RECESSION IN AFRICA

Background papers to the seminar
Africa—Which way out of the Recession?
Uppsala, September 1982

Edited by
JERKER CARLSSON
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PREFACE

During the last few years it has become abundantly clear that the economic difficulties facing most countries in Sub-Saharan Africa are of a far more serious nature than a temporary cyclical recession. Many countries have now reached a stage where long-term economic planning is no longer possible. Planning and resource use have to be concentrated to short-term emergency measures in order to avoid economic collapse. The situation is therefore qualitatively different from that of the early 1970's. There is, then, a need to critically analyse the features of the present economic situation commonly referred to as "crisis" or "recession" as well as to trace its roots. Such investigations are necessary prerequisites for both short and medium-term policy formulation in the 1980's.

In 1981 the World Bank published a report on "Accelerated Development in Sub-Saharan Africa - An Agenda for Action" containing an analysis of the causes underlying the present economic difficulties as well as policy recommendations for the 1980's. The World Bank report sparked off a heated debate both in Africa and internationally. A number of seminars and workshops have been held where the relevance and validity of the World Bank analysis have been scrutinized.

The Nordic countries Denmark, Finland, Norway and Sweden are involved in development co-operation programmes with a number of countries in Africa South of the Sahara. Since the early 1980's it has become evident that the various programmes and projects cannot be run along the same lines as at the inception in the 1960's of development co-operation between African and Nordic countries. The objective conditions have changed and there is a need for reexamining the broader structural framework within which development programmes are set.

As one contribution towards this end the Scandinavian Institute of African Studies jointly with the Centre for Development Research (Copenhagen) and the Institute of Development Studies (Sussex) organized a seminar entitled "Africa - Which Way out of the Recession?". The seminar was
held in Uppsala, Sweden in September 1982 and was attended by some fifty researchers, policy-makers of Nordic development co-operation agencies and international organizations. It provided a forum for discussion among academics and practitioners of economic development and co-operation. The discussions revolved around the nature and origin of the "recession" in Sub-Saharan Africa. Based on these discussions policy options were explored. In much of the deliberations the analysis presented in the World Bank report served as a point of departure.

When preparing the seminar a number of scholars were invited to write background papers on individual countries in Sub-Saharan Africa. The selected countries were Ghana, Ivory Coast, Malawi, Tanzania, Mozambique, Zambia and Zimbabwe. The authors were asked to identify the main factors underlying the current crisis in the countries under review as well as to relate their analysis to that of the World Bank as presented in the report on "Accelerated Development in Sub-Saharan Africa" and to the "Lagos Plan of Action" adopted by the OAU.

This volume of the seminar proceedings contains the country case study papers together with a paper on selected strategic issues written by Reginald Green. As an introduction, a presentation is given of the World Bank report and the Lagos Plan of Action.

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INTRODUCTION

As the states of Sub-Saharan Africa enter the "Third Development Decade" their future prospects look less bright than twenty years ago. Internal problems and the repercussions of an increasingly depressed world economic situation have drastically altered the possibilities for long-term development. The real growth in production and the extension of the economic and social infrastructure that actually took place during the 1960's has now come to a virtual halt. The grave magnitude of the economic problems encountered, far more serious than the setbacks of the 1970's, have involved most Sub-Saharan countries in a grim struggle for survival.

The accelerating underdevelopment of Africa and its human dimensions highlights the need for a thorough analysis of the causes behind this process and the changes in strategy and policy that are urgently needed.

At the OAU Economic Summit in Lagos in 1980 representatives of African states adopted a strategy proposal called "The Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa". The Lagos Plan was the result of a series of meetings - Abidjan (1973), Kinshasa (1976) and Monrovia (1979) - where the economic situation of Africa and the need for new strategic approaches had been on the agenda.

The final result, the Lagos Plan of Action, is based upon the fact that Africa's present situation is a direct result of the socio-economic organization set up by the colonial powers. The Plan therefore emphasizes the need for collective self-reliance, self-sustaining development, economic cooperation and integration.

Actions are to be taken on the national level, but especially on sub-regional and regional levels, to promote the economic development of the continent. Three areas are given top priority:

- The expansion of intra-African trade. This is to be achieved by establishing sub-regional preferential trade areas and special institutions at both sub-regional and regional levels, to facilitate trade cooperation.
- **Self-sufficiency in food.** Increased food production, establishment of food reserves and measures to reduce post-harvest losses are immediate priorities.

- **Acceleration of industrialization.** Joint action is necessary to restore the already existing production capacity. Sub-regional and regional cooperation in the field of industry must be developed to overcome the constraints posed by small national markets and lack of capital and technological know-how.

In 1979 the World Bank was asked by its African Governors to undertake a study of Africa's difficult social and economic situation. On the basis of the findings, proposals for ways out of the stalemate were to be suggested. The resulting report "Accelerated Development in Sub-Saharan Africa: An Agenda for Action", was published in 1981.

The report focussed on four major factors as causes of the crisis. They include overvalued national currencies, neglect of peasant agriculture, too heavy emphasis on protected manufacturing industry, and too much state intervention in the economy.

According to the report, overvalued currencies and the protection of home industries, which form essential parts of a development strategy based on import substitution, create unfavourable terms for the agricultural sector, leading to decline in the marketed production of both export and food crops. State intervention in the economy at the expense of free market forces tends to create an artificial price structure with little relation to real costs. Considering the lack of trained manpower in most Sub-Saharan countries the report argues that economic resources under these circumstances are inefficiently used to the extent that (when international conditions turn unfavourable) African national economies have become seriously weakened.

When it comes to the policy recommendations, the World Bank report advocates an adjustment of African economies to the demands of the world economy based on increasing exports of agricultural and mineral products. Increased production and better utilization of existing resources is to be achieved by offering greater opportunities to private initiative.

Consequently, the following policy measures are recommend ed in the report:
Changes in trade and exchange-rate policies are considered critical. Existing policies have so far forced farmers to purchase high-cost, local implements. They have also raised the cost of consumer goods and, finally, they have held down farm gate prices on export crops. Therefore the national currencies must be devalued, price incentives for farmers must be reintroduced and industrial protection must be lowered.

Increased efficiency of resource use in the public sector. Apart from strengthening the priority-setting and policy-making capacity, improving project analysis and expenditure controls in public institutions, the report argues that the private sector must be given a more prominent role, particularly in agricultural marketing, transport, civil works and drug distribution. The typically large parastatal sector must be given much more independence and be subject to incentive systems that can raise output and efficiency. As a resource-saving device the report does not preclude the possibilities of making consumers pay for social services.

Agricultural policies need to be reviewed. The report emphasizes the policy framework. Small-holder production must be the number one priority. Farmers' output can only be increased by instituting an incentive structure much more attractive than the present one, involving substantially higher producer prices in real terms, open and competitive marketing, direct involvement of farmers in decisions affecting themselves. Expansion of agricultural research is another priority area. If these measures succeed, agricultural production and incomes will rise. This will in turn stimulate manufacturing.

The performance of the industrial sector in most African countries is generally regarded as unsatisfactory by the Bank. It has tended to be a burden on agriculture rather than being supportive. It makes large claims on scarce foreign exchange, but does not generate domestic savings and government revenue as anticipated. In view of this experience industry is not recommended to be a priority area in a future
strategy. The pace of industrialization should not be forced. More conscious efforts should be made to seek out industrial export opportunities. If agricultural policies succeed in raising farmers' incomes, this will, however, increase the demand for consumer goods and thus stimulate industrial production.

THE CASE STUDIES

The country case studies collected in this volume represent an attempt to examine the validity of the World Bank report position by analyzing the specific features of the "recession" as it has manifested itself in individual countries.

The Ivory Coast and Malawi may be said to represent moderately successful examples of countries following a capitalist-orientated development path. Concentrating on commercial agriculture both countries have been comparatively successful in extracting a surplus for capital formation. The surplus-generating capacity of export-orientated agriculture has been based on an outright exploitation of peasants and agricultural workers.

The rapid accumulation process in the Ivory Coast was facilitated by state interventions and based itself on resources generated in agriculture. Through an alliance with foreign capital and local entrepreneurs the Ivorian state managed to bring about some structural change, i.e. developing linkages between sectors of the economy.

Although this success was largely due to factors specific to the Ivory Coast (for example a particularly high rate of exploitation of migrant agricultural workers) favourable world market conditions also contributed significantly. As a result, the Ivorian "miracle" when entering the 1980's is fading and familiar crises patterns have begun to emerge.

The Malawian strategy of promoting "the acquisitive and possessive instinct" has been very successful in terms of growth rates, but less so in terms of overall development. When the crises hit Malawi in 1978 the immediate causes were identified as being external; declining terms of trade, high international interest rates and soaring transportation costs. But, as Mkandawire points out, problems were aggravated by the specific nature of the Malawian "success story". Crop concentration on tobacco, the establishment of a plantation economy and neglect of peasant production; low educational
expenditures necessitating a substantial reliance on expensive expatriate expertise were among the most important factors.

Thus when the surpluses previously generated by these economies began to dwindle both countries had to resort to external borrowing and import restrictions. Such measures had an immediate adverse impact on growth rates.

Ghana was the first African country to achieve independence. By the beginning of the 1960's the economy had realized its full potential. The export sector proved unable to generate further surpluses to sustain the growth momentum of the economy. As early as 1963/64 Ghana exhibited crisis symptoms.

During the 1970's Ghana's political instability further compounded the problems of formulating a coherent development strategy. Instead, consecutive Governments resorted to various stop-gap measures in their attempts to revive the economy. When the civilian Busia regime was overthrown in 1972 a situation arose that was described by Kofi and Hansen as a "lot of currency chasing a few goods". Deficit financing, without significant tax increases, led to an inflation rate of Latin American proportions. The falling productive capacity of the economy and a serious balance of payments deficit, gave little room for economic policy formulations. After the 1979 Rawlings Interlude, the new Lamann Government designed an economic policy based on inviting foreign capital. But the political and economic instability meant that such an inflow was not forthcoming and the Ghana crisis deepened.

Zambia with its strategy of "humanism" resembles the Ghananian case. It attempts to ameliorate the "ugly face" of capitalism by a certain degree of popular mobilization. However, when the export sector begins to falter repercussions are felt throughout the economy.

