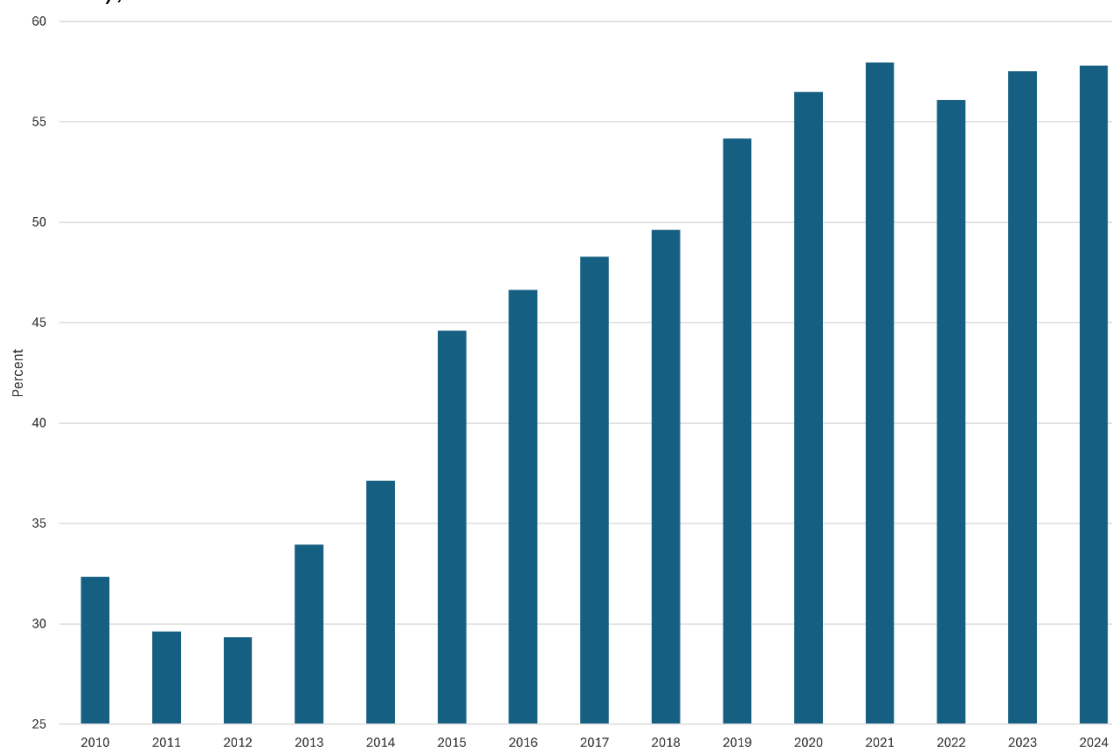
Debt Dynamics and Sustainability Risks in Africa

Reducing African disparities across multiple dimensions is crucial to enhancing the inclusiveness of growth and to accelerating poverty reduction, as argued in recent contributions (Clementi et al., 2019, 2022). Addressing inequality requires substantial investments in health, education, and social infrastructure, areas where well-managed public debt can play a positive role by providing the necessary resources. However, the sharp increase in debt levels in many African countries has progressively constrained fiscal space, limiting governments' capacity to sustain these investments and risking the deepening of existing divides (Atta-Mensah and Ibrahim, 2024).

Since the global financial crisis of 2007-09, Africa has entered a new cycle of rising debt (Figure 3). Public debt has grown sharply, driven by external shocks such as the financial downturn, the COVID-19 pandemic, recent geopolitical tensions, and large-scale infrastructure investments. By 2022, 24 African countries had exceeded the 60% debt-to-GDP threshold, while only Central Africa remained below the benchmark for sustainability. Borrowing has increasingly relied not only on official lenders but also on private creditors and local-currency bonds held by domestic residents (Ndulu and O'Connell, 2021). At the same time, borrowing costs have surged, diverting fiscal resources away from development spending toward debt servicing (Figure 4). Loan defaults reached a thirty-year high in 2022, highlighting the vulnerability of many economies.