After independence large investments in infrastructure were politically and economically necessary. In general, productive activities were left to private, primarily foreign capital, particularly in the mining and manufacturing industries. Agriculture was predominantly based on a settler type of system, and support for peasants and cooperatives developed only slowly.

In spite of attempts to exercise national control over productive activities, very little was achieved. Selldman emphasizes continued foreign control as one of the major factors behind Zambia's mounting difficulties since the 1970's.
Deteriorating terms of trade because of falling copper prices were combated by tight import controls, which admittedly produced trade balance surpluses during the 1970's. However, a balance of payments deficit arose following a large outflow of invisibles. The measures taken by Zambia to close this gap are well known: increased external commercial borrowing and access to IMF facilities.

It is probably too early to predict the ideological course and development strategy of Zimbabwe. However, some light may be shed on this issue, and also on the likely future of the Zimbabwean economy if the present vaguely discernible strategies are continued, by comparing it with that of Zambia.

At independence in 1980, Zimbabwe had a high per capita income and large locally generated investible surpluses. Government expenditures soon increased dramatically, mainly for political reasons. Only marginal changes were made in a regressive tax system. The state tried to attract foreign capital with a liberal tax regime, which however, tended to erode the revenue base of the state, and budget deficits arose. The unwillingness to restrict the activities of foreign capital resulted in aggravated balance of payments problems as the outflow of invisibles increased. The remedy applied consisted of extensive external borrowing, which soon resulted in burdensome debt servicing.

In her comparative study of Zambia and Zimbabwe, Seldman points out that both countries suffered from the constraints imposed by inherited colonial politico-economic structures. Furthermore, special problems arose out of the armed struggle for liberation in Southern Africa. Post-independence development has also been seriously hampered by the continuing aggression by South Africa.

The wars of liberation in Southern Africa also affected Mozambique, one of the two countries in this selection that espouse a socialist-orientated strategy. Egero and Torp point out two principal factors determining Mozambique's economic situation in the early 1980's. The exodus of nearly all Portuguese by independence meant a serious loss of technical competence and knowledge. Secondly, uninterrupted military attacks by Rhodesia and South Africa meant that defence expenditures demanded large proportions of a surplus that could otherwise have been invested productively. The effect was that the development strategy, emphasizing large-scale agriculture and industrialization, was jeopardized.
In the case of Tanzania, Green notes that the accelerating deterioration after 1979 was achieved not because of lack of political response, but rather in spite of energetic response which involved substantial sacrifices by the majority of the people. The crisis features are the standard ones; stagnating export agriculture; trade balance deficits; import restrictions; falling general productive capacity; high rates of inflation; increasing debt servicing. In addition to the detrimental impact of the international recession, Tanzania was hit by the effects of the war with Uganda and bad weather cycles.

Both Mozambique and Tanzania have made attempts to formulate development strategies emphasizing a high degree of mobilization of the people in their development efforts. Apart from policy implementation problems, their cases show that as long as their economies remain within the context of the world market, it has been exceedingly difficult for them to counteract crisis-generating forces.

CHALLENGING THE WORLD BANK REPORT

Do the country cases presented above substantiate the World Bank position that "the internal structural problems and external constraints impeding African economic growth have been exacerbated by domestic policy inadequacies?"

In most cases it is obvious that domestic policy measures adopted by the respective Governments have contributed to an aggravation of the CRISIS. But there are also cases where governments cannot be accused of, for example, neglecting agriculture and over-extending the public sector, e.g. Malawi and the Ivory Coast. They nonetheless exhibit typical crisis features, similar to those of countries where policies have been inadequate according to the World Bank, e.g. Ghana and Zambia. When the Bank report identifies major internal structural problems it stresses; a) inadequate education, b) land-intensive production methods in agriculture and, c) rapid urbanization. Although these factors are important, the country cases make it clear that the Bank report needs to locate these structures in a wider context, i.e. the integration of African economies into an international economy dominated by the industrialized countries.

Thus, the country case studies in this volume challenge the analysis presented by the Bank report. They suggest that
external conditions emanating from the functioning or mal-functioning of the international economy must be accorded principal importance. So far the Bank has been more concerned with the manifest symptoms of the crisis rather than its deeper structural causes. A shift in focus is particularly necessary when discussing future strategies for getting Africa out of its present morass.

There is consensus in the various case studies that, for the immediate future, first priority can no longer be expansion, but rather consolidation of what has been achieved during the last two decades. The gravity of the economic crisis facing Africa has undermined the possibilities for a continuation of normal development planning. Long-term objectives must be subordinated to short-term measures simply to avoid a complete breakdown of entire socio-economic systems.

Thus, the immediate tasks would be to maintain existing productive facilities and rehabilitate those that have been run down and to raise utilization levels of existing production capacities. Such a programme of "crisis management" can only find adequate means via the external market. There is consequently a need for export expansion. This is elaborated by Reginald Green in the concluding essay in this book. Depending on the specific circumstances of each individual country, export expansion can be achieved either by rehabilitation of a partly disintegrated existing production system, developing new primary commodities for export to new markets, or processing locally available raw materials for the international market. Exports must, at least in the foreseeable future, be regarded as the main source of revenue. Foreign capital, either in the form of direct investments or aid, cannot be expected to be forthcoming in the volume required.

Such an approach must be distinguished from the Bank's strategy of export-led growth, even though they both emphasize the need to revive exports. The export expansion suggested by the authors of the papers in this book is not to be achieved by reinforcing of the inherited colonial production structure. To most of them the Bank's proposal to revive the private sector - local as well as foreign - and to induce export-led growth of traditional primary products, demonstrates a remarkable lack of awareness of the historical causes behind Africa's underdevelopment, i.e. its integration into the international economy as engineered during the colonial period.
Instead, export expansion should be linked to a strategy of national economic integration, where a restoration of the existing production capacity, not least in industry, must incorporate determined attempts towards structural change. Such a strategy should contain, inter alia, domestic restructuring of the production capacity, improved policy implementation, reforms in agriculture, changed fiscal policies to strengthen the resource base of the state, regional cooperation, and in general, measures to increase the African countries' control over their own socio-economic institutions. In the gloomy perspective of the 1980's a reformulation of the development strategies of the 1960's seems inevitable. Equally inevitable is a change of focus. The main issue is no longer how to accelerate the process of development, but rather how to decelerate the process of underdevelopment.

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THE IVORY COAST FACING THE ECONOMIC CRISIS*

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Introduction

In many respects the case of the Ivory Coast is interesting. From the very day of independence the Ivorlan government has favoured a liberal economic policy, inviting foreign capital to invest on attractive conditions including tax holidays, free repatriation of profits, etc. Inherent in this policy has been the need for an economic integration with the world market by emphasizing the exportation of agricultural raw materials and gradually also manufactured or semi-manufactured products. This "extrovert" nature of the Ivorlan economy has led several economists of the "dependency school" to predict all the evils of a dependency situation for the national economy. Some of these have even gone so far as to predict an imminent halt to this "perverted capitalist growth process", which is seen to result from the absence of linkage effects in the national economy.

Samir Amin is the most outspoken and critical among these economists. Amin's book "Le Développement du capitalisme en Cote d'Ivoire", which was published in 1967, is one of the more thorough analyses of the Ivorlan development. Amin's main conclusion is that this country is a prototype of "growth without development", which implies an export-oriented and externally generated growth process which results in the lack of any internal self-centred dynamic.

In his postscript to the second edition of this book in 1971 Amin did not find that recent development trends had in any way modified his earlier analysis. Amin argues along

similar lines in his "L'Afrique de l'Quest Bloquée" from 1971 and concludes:

"Both theory and analysis show that this type of growth (the Ivorian extroverted growth) is not possible beyond a certain point, unless foreign finance itself grows faster than the product; that is, unless foreign aid can gradually take over a growing proportion first of investments and later of current administration. If this does not happen, the process of growth stops. (...) The type of growth which the Ivory Coast has experienced since 1950 does not therefore result automatically in an economic take-off, but rather in increased foreign dependence and the stopping of growth. This is why I can attribute no scientific value to the "Perspectives" (an Ivorian planning document), which optimistically envisage the presence of all the conditions necessary for take-off in the Ivory Coast by 1970. It is true that in 1970 the level of savings reached in the Ivory Coast will in theory be more than adequate to ensure further, self-generated, growth. A large part of these savings, however, is functionally destined to be exported and no financial technique for "mobilizing savings" will make it possible to evade this objective law."

Although the author of this paper finds the "scientific value" of "objective laws" in economic theorizing a bit doubtful, Amin's message is clear: integrating with world market factors does not create the conditions of fully capitalist growth processes and inter-linked economic sectors. On the contrary: such a growth process will sooner or later come to a halt (in the quoted writings Amin definitely seems to believe sooner), leaving no way for a continuous and extended capital accumulation.

The Ivory Coast is an interesting case as the country has since independence experienced a continuously high growth rate. Since 1960 the annual growth rate has been 19.7% or 7.7% when adjusted for inflation. Although this growth has recently slowed off dramatically the Ivory Coast had reached a GNP per capita of US $1,060 in 1979. In Africa south of the Sahara this is only surpassed by countries like mineral-rich Gabon and Namibia. Of course, exceptionally high economic growth rates tell us nothing about linkages, which may have been developed among various sectors of the Ivorian economy.

The economic policies pursued by the Ivorian state may take on an added significance, as these in many respects adhere to the recommendations, which the World Bank in its recent report finds "recommendable" for most nations in Africa. Although the "Agenda for Action" includes a long
range of recommendations, the central argument on which these recommendations rest is that trade and exchange-rate policies in African developing countries have favoured industrial development to the detriment of agriculture. This seems to suggest to the World Bank that a streamlining of the administrative set-up and the pricing policies of marketing boards are major means to boost agricultural productivity and thus to rectify what the report calls the internal "structural" problems which impede economic growth.

The Ivory Coast does have its overprotected industries, but post-independence development has nevertheless been characterized by a policy of increase in agricultural productivity through intensification, diversification and an increased tendency towards local manufacturing of agricultural raw materials. This state policy has primarily been conducted through La Caisse de Stabilisation - the equivalent in English to the Marketing Boards - which up to a certain point in time at least has acted fairly successful. The Ivory Coast thus gives us an opportunity to judge the possibilities and constraints inherent in World Bank philosophy regarding a society based on smallholder agriculture.

Since 1977 there have been increasing signs of an impending crisis in the economy of the Ivory Coast. Although the nature and content of this crisis is hard to ascertain, as the statistical material, which previously was published promptly, now lags far behind. In itself, this is perhaps, a symptom of things not really being what they used to be. However, it has to be stressed that the economic problems of the Ivory Coast are in no way immediately comparable to the current economic crisis in countries like for example Tanzania and Mozambique.

In the following, a brief account of the Ivory Coasts economic performance during the 1970s will precede a more detailed discussion of the basics of the economic policy pursued. Single aspects such as external economic vulnerability, the possible development of inter-sectorial linkages in the economy and the development of a more nationally anchored economic development will be discussed, as a precondition for the understanding and perhaps diagnosis of the present economic problems facing the country. Before finally summarizing, a brief discussion will be introduced on the socio-economic consequences for different social classes of the Ivorian
development philosophy - in an African context the most significant and successful example of a development path so clearly founded on capitalist principles.

Recent Economic Performance

As mentioned above, the economic performance of the Ivory Coast up to 1977 has been impressive with almost constant high growth rate primarily based on an extended agricultural production and exportation, but lately also on an increased industrial production. An exceptional political stability combined with a favourable investment climate has attracted many foreign investors, who have taken advantage of what has been called the Ivorian "economic miracle". Although the notion "economic miracle" lacks precision and has been much inflated lately there can be no doubt that the Ivory Coast has been used as the showcase in the African context, "proving" what is believed to be the basic superiority of the liberal economic development model.

The policy of agricultural diversification has somewhat reduced the dependence of the Ivory Coast on a few exportable products, but traditional products like coffee, cocoa and timber still account for about 2/3 of the country's export earnings. The introduction of new products such as palm oil, rubber, high grade cotton, sugar a.o. has taken place parallel to an improving productivity in the traditional products, thus leaving cotton and derived products, oilpalm products, pineapple, tuna fish, rubber, and sugar only around 14 % of the value of total exports. The combined efforts at diversification and intensification has, however, been quite successful in providing the state with a substantial investible surplus to be channelled productively in a further process of intensification or in industry. This system of extracting an economic surplus from the agricultural sector is an aspect to which we shall return in the following section.

"In 1960 the Ivory Coast produced around 135.000 tons of coffee and 85.000 tons of cocoa. The production figures in 1981 were 367.000 and 412.000 tons respectively. This dramatic production increase has made the Ivory Coast the world's third largest producer of coffee, and its largest producer of cocoa."
Other agricultural products have also developed in a similarly impressive way. Today the Ivory Coast is Africa's leading palm oil producers (and third on a world scale although there is a big gap between this country and the leading ones Indonesia and Malaysia), it rivals Mali as far as cotton production is concerned, and the country rates among the world's most important producers of canned pineapple.

The improved productivity in traditional agriculture — often initiated by introducing science-based techniques like high-yielding varieties developed within the joint French-Ivorian research institutions, fertilizers, insecticides, etc. — and the efforts at diversifying the products range, have in union secured the country a positive trade balance ever since independence. The first years following 1977 saw a sharp decrease in world market prices and worsened terms of trade resulted in a deterioration of the balance of trade. The imbalance in foreign trade has improved slightly in 1980. The balance of payments, however, has often been negative although not at the level experienced in recent years, reflecting at the one end many ambitious government investment programmes (of which several have been extremely costly like the sugar production programme in the northern part of the country), and at the other end the consequences of the liberal economic policy entailing substantial repatriation of profits and other private remittances. To this must be added the sharp increase in debt servicing accelerated in recent years, where the Ivory Coast has been forced to rely heavily on the costly Eurodollar market. At the same time the economic development of the Ivory Coast has implied a shift in external aid from grants to loans.

Another effect of the heavy reliance on agricultural exportable products has been an increase in food imports, but food imports only constitute around 10% of the total value of imports. In particular rice imports have increased which, together with other food imports (beverage and beef), reflects a changing urban consumption pattern on the part of the Ivorian upper income strata and the consumption demands by the still very large number of expatriates estimated at around 60,000 French so-called experts (a number far above that of the colonial period). Regarding staple food items such as millet, sorghum, yams, manioc and plantains the Ivorian production is judged to be close to self-sufficiency.
In order to boost food production, the state has since 1978 provided approx. 30,000 ha cleared land combined with credit schemes to encourage the younger generation to stay in the countryside. One condition for the allocation of plots is that a potential grower agrees to grow products required by the state.

Among several symptoms of the growing economic difficulties faced by the Ivorian economy are the balance of payment situation - as mentioned - and cuts in state expenditures where a number of state enterprises have been turned down, further increasing the number of unemployed. Among the more ambitious aspects of the Ivorian investment programmes is sugar production, where the 10 complexes originally planned have been cut to 5, still leaving the country with serious problems regarding a surplus production of close to 100,000 tons, which in the coming years is expected to grow by another 200,000 tons. In general the public investment programme has gone down from 12% of GDP in 1979 to between 7 and 8% in 1980. Also the debt servicing is increasingly difficult to meet. The outstanding debt, estimated at 1,500,000 million CFA F in 1981, is considerable, doubling every year. The debt/exports ratio has risen to nearly 30% - 5 points above the IMF judged critical 25% limit. For the Ivorians the problems are being felt a.o. in an inflation rate of around 20% in the past years combined with a state-fixed price paid the producers until recently kept constant at the 1977-level.

The drop in prices of coffee and cocoa - which went down by more than half following the 1977-peak - shows the continuous external economic vulnerability of the Ivory Coast. But this external dependence, although serious, is not immediately comparable to that of most other African nations, as the economic intervention of the state - which will be described in the following section - has established a material base for its own reproductive capacity. The Ivory Coast has certainly been hit by the world economic crisis, but the state has developed certain means for counteracting the most severe effects of this.
The System of State Extraction of an Economic Surplus from the Agricultural Sector

With a national bourgeoisie largely absent or only embryonic, the state becomes the main instrument capable of pursuing a capitalist-oriented development. By extracting an economic surplus from the agricultural sector, the state is in this situation the only institution able to accumulate funds which can be channelled into further productive investments.

In the Ivory Coast the extraction of economic surplus from the agricultural sector is made through "la Caisse de Stabilisation et de Soutien des Prix des Production Agricoles", a marketing board. The primary purpose of "la Caisse" is to guarantee the direct producers a minimum price while selling Ivorian products on the world market. The rather favourable world market prices for the major Ivorian agricultural products over time account for the growing importance of "la Caisse" as the main provider of state revenue, which accrues from the difference between the price paid the producers, and the world market price.

"La Caisse" operates in a manner wellknown from other marketing boards: Each year a minimum buying price is fixed, securing a guaranteed minimum income for the producers which according to the formal rationale of "la Caisse" should be independent of world market price fluctuations (which, in fact, it is not). Secondly, an additional price is calculated representing all extra costs incurred between the point of collection and disembarkment. "La Caisse" guarantees the exporter this sales Income. If the actual selling price is above the guaranteed minimum, the exporter will have to refund "la Caisse" the surplus. If the opposite is the case, "la Caisse" will pay the difference up to the guaranteed minimum.

What distinguishes "la Caisse" from many other marketing boards is the relatively rational manner in which it operates. Previously, certain aspects of the above procedure were completely left to private initiative, but increasingly "la Caisse" has come to control a larger and larger part of the whole transaction, leaving little room of manoeuvre for middlemen a.o. - It is estimated that "la Caisse" is now selling three-quarters of all coffee exports, one-fifth of cocoa exports and all cotton and palm oil exports.
In every instance "la Caisse" is trying to secure an agricultural product of a desired quality. Take coffee, for example, "la Caisse" cooperates with the French Coffee and Cocoa Research Institute, and its regional centres, which provide the varieties most adapted to the ecological conditions of the region in question (including the newly invented hybrid, the Arabusta, mixing the quantitative preference of the Robusta variant with the flavour of the Arabica). Another Ivorian institution ensures that the seeds delivered are treated and cultivated according to the necessary prescriptions and with the required equipment, pesticides, etc.

Where "la Caisse" is not directly involved at the producer level, it still seeks to control the remaining links in the system. Through a complicated licencing system, the state sees to it that the buyers of the product are paying the fixed price, adhere to the rules regarding the treatment of the product, maintain a book keeping system showing every purchase, and that the buyers are buying up to total quantities. The exporters are also forced to fulfill certain requirements, mainly regarding their financial reserves.

If the whole system works as prescribed - and it is certainly difficult to judge this - it seems that "la Caisse" is trying to have its finger on nearly every coffee bean in sight, all the way from the direct producers to the principal importing nations (where "la Caisse" has established offices of its own). Compared to other marketing boards (e.g. Kenya), the Ivorian system exercises much more control and limits the influence of the private business sphere to those functions defined and controlled by "la Caisse", hence limiting the siphoning off to middlemen of part of the surplus.

As mentioned above, the income of "la Caisse" mainly originates from the price difference between the export cost and export price of the various agricultural products. The system thus implies a tax on the direct producers, the consequences of which we will touch upon in the following section dealing with the palm oil case. It should be added though that "la Caisse" also receives an income from various investments in manufacturing industry, like the textile industry, banks, building societies and other SODE.s (Société d'Etat).