Although some sovereigns began restructuring their obligations in 2023, debt distress has doubled since 2015: over half of the Sub-Saharan countries assessed were considered at high risk or already in debt distress (Comelli et al., 2023; Were, 2024).

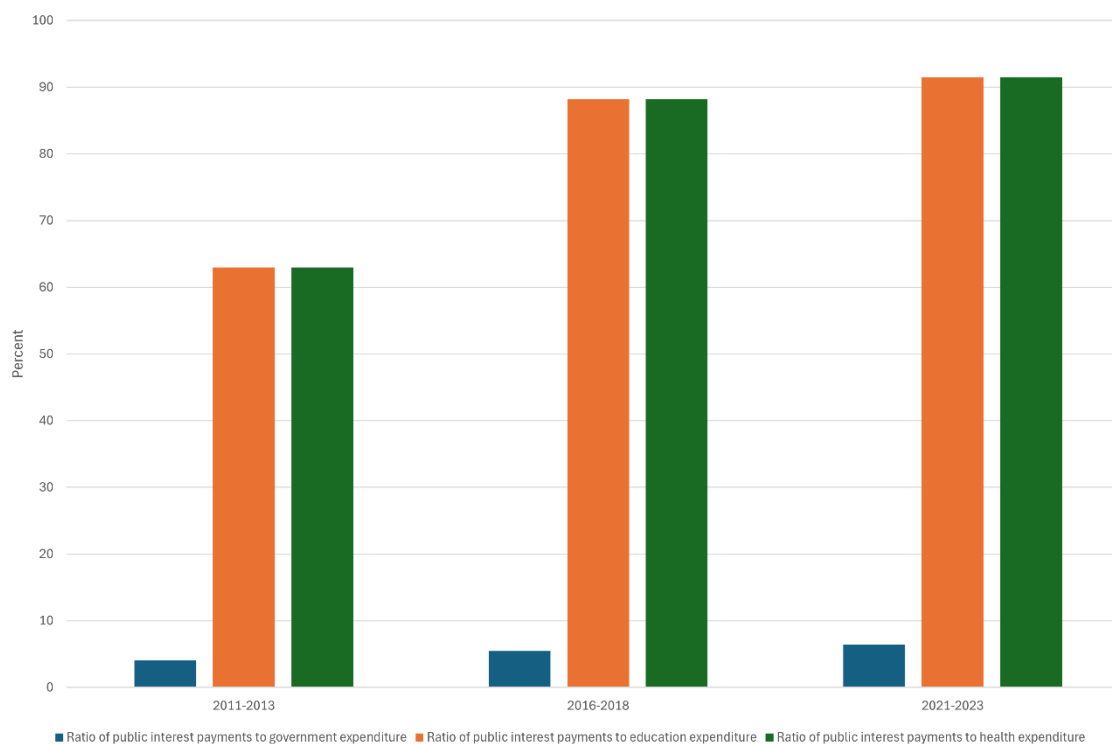
Figure 6: Total Public Debt as Share of GDP (Median Values Across Countries in Africa), 2010-2024.



Source: Authors' elaboration using data from UNCTAD (2025).

This mounting crisis reflects structural weaknesses. Following debt relief initiatives in the 2000s, African governments borrowed heavily from China and international markets, often at relatively high interest rates of 4-6%. Many of the financed projects yielded poor returns, leaving countries with growing debt stocks but insufficient revenue streams. The fall in aid flows and the volatility of commodity prices further undermined debt sustainability. Moreover, the increasingly fragmented creditor landscape has complicated restructuring efforts. The G20's Common Framework, launched in 2020 to coordinate debt treatment for low-income countries, has proven slow and difficult to implement, largely due to disagreements among creditors. Paris Club members and China tend to prefer maturity extensions, while private creditors usually push for upfront repayments in exchange for partial write-downs. This divergence has delayed relief and created further uncertainty.