Up till immediately before the crisis year of 1977, in which world market prices of the major agricultural products
went down *drastically*, "la Caisse" had to pay producers from its reserves only three times. According to Afrique Agricul-
ture, the total revenue of "la Caisse" amounted to 205 billion CFA F during the period 1963 to 1974, which in the peak years before 1977 increased to an annual revenue of 140-
150 billion. In the years following 1977 the official statis-
tical figures indicate a clear slowdown in the revenues of "la Caisse", gaining a new momentum, however, in 1980 with 161 billion, cf. the following table:

The Ivory Coast State Investment Budget (millions of CFA F)

<table>
<thead>
<tr>
<th>Sources of revenue</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>74.478</td>
<td>88.289</td>
<td>63.564</td>
<td>44.110</td>
</tr>
<tr>
<td>La Caisse</td>
<td>122.080</td>
<td>86.190</td>
<td>69.585</td>
<td>161.237</td>
</tr>
<tr>
<td>Sub-total</td>
<td>196.558</td>
<td>174.479</td>
<td>133.159</td>
<td>205.347</td>
</tr>
<tr>
<td><strong>External resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Institutions</td>
<td>4.982</td>
<td>5.138</td>
<td>11.888</td>
<td>11.470</td>
</tr>
<tr>
<td>Private Financial Institutions</td>
<td>22.591</td>
<td>35.867</td>
<td>39.498</td>
<td>43.410</td>
</tr>
<tr>
<td>Suppliers' Credits</td>
<td>9.700</td>
<td>28.656</td>
<td>19.464</td>
<td>40.480</td>
</tr>
<tr>
<td>Sub-total</td>
<td>48.516</td>
<td>82.741</td>
<td>86.608</td>
<td>107.497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>245.074</td>
<td>257.220</td>
<td>219.767</td>
<td>312.844</td>
</tr>
</tbody>
</table>


If these figures are to be believed, "la Caisse" is still the primary revenue earner and contributor to the State investment programmes. The figures seem to be questionnable, however, as indicated by an interview with the Ivorian agricultural minister,³ where he states that the slump which followed 1977-1979 melted a lot of la Caisse's fortune away as the fund had to pay out its reserves, leaving it with a capacity to do only one-tenth of what it did before.

With the production Increases in 1980 and 1981, and the squeezing of the farmers (whose selling price had not been regulated by the State since 1977), "la Caisse" may have re-
gained part of its previous position - now clearly to the
detriment of the direct producers. On the other hand, the
Ivory Coast's abstention from joining the International Cocoa
Agreement caused huge losses of income to "la Caisse" as the
country instead followed a stock piling policy, which had the
disastrous effect of eventually forcing the Ivorians to sell
out the main part of their cocoa production far below the
internationally agreed terms.

Whatever the truth regarding the earnings of "la Caisse",
the fund has over the years been able to accumulate a con-
siderable surplus, hence reproducing its investment capacity
at - most often - a still higher level. It has thus been
estimated that State economic intervention has contributed
more than 75 % of total economic growth.4 The accumulated
earnings of "la Caisse" have been injected foremost into in-
dustrial productive investments (apart from subsidizing costly
agricultural schemes like the rice and sugar projects in the
north). Accordingly, the share of Ivorian state capital in
industrial investment has increased over the years: From 1960
when the admittedly small industrial production was 100 %
controlled by France, the State has - in spite of the increase
in net foreign direct investments - been able to take over a
still larger share of total industrial investment. In October
1980 this rose to 53 % corresponding to 11 % of private
Ivorian industrial investments, leaving France with a share
of 21 %.5 This, of course, does not imply anything about the
actual control of investments, neither does it say anything
about what is the most likely situation namely the State has
taken upon its shoulders the heavy and uncertain parts of in-
vestment, while the foreign investors have concentrated their
activities on the most lucrative areas. What is illustrated,
at least, is the surplus generating potential of an agri-
culturally dominated economy with an active economic inter-
vention by the State, able to direct a surplus into productive
investments in a further process of intensification in agri-
culture and/or industry.

In other words, the continued external economic vulner-
ability of an economy due to a world market integration is
obvious. In recent years the deteriorating world market prices
and terms of trade have made the negative effects of this
evident. Still, the system has generated a material basis on
which the State is potentially able to somehow counteract the
most severe effects of the developing world economic crisis. To the extent that the Ivorlan industrial investments (or joint investments with foreign investors) have generated a more inter-linked economic structure, that structure might by itself be such a countervailing measure. Yet another might be the extent to which the State has succeeded in not only intensifying its agriculture, but also diversifying it, and the stress placed on the local manufacture of the raw produce. This latter is an aspect which we shall touch upon in the following section which deals with the palm oil case.

The Case of Palm Oil Production

In his analysis of Ivorlan agricultural development, Samir Amin concluded that:

1) The export orientation of the agricultural sector will in the future create an increasing need for imported foodstuffs, creating a heavy drain on financial resources,

2) The growth in agricultural production has so far been carried out by extending the cultivated area rather than by intensifying production,

3) Agriculture is still dominated by a few products, and diversification is needed,

4) An agro-industry combining agricultural and industrial development is missing.

This together with his analysis of the industrial development made him rather pessimistic, to say the least, about the possibilities for "self-centered" dynamics developing in the Ivory Coasts. The extrovert nature of the economy would only cause a "perverted" and not "real" capitalist development to take place.

In nearly every respect the Ivorlan agricultural policy has been aimed at fulfilling the above recommendations. As previously mentioned food imports have in absolute terms increased lately, but have in relative terms over time been reduced, from 14% of total imports in 1973 to 8% in 1976. (More significantly, perhaps, for the basic weakness of the
economy, is that imports of consumer goods remains still far
greater than those of capital goods). Attempts at diversification have resulted in a variety of products, some of which are increasingly important. Among these are palm oil, high grade cotton, coconuts and derived products, rubber, sugar, pineapples, bananas, avocados, and other horticultural products (tomatoes, onions, egg plants - some of which increasingly are being manufactured locally), tobacco, soy beans a.o.

Although uncultivated arable land still exists in the Western region, there is a growing pressure on the land in the fertile areas of the Centre and South, where export production is concentrated. This, together with a shortage of manpower (around 80 % of labourers and migrant workers come from the Sahel area, mainly from Upper Volta), has forced the state to embark on a policy of intensification. Until 1970 growth in output mainly took place by increasing the area of individual plots under cultivation, but in recent years highly sophisticated machinery (in certain cases developed locally and adapted to local conditions) and new high yielding varieties of crops have been introduced on a large scale. The local processing of agricultural products has also been a primary goal, although much is still to be done in this sphere. Almost half the total production of oil palm is manufactured locally; nearly all the cotton produced go to several Ivorian textile plants; around 20 % of cocoa production is now manufactured locally, and the Ivory Coast has become a major exporter of instant coffee (a subsidiary of Nestle). The production of pineapples has had a yearly growth rate over the past 15 years of 17.5 %, making the Ivory Coast the World's largest exporter of tinned pineapple.

In other words, emphasis on production for export has not prevented a growth in food production, particularly in staples. Attempts at diversification are widespread, production is becoming more intensified, and the build-up of agro-industries is far from minimal. - The case of palmoil production can throw more light on this and illustrate the way in which the State is trying to streamline new production.

In 1961 a palm development plan was decided upon and gradually brought into effect from 1963. Due to the state initiated plan, around 100.000 hectares of oil palm plantations have now been created, of which only around 10.000 ha are privately owned plantations not within the scope of the
Plan Palmier. The State company SODEPALM has chosen an organizational structure in which a well-organized system of highly mechanized, state-owned industrial plantations, in combination with surrounding privately owned small-scale plantations, guarantees a reliable and continuous provision of raw materials to centrally located factories.

So far 14 such organizational centres have been built. A centrally located factory and well-equipped social infrastructure (primary and secondary schools, a health centre, housing facilities free of charge for the salaried worker employed on the estate plantations, local market place, supermarket, church and mosque, etc.) constitute the core of the system. Around the factory are situated the privately owned small-scale plantations, easily accessible by a widespread network of roads by which the newly harvested fruits can be transported to the factory.

The economic viability that is secured mainly through these estate plantations gives at the same time the basis for a means of production for the smallholders which they probably would never have had the chance of acquiring through their own effort. The organizational structure of SODEPALM therefore transcends well-known barriers to productivity Increases in an agricultural system based on smallholders.

A smallholder can be attached to the SODEPALM system if his farmland is situated within 20 km of the factory, if his farm is easily reached by road, and if his land is in a condition suitable for the growing of oil palms. When these conditions are met - as judged by the SODEPALM experts - the smallholder may be invited to join the system. SODEPALM will, in the initial phase, support future growing of selected oil palm varieties (but also tightly bind the growers to the system) by giving cash rewards to peasants who change their production from, for example, cocoa and coffee to oil palms. Credit facilities which secure the smallholder an acceptable income during the first three to four years until the trees are mature enough to yield are among the means to keep the peasants as growers. In return, the smallholder is contractually obliged to grow only the selected varieties offered by the SODEPALM technicians; to follow any advice on the use of fertilizers, etc. given them; to deliver the harvested fruits once a week to the factory (the factory will provide lorries, which will collect the fruits regularly); and to accept the
deduction from monthly pay of gradually increasing interest on the credits received. The contract farming system described does not alter the situation of the smallholders as formal owners of their means of production, but transforms them into what they themselves call "functionnaires", a kind of "wage labour in disguise" to use Henry Bernstein's notion.

Apart from 12,600 labourers on the estate plantations, the SODEPALM system includes 7,500 smallholders (the outgrowers' plantations) who in turn employ around 7,000 labourers (mainly from Upper Volta). In total it is estimated that around 140,000 people derive their main source of income from the activities of the SODEPALM system.

The price paid for produce delivered to the factory is fixed by the state. The crude vegetable oil is sold either on the world market or to a French investor who has established what has been termed the world's largest fat processing plant in Abidjan, around 40% of total production. In otherwords, "la Caisse" is here acting in a way similar to that described above. Up to the mid-1970s the SODEPALM system poured an annual 8 billion CFA F into la Caisse. It seemed also to improve the socio-economic conditions of the smallholders - up to a certain point, at least.

From 1963 the price fixed by the State was held at 4 CFAF per kg. In 1974 it was doubled to 8 per kg after growing dissatisfaction among the smallholders and increased efforts to sell produce on the local market instead of delivering it to the factory. Another increase in price took place in 1977, but it has been kept constant at 10 F per kg up to 1981. Once more the smallholders have reacted to a producer price which they considered to be far out of line with the rate of inflation. The result has been witnessed in SODEPALM's worst crisis ever. Unfavourable climatic conditions (irregular and short periods of rainfall); peasants neglecting their trees when they reach a height where harvesting is increasingly difficult; a marked tendency for the peasant to sell the fruit on the more lucrative local market, where the price is roughly three times the official price, have caused serious difficulties. The percentage sold on the local market would probably be even higher were it not for the fact that the new SODEPALM varieties compared to the traditional varieties are not as suitable and do not have the taste required for home cooking.
More dramatic responses to the lack of regulation of the State fixed price has been the abandonment or destruction of an increasing number of plantations. Naturally this has caused further reductions in output, as the fall in supplies to factories has resulted in a widespread under-utilization of capacity (45%). In all, it is estimated that during the 1978-79 season SODEPALN was deprived of around 100,000 tonnes of fruit due to a variety of factors mentioned above. It only processed 136,000 tons - or 53.2% of the target for 1979.

During the period 1975-76 to 1978-79, productivity (measured in tons per hectare) declined from 7.64 to 4.87, resulting in such an extremely low yield that after allowing for the cost of fertilizers and labour, most peasants experienced a net loss.

In June 1981 the State finally tried to rectify this rather catastrophic development by increasing the producer price to 15 F per kg. The 1980-81 campaign was favoured by heavy rainfall which brought production back on its "right path" and increased output to 89% of the target.

Palm oil production is organized on the basis of a combination of estate, plantations (using machinery and a salaried workforce) and outgrower schemes mainly based on family labour (which permits the extension of the working day to its limit). The State does not enter into formal wage labour contracts for the peasants own means of production. This is a very profitable arrangement, at least in times of favourable price developments on the world market. This means of diversifying and intensifying production has been copied in a number of other products, i.e. rubber, coconut trees, pineapples and certain horticultural products.

The palm oil case also shows that the balance between, on the one hand, international capital and State, and on the other hand the peasants, is an extremely delicate affair. In times of deteriorating world market prices a balance in which everybody profits from the system (although not on a "fair" basis) can easily be disrupted, if the peasants are squeezed to the extent described. In other words, in times of decreasing State revenue, the State continuously attempts to maximize its surplus in order to maintain its investment programmes. The peasants (and the migrant labourers) are the true victims of the system.
Linkages in the Economy

Part of the surplus of "la Caisse" has been poured into industrial investments - as mentioned above - bringing about a much more diversified picture of the industrial structure than was seen originally. Not least the share of Ivorian investments - State or private - in total investments has increased to 64 % in 1980.

Since independence in 1960 the annual increase in industrial production has been around 12 %, bringing the total number of employed up to 72,000 in 1980. Regarding the raw materials used in industrial production 59 % derives from Ivorian produce while the remaining 41 % are imported. In 1950, the total industrial sector consisted of two small canneries, some soap factories, two factories producing beer and mineral water, a spinning mill, and some sawmills. Today a much more varied industrial sector exists, consisting of 442 enterprises in 1974, and 705 in 1980. The turnover of Ivorian industry has increased rapidly, from 13 billion CFA F in 1960 to 795 billion in 1979-80 (the indexes have increased from 1960: 100 to 1978-79: 5,000).

Industrial exports have increased dramatically in the last few years, going from 41 billion francs in 1972 to 282 billion in 1980, although the share of total industrial production destined for export has only increased slightly, from 31 % in 1972 to 35 % in 1980.

The share of national production in total domestic sales of manufactured goods has increased from 25 % in 1960 and 31 % in 1970 to 40 % in 1974. The share is, however, considerably larger for food and beverages (where it is more than 50 %) than for processed goods (less than 30 %). The market share is particularly low in sectors like chemicals, transport equipment, and machinery, where it is only about 10-15 %. - Accumulated investments have similarly increased considerably, from 47 billion francs in 1967 to 701 billion in 1980, of which 241 billion was investments made within the past 12 months.

The question as to whether an industrial production is interlinked is of course crucial for the general economic vulnerability of a national economy and for its ability to counteract a world economic crisis. In the above we have already touched upon the increased manufacture of local agricultural materials, an indication of the linkage between agric-
culture and industry, which in a Third World context is not very unusual. Another important linkage effect is the ability of the industrial system to spread development through the purchase of inputs.

The distribution of purchase of inputs for the Industrial sector as a whole, and for selected industrial subsectors, is shown below (only direct inputs are dealt with, disregarding inputs like energy, maintenance, transport and insurance):

### Purchase of Inputs in the Industrial Sector (%)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1. The Industrial Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of imports</td>
<td>56</td>
<td>63</td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td>Share of local inputs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from the primary sector</td>
<td>19</td>
<td>19</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>from the secondary sector</td>
<td>25</td>
<td>18</td>
<td>17</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>timber</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>food and beverages</td>
<td>62</td>
<td>45</td>
<td>28</td>
<td>21</td>
</tr>
<tr>
<td>textile</td>
<td>58</td>
<td>49</td>
<td>63</td>
<td>51</td>
</tr>
<tr>
<td>chemicals</td>
<td>57</td>
<td>86</td>
<td>79</td>
<td>62</td>
</tr>
</tbody>
</table>

Sources: Jean Chevassu and Alain Valette: Les relations intermédiaires dans le secteur industrial ivoirien (Abidjan, ORSTOM Sciences humaines, 1975) Table 3 and Les Comptes de la Nation 1971, Ministère du Plan, Direction des Etudes de Développement, Abidjan and Centrale de Bilans 1976 (Abidjan, Ministère de l'économie, des finance et du plan).

More than 50% of inputs purchased by the industrial sector in the period 1961-71 were from abroad. This indicates that the sector was relatively unintegrated with the rest of the economy and tied to imports. This pattern has only changed during the last few years. The figures for 1976 suggest a higher consumption of local inputs, reflecting the large investments in import-substituting industry undertaken by the State in the early 1970s.

Among inputs bought locally, a large share comes from the primary sector, mostly agriculture. In 1966, 1971 and 1976 more than half of the inputs bought locally came from the
agricultural sector, confirming the close interrelationship these enjoy with agricultural development. On the other hand, relatively modest purchases between Industrial sectors indicate a weak intersectoral relationship within manufacturing, although this practice is definitely on the Increase. A thorough analysis of the industrial sector undertaken in 1971 show that Ivorlan industry bought only 25% of its industrial inputs from Ivorlan firms, the rest were imported. Lack of inter-industrial relations is further emphasized by the fact that local purchases consisted primarily of packaging material.

Finally, the table shows that there is a marked difference between industrial sectors in their reliance on imported inputs. First, there is timber, packaging material and certain kinds of food and beverage production in which practically all inputs are bought locally. Second, subsectors like textiles, and most food and beverage production buy half their inputs locally. Third, chemicals, building materials and electrical industry buy most inputs abroad.

Inter-industrial relations have thus been very weak, although there has been a tendency recently to establish factorres producing machinery and equipment geared to meet growing demands from the agricultural raw materials producing sector. Since independence the Ivory Coast has passed through an easy phase in its import substitution policy. It is now faced with the production of much more difficult and capital-intensive groups of commodities, which require increased efforts in research and development and which may be hindered by the largely absent inter-industrial relations. Tougher terms of foreign finance and the need to increase investments have definitely created difficulties for the State in its effort to maintain and continue a development strategy based on rapid economic growth.

Aspects of Social Differentiation in the Ivory Coast

The relative success of the economic policy of the Ivorlan State has been strengthened by a number of favourable conditions, of which some, perhaps, are unique. The Ivory Coast has profited from relatively favourable developments in world market prices for exportable products (with the exception of
the years following 1977); favourable natural and geographical conditions for agricultural production and diversification; and, last but not least, by the availability of a vast labour reserve in the drought-ridden Sahel states. The exploitation of this labour force (paid as land labourers at a level barely sufficient to keep them at the minimum level of existence) has ensured that Ivorians employed in industry and even more in agriculture prosper, without leading to the expected rapid process of proletarianization. Limited proletarianization in the Ivory Coast to date might indeed have been offset by a rapid proletarianization process in the Sahel states. An analysis of the Ivory Coast taken in isolation (or for that matter that of other coastal nations in West Africa which profit from cheap migrant labour) is then basically misleading as it tends to exaggerate the "positive" consequences of a capitalist development process.

The combination of the favourable conditions mentioned has greatly eased the delicate balancing act of the State in extracting economic surplus from the agricultural sector under conditions where international capital and international aid organizations also get their share of the cake, without squeezing the peasants to an extent where they simply give up production for the market in an increasingly deteriorating situation.

Before finally turning to the vital question of what is likely to happen with the world economic crisis heavily constraining any developmental effort, we shall briefly touch on another crucial question: What are the socio-economic consequences of the capitalist development strategy being pursued for the different groups and classes of the Ivorian population?

The liberal economic thinking that prevailed in the 1950s and 1960s, held that rapid economic growth was the unquestioned development goal for the Third World at large, has since then been continuously criticized. The "trickle down" effect has not proved itself to be the more or less automatic result of an economic growth policy which emphasizes openness towards the world market and grants privileges to foreign capital. Growth and equity are of course not necessarily identical as increased social differentiation has often been a common effect of these policies.

According to World Bank sources, the Ivory Coast has
escaped this social differentiation trap: "Income distribution calculations show a distribution similar to, or more equitable than, those found in comparable countries. Farm price policies and regional investment plans not only show an active concern with equity but also indicate that growth and equity are to a large extent consistent". This rosy picture is difficult to verify as available statistical material is sketchy when it comes to social aspects. To this has to be added the very special and extensive use the Ivory Coast is making of foreign manpower. The number of primarily French expatriates has for some time been above the pre-independence level. Estimates - as to the precise number - vary however between 50.000 and 70.000, excluding about 100.000 Lebanese and Syrian nationals employed. These groups occupy top income posts, while the lowest-paid groups are the unskilled immigrant workers from neighbouring countries. The latter are estimated to constitute almost 30 % of the population (seasonal migratory manpower is estimated at around 500.000 annually. Between 2 and 3 million people in the Ivory Coast are estimated to be one-time migrant workers, who have since become naturalized).

The World Bank's conclusion that the distribution of national income in the Ivory Coast in 1973-74, in international terms, placed the country in the category of "low inequality" is heavily criticized by Eddy Lee. He criticises in particular the statistical material on the basis of which the World Bank draws its rosy conclusions. For example, the Agricultural Census excluded holdings of above 100 hectares which again had repercussions on estimates of living conditions for the agricultural permanent labourers as the large farms are exempted from minimum wage legislation. The inconclusiveness of the available data is further illustrated by the fact that no household survey has ever been carried out. The World Bank estimate was derived from average per capita income figures in the 24 departments into which the Ivory Coast is divided. These ignore income differences between households within each department "and, if anything, yield information only on interdepartmental differences of income".