Figure 7: Growth of Interest Payments in Africa Between 2011-2013 and 2021-2023.



Source: Authors' elaboration using data from UNCTAD (2025).

The relationship between debt and inequalities in Africa is complex and two-way. On the one hand, debt can be an instrument to finance inclusive policies – such as education, health care, and social infrastructure – capable of reducing disparities (Coulibaly et al., 2019). On the other hand, when debt becomes excessive and unsustainable, it often exacerbates inequalities. Debt service obligations may encourage regressive taxation, reduce fiscal space for social spending, and lead to austerity measures that disproportionately harm disadvantaged groups (Salti, 2015; Atta-Mensah and Ibrahim, 2020; Obiero and Topuz, 2022). In some cases, high debt levels have contributed to inflationary pressures and currency devaluation, eroding the purchasing power of poorer households.

Inequalities also shape debt dynamics. A weak tax base in highly unequal societies reduces fiscal capacity and raises the demand for redistribution, both of which increase reliance on borrowing (Kumhof et al., 2015; Bohoslavsky, 2016; Carrera and de la Vega, 2021). Furthermore, income inequality fosters private leverage and instability, which can culminate in financial crises and costly bailouts. While empirical evidence for Africa remains limited, some studies suggest a non-linear pattern: low levels of debt may help reduce inequalities, but once debt surpasses a certain threshold, the effect reverses, aggravating disparities (Atta-Mensah and Ibrahim, 2024).

Conclusions

The growing importance of the African continent is now evident to all. In terms of raw material wealth, Africa is a continent that has been, as is now widely acknowledged, plundered for millennia by Western colonialism and imperialism. The consequences of these violent policies have profoundly shaped the contemporary era and, more broadly, the decolonization process, which has encountered significant problems that continue to influence the present.

The current international crisis is not only political but also economic. Numerous conflicts, including the ongoing Palestinian genocide, are manifestations of escalating tensions—expressed through currency wars—between those who have maintained global hegemony since the Second World War and emerging countries, particularly in Asia. In this complex scenario, talk of an "African miracle" persisted for years, although growth figures were heavily distorted by rising prices of certain commodities abundant on the continent and by revisions in GDP calculation methods. Nonetheless, available evidence points to growing inequality (even if currently underestimated), poverty that, while slightly alleviated, remains unacceptable, and a lack of structural adaptation by African countries to the current phase of capitalism. Among these factors, the role of debt stands out—a problem set to explode in this decade, forcing many countries into default.

Addressing the debt challenge in Africa requires reframing current approaches. Heavy reliance on fiscal consolidation has often proved counterproductive: austerity measures introduced amid climate shocks, inflation, and high unemployment tend to cut essential spending and worsen vulnerabilities. More effective solutions must tackle the structural roots of unsustainable debt, such as insufficient taxation of elites, corruption, and poorly designed resource contracts. At the same time, a new global debt architecture is urgently needed – one that moves beyond the rigid trade-off between debt service and austerity. Calls have intensified for substantial debt cancellation and for reforms that enable African countries to invest in human capital and essential services without falling into repeated cycles of crisis. Collective action by debtor countries, together with a more balanced international framework, is essential to break the vicious link between debt accumulation and inequality.

In such a context, only truly radical political choices—independent of external influences, even if currently reformist in the strictest sense—can prevent African countries from worsening their situation. They are already becoming a terrain of confrontation between the two blocs vying for global hegemony, who may offload the burdens of a large-scale conflict onto a continent that is both opulent in

resources but deeply impoverished and suffering a millennial state of exploitation by foreign countries.

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Declaración de intereses

Los autores declaran que no existe conflicto de intereses.

Declaración de autoría

Ambos autores declaran que contribuyeron por igual a este trabajo. Tanto en el diseño de la investigación (conceptualización y metodología); búsqueda y procesamiento de bibliografía; preparación de la versión original; revisión; así como en la redacción final del artículo y su edición.