Instead Lee calculated different deflated cost of living indices for different parts of the Ivorian population. One aspect of the social differentiation pattern to which Lee
drew attention was the increasing polarization between (mainly) non-Ivorian African labourers and Ivorian farmers:

"Labourers in agriculture were estimated to earn an average of 6,100 CFA francs per month in 1974, whereas the figures on total earnings per farm in 1978 show that, even after allowing for the intervening inflation, average earnings in the smallest farms (below 2 hectares) would be almost twice as high. Earnings per farm in farms over 200 hectares would be more than 20 times greater than the average wage of labourers."

On this point, however, there is not much disagreement between Lee and the World Bank estimate which stressed that during the 1970-76 period, Government wage policy certainly favoured "Ivorian producers of export crops or import-replacing crops" at the expense of their employees. This apparent redistribution of income from non-Ivorian African workers and labourers in agriculture to Ivorians and the Ivorian state which owns large plantations, totally dependent on foreign manpower, can only be explained by the fact that seasonal migrant workers from the Sahel states, temporarily entering wage employment in the south, found there new situation an improvement compared to the situation they left. At least until recently. The extremely low wages paid to migrant workers has lately created increasing difficulties in attracting the necessary foreign manpower, preferring new job opportunities as far away as Gabon. Shortage of manpower has been claimed to be one of the primary reasons for the poor harvests in major agricultural crops. The situation has not been sufficiently improved by recent increases in the minimum daily wage; and the large plantations are sending their lorries on veritable "raids" to the northern parts of the country, picking up anyone who appears to be without employment.

A pattern of social differentiation is gradually developing among the Ivorian farmers themselves. According to the Agricultural Census, the top 11% of landholders operated 34.3% of total cultivated land in 1973-74. Lee suggests that the size of the rural bourgeoisie, consisting of farmers owning more than 10 hectares, has increased to over 60,000:

"The average of the 89% of total holdings which were less than 10 hectares in size was 3.8 hectares, whereas the average size of the top 11% of holdings was 15.5 hectares. There were 20,000 holdings of between 15 to
40 hectares in size, almost 400 of between 40 to 100 hectares in size and, as mentioned earlier, 550 holdings of over 100 hectares which were not included in the statistics of the agricultural sector."

To Lee, this development seems to confirm that social differentiation in Ivorlan agriculture has progressed "to a very substantial degree since the introduction of cash cropping".

The relatively egalitarian social structure of the Ivorran rural sector - and the community at large - which the World Bank describes is thus an exaggeration, to say the least.

By all accounts social differentiation has proceeded apace during recent years, if the various studies are to be believed. This, however, does not necessarily imply that the World Bank is not right in judging the social structure of the Ivory 'Coast to be more equitable than other countries in Africa by international standards. This perhaps partially correct observation can only be understood, however, in relation to the basis on which Ivorian economic development is built, namely the existence of a vast reservoir of foreign manpower drawn from the Sahel states. At the roots of the Ivorlan "economic miracle" lies also the transfer of values from the Sahel states.

In the last two Ivory Coast development plans a primary goal has been to reduce regional inequality by putting emphasis on investments in physical Infrastructure in the Northern region. The Introduction of new cash crops for example Allen cotton, soy beans, horticultural products, sugar and beef cattle has been stressed. These are intended to increase the incomes of the poorest in the ecologically disadvantaged areas. Heavy Investment, however, has not prevented an increased regional Imbalance which is reflected in the fact that the average income in the South for 1971-73 was around four times that of the North, increasing to five times in 1975.

The Ivorian Development Model - and the World Bank Agenda for Action

In the World Bank report on "Accelerated Development in Sub-Saharan Africa - An Agenda for Action" much emphasis is put
on improving productivity in the agricultural sector, not only because "agriculture is at the heart of African economies", but also because worsened terms of trade and difficulties in promoting export-oriented industrialization in times of a general economic crisis immediately creates serious problems in terms of living conditions for the populous rural sector. In an African context such problems seem even more profound as most countries have registered declining per capita production and have increased imports of perhaps most significantly food products, further aggravating the balance of payments situation.

Among the recommendations of the World Bank is the emphasis on smallholder production due to the fact that it accounts for the bulk of agricultural output in African countries and is judged as being the most cost-effective way of increasing productivity and output. Although the Bank stresses that priority attention to smallholders must be selective, building on the existing resource base and infrastructure, there seems to be little doubt what the Bank has in mind. Ideally, it would like to recommend systems of production which combine private and public initiative along lines known from Francophone Africa within products such as cotton, sugar, tobacco, rubber - and oil palm projects, which are "among the more successful ventures on the continent". In other words, the palm oil case referred to above in the Ivory Coast is what the Bank would like to see spreading (and in fact is supporting financially) in a good number of West and Central African countries, based on a "proven system of extension organization and a confirmed technical message. This structure also provides farmers an assured outlet, prompt cash payments at fixed dates, and considerable external economies through the aftereffects of fertilizer on cereal production."13

Another important element in World Bank recommendations is an improved incentive structure: "It is now widely agreed that insufficient price incentives for agricultural products are an important factor behind the disappointing growth of African agriculture," not least because "the high level of taxation of export crops through export taxes, marketing board levies, excessive marketing costs, and overvalued exchange rates have kept export production in many countries below what it could have been..."14 The Ivory Coast case in recent years seems to confirm that State failure to regulate
prices has immediate repercussions on output. The Bank is not concerned with tackling the delicate balancing act between the State, international capital/international aid organizations and the squeezed farmers, all of whom want to maximize their returns, but with the farmers and their weak organizational structure - if at all existent - as the most obvious victims of the whole. The Bank is only recommending that State revenue preservation should take second place to the need for maintaining or increasing the pace of export production and that reduced taxes should raise export levels so that higher volumes would to some extent compensate for the reduced rates.

The experiences of the Ivory Coast seem to indicate that in a time of crisis this is idealistic talk as both foreign private investors - whom the Bank definitely encourages - and the State want their "prompt" share of the cake. With heavy State investment programmes, of which some might contribute to the establishment of more "self-centered" economic structures (ref. the Ivorian State investments in industry described above), it is not very likely that the State will drastically reduce its own ambitions and reward the peasants their "fair" share - not until the State is forced to do so, by which time the whole situation might well have got out of control. The proposed system seems to be one with a potential to function well given favourable developments in world market prices for agricultural raw materials.

The unreserved Bank suggestion that further emphasis on export production will not necessarily be to the detriment of food production and will have long range positive multiplier effects, is another example of a policy recommendation which presupposes a favourable world market development.

As mentioned above, the relative success of the Ivorian development over time has been conditioned by a number of specific factors - like the existence of a reserve army of labour; favourable geographical and climatic conditions for growing a number of tropical products; relatively low population density and land reserves. This raises certainly reservations about embarking on similar Bank recommended development paths for other countries, without taking their specific conditions into considerations. Without the labour shortage and relative land abundance characteristic of the Ivory Coast one might fear a widespread process of social differentiation and proletarianization as a result of the introduction, in other
less favoured regions of Africa, of organizational systems binding smallholders with larger steered and controlled programmes. Indeed, this might be expected to be a result further aggravated during times of economic crisis.

Concluding Remarks

The case of the Ivory Coast is interesting in so far as it questions a number of theoretical notions regarding the nature of Third World underdevelopment. Not least does it question the general validity of the concept of dependency according to which the extrovert nature of an economy and its world market integration, "blocks" the development of an extended process of capital accumulation.

It is beyond the scope of this paper to further discuss this theoretical controversy. One has, however, to bear in mind the specific conditions under which the Ivory Coast has developed since independence - as referred to above. It is, of course, not possible to generalize from the experience of the Ivory Coast without reservations. Nor is it possible to use the Ivory Coast as an example showing the perhaps limited consequences of a capitalist development model regarding the furthering of social inequalities.

On the other hand a number of countries - especially the so-called NICs - have succeeded in pursuing a capitalist-oriented development policy, which has resulted in broader industrialization patterns, often with the State as an active economic intervening force. In the Ivory Coast the role of the State is crucial. It has created a material basis for reproducing its own activities in furthering the capitalist development process. This material basis has been a major means whereby the Ivory Coast has modified the effects of the world economic crisis. The intention of the Ivorian State, as expressed in planning documents, is thus to develop further the agricultural sector along the lines described above - through further intensification, diversification and the creation of agro-industries - gradually chanelling the surplus extracted from the agricultural sector into industrial productive investments. It is the aim to reach "economic independence" by establishing an integrated development process,
self-sustained and modelled after the industrialized nations. One might add, that this does not seem to be very far from the conceptualization of the "self-centered" dynamic.

The ability of the Ivory Coast to succeed is still heavily influenced by current world market conditions. In order to cope with the worst effects of the current crisis, the Ivory Coast has received credit facilities of SDR 485 million from the IMF over a three year period, a structural adjustment loan of $ 150 million plus a technical assistance loan of $ 16 million from the World Bank. The credits have been granted apparently without strings, another indication, perhaps, of the fact that the Ivorian development model is very much in line with World Bank thinking, needing only "adjustment".

But it might also be an indication of the trust international bodies have in the Ivory Coast ability to overcome the symptoms of crisis rather swiftly. Oil has been discovered and two oil fields are now producing. There has been no official information about the magnitude of these oil discoveries so far, nor estimates on future prospects. The Ivory Coast is expected to be self-sufficient in energy by 1983 and a net exporter thereafter. This would immediately ease the import bill by around 200.000 million CFA francs annually.

No one in the Ivory Coast speaks about the oil discoveries, and the recovery plan for 1981 to 1983 has been formulated without taking into consideration oil resources. The strategy is based only on resources in agriculture and the continuation with some "adjustments" (that is turning down the most inefficient State companies, streamlining administration and cutting state expenditures somehow), of the policy pursued so far - and described above. Later on a special oil development plan will be produced, also taking into account the use of the natural gas discovered, in setting up chemical fertilizer and insecticides plants. Already the Ivory Coast has one of the larger oil refineries along the West African coast.

Although serious, the crisis which the Ivory Coast has endured is thus not at all comparable to the crisis in many other African countries.
NOTES AND REFERENCES


6 Le Développement du Capitalisme en Cote d'Ivoire, op cit.

7 This is not the place to argue against this conceptualization of capitalist and "not really" capitalist development.

8 A recent report by SODEPALM raises the alarm by stating that: "It must be stressed that developments in the destruction of plantations have seriously accelerated during the past six months, particularly in the areas close to Abidjan", SODEPALM: Les Plantations villageoises de palmier à huile. Evolution de la production, Abidjan, January 1980.


13 IBRD, 1982, p. 54.


16 As expressed by the former Minister of Economic Planning, M Diawara.
Introduction

Malawi's post-independence economic performance, at least up until 1979 has received accolades from a wide range of observers. It has been described as "satisfactory", "impressive", "remarkable" and even "economic miracle" by the more euphoric observers. Between 1967 and 1979 monetary GDP grew at the annual rate of 7.4 per cent with growth being close to 8 per cent in the period 1973-79. Even when the subsistence sector is included growth was 5.5 per cent and 6.2 per cent respectively during this period. These rates of growth were among the highest achieved in Africa by a non-mineral rich economy. Sectorally, the growth was quite wide-spread, a fact which ironically accounted for very little structural change in the economy (see Table 1) with the exception of a dramatic fall in the share of the subsistence economy and increases in wage employment.

An increasing feature of Malawi's growth was that it continued even after the oil crisis of 1973. Indeed between 1973 and 1979 Malawi had the highest growth rate ever. However, by 1979 all this changed. GDP growth for 1979-80 was a mere 0.2 per cent. It was negative in 1981 and it is expected to be 0.6 in 1982. Thus for the first time since independence Malawi witnessed a fall in its per capita income. It should be pointed out that despite this rapid growth, Malawi still remained an extremely poor country, with a GDP per capita of US$ 200 and any decline in per capita income must be a painful set back.

In this paper we shall examine the nature of Malawi's economic growth and causes and characteristics of the present economic crisis. We shall also examine some of the
policy options open to the government given its resource base, international conjuncture and the capitalist mode of production.

### TABLE 1

<table>
<thead>
<tr>
<th>Sector</th>
<th>Growth Per Annum (1967-1979)</th>
<th>Sectoral shares in Real G.D.P.</th>
</tr>
</thead>
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<tr>
<td>Agriculture, Forestry and fishing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary</td>
<td>5.4</td>
<td>14.7</td>
</tr>
<tr>
<td>Subsistence</td>
<td>2.3</td>
<td>36.4</td>
</tr>
<tr>
<td>Total</td>
<td>3.3</td>
<td>51.1</td>
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<tr>
<td>Manufacturing</td>
<td>6.3</td>
<td>10.9</td>
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<tr>
<td>Construction</td>
<td>7.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>8.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Wholesale and water</td>
<td>9.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>5.5</td>
<td>4.9</td>
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<tr>
<td>Financial service and real estate</td>
<td></td>
<td>12.7</td>
</tr>
<tr>
<td>Community, social and personal service</td>
<td></td>
<td>4.5</td>
</tr>
<tr>
<td>Other (net indirect taxes)</td>
<td>-</td>
<td>4.9</td>
</tr>
<tr>
<td>Total GDP</td>
<td></td>
<td>5.5</td>
</tr>
<tr>
<td>Monetary</td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td>Subsistence</td>
<td></td>
<td>2.0</td>
</tr>
</tbody>
</table>


The Historical Setting

In order to fully appreciate the significance of Malawi's performance it is necessary to briefly look at the colonial legacy which was the point of departure. In the social colonial days, Malawi was sardonically described as an "Imperial slum" and at independence the country had the lowest per capita income of any British Colony in Africa.
With no mining activities in the country, the economy largely consisted of an extremely underdeveloped peasant agriculture and a small and very poorly-run, white settler-dominated estate tea industry which accounted for 43 per cent of exports and a quarter of wage employment. Subsistence agriculture accounted for almost onehalf of gross domestic product.

Education for Africans was badly neglected even by colonial standards. Thus, after more than 60 years of colonial rule, Malawi had produced only 33 Africans with university education. Secondary school enrolment at 4000 pupils was only 1 per cent of the relevant age group. As a consequence of this colonial neglect of African education, at independence expatriates constituted over 80 per cent of secondary school teachers, over 50 per cent of higher-level positions in government and over 90 per cent of all positions in government.

Another important indicator of the country's poverty was that at independence domestic savings were virtually non-existent so that three years after independence, domestic financing accounted for only 6.1 per cent of total domestic saving. Domestic revenues were insufficient to cover the cost of running the puny colonial administration and budget deficits had to be covered by U.K. grants-in-aid.

An interesting characteristic of Malawi's economic and colonial history was the constant conflict between the white settlers in Malawi and colonial officials over what should be done with peasant production. Land in Malawi was divided into two types of tenancy systems - Crown Land where individual ownership was permitted and Native Trust Land which followed traditional communal land ownership. Most of Malawi being matrilineal and practicing the ukirilocal system, Native Trust Land was largely in the hands of women. For various reasons, white settlers in Malawi preferred the Thangata System under which Africans were apportioned land for which they paid rent to the land owner. The rent was to be paid in the form of labour in lieu of specie. Thus the system adopted differed from the straightforward wage labour system practiced in Rhodesia.

The effect of settlers preference for Thangata system and the pressures from Southern Africa to convert Malawi
into a labour reserve resulted in the absence of either an extensive, highly productive capitalist farming or commercial farming. In other words, the colonial regime had managed neither to introduce a fully capitalist agriculture or a peasant agriculture generating sufficient marketable surplus to sustain state finances and accumulation. It had for all practical purposes relegated Malawi to the status of a "labour reserve economy" for the Rhodesias and South Africa. The implication of this status need a little elaboration. For most West African economies, British colonial policy, in alliance with mercantile capital, was interested in encouraging cash crop farming by the native population. A series of incentives, initially non-economic and later increasingly economic, did lead to an upsurge in peasant cash crop production of cocoa, groundnuts, palm-oil etc. Continued extraction of "marketable" surplus from the peasants required some rudimentary infrastructure, a reasonably extensive administration necessitating training of African administrators and some extension services for cash crop production. In sharp contrast, the logic of a "labour reserve economy" demanded restrictions on alternative economic activities open to the local population so as to stimulate labour migration to the "white economy" - the mines and settler plantations.  

The continuation of a moribund Thangata system and labour migration to the mines of the Rhodesias and South Africa completely undermined peasant production. The absence of up to 40 per cent or more of the able-bodied men from the villages disrupted the traditional sex division of labour without introducing new viable structures. Absence of labour led to declining land quality as the remaining female labour was not able to open fallow soil for cultivation so that land then under use could be rested. As a result, yields per acre were extremely low, usually less than half of what could have resulted from only modest improvements in techniques. As a consequence, the population's involvement in the cash economy was very marginal. Thus, the peasant sector sold only about 11 per cent of its output as compared, for example, with the peasant sector of Uganda which sold 59 per cent of its output.
Overall Development Strategy

The strategy of development chosen by Malawi is an export-oriented, capitalist one. Although during the struggle for independence, the nationalist movement tended to lean towards a "socialistic" strategy, three months after independence all radical pretensions of the movement were jettisoned. Following conflicts over policy, the "radical" members of the ruling party were expelled from the government and Dr. Banda firmly established himself as the sole ideologue and leader of the non-party state. A clear and unabashedly capitalist ideology was henceforth imposed although it remained rather ambiguous about agriculture until five years later (see below). It must be said that Banda's government has been remarkably consistent in the pursuance of a capitalist path of development. No concessions to anything smacking of socialism - African or otherwise - has been permitted let alone encouraged. Even co-operatives introduced in the post-war period by the colonial governments have been left to wither away or have been directly suppressed. As Dr. Banda has proudly declared, "the acquisitive and possessive instinct" is the motive force in the Malawi economy. As if to underline this ideological posture, Dr. Banda has set himself up as an example par excellence of a Malawian richly endowed with that instinct. He has, accordingly, acquired vast agricultural estates and, through Press Holdings (a holding company in which he owns all but one share), he holds shares in virtually every Malawian industrial enterprise. Furthermore, all political leaders, senior civil-servants, military officials are urged or even compelled to become large landowners. The harnessing of this "acquisitive and possessive instinctive" is not only confined to nationals but involves assiduous efforts to attract foreign capital. In response to a whole arsenal of policy measures, the stock of foreign investment grew at the annual rate of 16.6 per cent between 1967 and 1972 and 20.5 per cent between 1972 and 1976. Since both these rates were higher than overall rate of growth of the economy, the foreign share in the national product increased during the entire period.

It ought to be pointed out that although Malawi pursues a "liberal" policy, state participation in the form of
joint ventures with foreign capital has been important in the accumulation process. Ever since independence, the state's share in gross fixed investment has fluctuated around 50 per cent.

The central preoccupation of the Malawi government has been attainment and maintenance of a high growth rate. Virtually all other policy objectives have been derivative or supportive of this objective. A logical consequence of this has been efforts to raise the share of investment in the economy and to curtail consumption. Thus while in 1964 gross domestic investment was 8.5 per cent of GDP, it had been raised to 29 per cent of GDP by 1979—a remarkable feat when compared to the range of 13 per cent in other low income countries. The figure also compares favourable with the 30 per cent for the "Middle Income" oilexporting countries of Sub-Saharan Africa. The proportion of domestic financing of this investment increased sharply from 6.1 per cent in 1967 to as much as 54.0 in 1979. Quite obviously, such high rates of investment resources required stringent control over domestic consumption and high levels of net foreign capital inflow. Of great political and social significance was the incidence of the burden of consumption curtailment. The Malawi strategy was to place the burden squarely on workers and peasants. This is such a central feature of Malawi's development that it needs greater elaboration and, as we shall argue, contained within it some of the seeds of the present crisis.

As far as workers are concerned, measures to restrict consumption centred around wage policies. While most African government have generally been pre-occupied with minimum wage policies, the Malawi government's major concern has been with a wage "ceiling". Private firms planning to raise their wage have had to obtain permission from the state. Furthermore, the state has made sure that no autonomous labour movements were established and that highly repressive labour laws were strictly reinforced. As a result of all these measures, during the entire "boom", workers have experienced a significant erosion of their purchasing power. According to government statistics, while the GDP deflator rose by about 30 per cent in 1969-73, average earnings increased only 11 per cent. In the Blantyre areas the low income price index, which applies specifically to
the working class, went up by 30 per cent while the minimum wage index rose by 18 per cent. The government has often argued that wage increases should be linked to productivity increases. However, the government has not insisted on this link. Real wages declined between 1969–75 despite substantial gains in labour productivity.

A set of similar measures to keep down peasant consumption were adopted. These involved the extraction of as high a surplus from the peasantry as possible especially through the Agricultural Development and Marketing Corporation (ADMARC) which enjoys monopsomistic power over the purchasing and marketing of peasant produce. The usual method was to "tax" peasants by maintaining wide differentials between prices paid to peasants and the prices received by ADMARC at the auction floors or world market.

In addition to these measures, government further restricted consumption by keeping public consumption relatively low. While in the 1960's government expenditure increased at the average annual rate of 6.1 per cent it declined at the annual rate of 0.9 during 1970–76. Private consumption, on the other hand, increased by 4.8 per cent in the 1960's and 8 per cent between 1970 and 1976. Since during this period real wages declined, much of the private consumption was due to population increases and the skewed income distribution which permitted increased discretionary consumption by a small elite. Coupled with this restrictive policy on public consumption was a very low taxation effort. The government has deliberately limited its financial capacity by avoiding to adequately tax the high income groups especially the new agrarian capitalist. As a result while in 1969 central government receipts made up 24.5 per cent of GDP, they fell to 17 per cent by 1975. Comparative figures for some African countries 1975 are:

- Zambia 44.9
- Tanzania 32.6
- Kenya 22.9
- Botswana 30.5
- Lesotho 33.9

The effects of this conservative fiscal policy show up most vividly in the sphere of social services. The share of education expenditure which was 14.7 per cent of total
government expenditure in 1967 declined to 8.5 in 1979. One of the consequences of this is that Malawi is one of the few African countries which has witnessed a decline in school enrolment ratios below the colonial levels. Thus while in 1960 the school enrolment ratio was 63 per cent for 6-9 age group, it had fallen to 40 per cent by 1970 and rose to 53 per cent by 1978. As far as health is concerned the tale is the same if only more painful. In 1960 population per physician was 35 000 but had risen to 40 020 by 1977 a figure higher than the 31 000 for the low-income countries of sub-sahara Africa. One of the consequences was that while life expectancy was 44 years for low-income countries, it was only 41 years in Malawi despite a relatively high level of access to safe and a high calorific intake.

Policies Towards Major Sectors and Effects on Agriculture

By far the single most important sector is agriculture. Malawi's government policies have thus focussed much of its attention on this sector. More than 20 per cent of development expenditure has gone directly to this sector. To underline the high priority accorded agriculture Dr. Banda has maintained the portfolio of Minister of Agriculture ever since he came to power. Much of Malawi's success and the seeds of the present crisis were planted in this sector.

We already noted the ambiguity of colonial policy towards agriculture in Malawi. It was unable to resist settler preferences for Thangata agriculture and demand from the Rhodesian and South African settler agriculture and mines for cheap labour. Malawian agriculture developed neither a viable and dynamic capitalist farming nor extensive peasant farming such as that of Ghana or Uganda. Malawi agriculture was indeed in a deep crisis characterized by a stagnant estate sector, low productivity, essentially subsistence agriculture, declining food production and extreme resentment by the peasantry of the coercive measures adopted by colonial authorities for soil conservation. The new Malawi government started off first by opting for a broad-based strategy of rural development presumably centred around co-operatives co-existing side-by-side with a not very enthusiastically tolerated settler agriculture. To the bewilderment of the
government the malaise of peasant agriculture in the colonial era proved difficult to cure and five years after independence, a dramatic reversal of policy was made. Dr. Banda explained the switch in policy thus:

"Prior to 1969 the agricultural extension services were mass-oriented. It became abundantly clear during 1969 that our inadequate extension services were dissipated by this method. We therefore introduced Achikumbe programme which aims at concentrating efforts on those progressive farmers who have in the past responded well to extension advice and have adopted modern farming practices and who in themselves would act as catalysts. The remaining farm families would be contacted through the media of radio, mobile units, meetings".8

The impression given by these remarks is somewhat misleading because it does not clearly indicate that in addition to promotion of "Achikumbe" - otherwise known as "progressive" or "master" farmers - the government would vigorously encourage large-scale estate farming. Not only would the Achikumbe's and estate farmers be guaranteed an almost infinite supply of cheap labour, but they would receive loans and, more importantly, they would sell their produce directly to the auction floors where world market prices prevailed. Furthermore, large amounts of customary land were to be converted into leasehold lands leading to displacement of peasants in many areas especially in the Central and Northern regions of the country. The immediate effect of these policies was a dramatic upsurge in estate agriculture especially in tobacco production. At independence, Malawi had only a handful of estates confined to production of tea and taking up less than one per cent of cultivated land. By 1979, the number of estates totalled 1,107 and, growing at a rate of over 10 per cent per annum since the late 1960s, estate land occupied about 13 per cent of total cultivated land. Output in the estate sector expanded at around 17 per cent per annum in real terms since 1968. Its output accounted for 15 per cent of total agricultural production and two-thirds of all exports. The most spectacular effect of estate agriculture was the rapid growth in the rural proletariat. While in 1969, estates employed 42,600 workers, the figure was 148,000 in 1978 which was 44 per cent of the country's total wage employment.

In sharp contrast to this spectacular growth of estate agriculture was the lethargic performance of the smallholder
peasant agriculture which grew at a rate only slightly above the rate of population growth. One result was the fall in the share of the export crops from smallholders from 58 per cent at independence (1964) to 37 per cent by 1976. It should be noted that given the socio-economic differentiation among small holders, the increases in smallholder production may have all been accounted for by only a fraction of the peasantry. One bit of evidence in support of this conjecture is that the estate sector has had no trouble obtaining labour despite declining real wages in that sector. In other words, the other side of rapid rural proletarianization through estate agriculture has been a deepening crisis in peasant agriculture.

We have already cited Banda's statement about the switch in policy. It should however be pointed out that during the same period of rapid expansion in estate agriculture, there were four schemes aimed at "integrated rural development" largely funded by the World Bank and the European Economic Community. These schemes covered areas inhabited by 25 per cent of Malawi's population. These projects were characterised by:

a) the provision of infrastructure such as rural roads, input stores and produce markets, health facilities, boreholes, housing and office accommodation;

b) land improvement, land consolidation, land registration (especially in the Lilongwe scheme), Irrigation and soil conservation works;

c) strengthening of extension, marketing, research and public health staffing;

d) establishment of credit facilities for agricultural inputs such as fertilizers, seeds, insecticides, work oxen and farm implements.

According to a World Bank sector paper the important elements of these projects are:9

a) they are designed to benefit large numbers of the rural poor while earning an economic return that is at least equal to the opportunity cost of capital:
b) they are comprehensive in their approach and provide for balance between directly productive and other components;

c) they have a low enough cost per beneficiary so that could be extended to other areas given availability of funds.

The Malawi government's interest in such projects did not always correspond to the World Bank stated views. The government expected from productivity increases two things:

a) increased surpluses accruing to the Agricultural Development and Marketing Corporation (ADMARC) which maintained its monopsonistic positions in the purchase of peasant produce even in the Bank funded projects;

b) easing of pressures on land, thus obviating the need for land reform and leaving more room for further expansion of estate farming.

In the event the four projects proved too expensive to be replicated and are now being phased out. Nor were their benefits as widespread as was expected." No more such projects are further envisaged. Instead, the government has resorted to a new "National Rural Development Programme" which will lay emphasis on soil conservation and the introduction of "minimum packages" of seeds and other inputs.

Had peasants been left to fend for themselves or simply given limited access to extension sources, peasant agriculture could probably not have fared worse than it actually did. What the government chose to do in addition to its selective emphasis on estate and "progressive" farms was to tax the peasants heavily through ADMARC. While estate and progressive farms were allowed to sell their produce directly to the world market through auction floors in Malawi, peasants had to sell only to ADMARC at prices far below world prices (see Table II). One effect of this was the large profits accruing to ADMARC. Profit margins on crop trading amounted to an average of 31 per cent of net sales value of crops purchased over the seven year period 1971/72 to 1977/78, the percentage never falling lower than 22 per cent and sometimes reaching as high as 40 per cent. Half of this profit has been used for estate agriculture while a substantial part of the rest has gone to industry.
TABLE II

A COMPARISON OF ADMARC AND AUCTION PRICES
For non-estates fire cured (Northern Division)
Average purchase price (Tambala/lb)

<table>
<thead>
<tr>
<th>Year</th>
<th>ADMARC</th>
<th>AUCTION</th>
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</thead>
<tbody>
<tr>
<td>1966</td>
<td>7.74</td>
<td>12.88</td>
</tr>
<tr>
<td>1967</td>
<td>8.07</td>
<td>10.49</td>
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<tr>
<td>1968</td>
<td>3.92</td>
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<td>1969</td>
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<td>1970</td>
<td>7.07</td>
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<td>1971</td>
<td>7.32</td>
<td>34.41</td>
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<td>1972</td>
<td>7.19</td>
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<tr>
<td>1973</td>
<td>6.84</td>
<td>22.73</td>
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<tr>
<td>1974</td>
<td>5.98</td>
<td>38.95</td>
</tr>
<tr>
<td>1975</td>
<td>8.67</td>
<td>62.70</td>
</tr>
</tbody>
</table>

Sources: The Malawian Compendium of Agricultural Statistics (1977) and Malawi Statistics Year Book (1977)

The arguments usually given for the discrepancy between farmgate prices paid to peasants and world prices are:

a) the surpluses accruing to marketing board can be used to improve overall peasant performance by provision of collective services such as extension services, physical infrastructures etc;

b) stabilization of prices paid to peasants.

ADMCAR has however not performed these functions. In the first place much of its surplus has been invested in estates and industrial activities. Secondly, auction floor prices in Malawi have never fallen below those prices ADMARC pays peasant so that ADMARC has never had the need to subsidize prices paid to peasants. Furthermore as Harvey points out, if ADMARC's crop trading surplus had really been intended to be a buffer against bad years, firstly rather more would have been held in liquid cash form and secondly, the corporation would not have maintained the high profit margins on crop trading. 11
Thus, as Harvey notes, the mechanism for stimulating estate agriculture seems to have combined investment by ADMARC in the estate sector and low prices from ADMARC for smallholder crops. This, in turn, generated cheap labour for the estate by pushing labour out of smallholder production into wage employment on estates despite a falling real wage in that sector. In addition, the traditional option to migrate to South African mines has been ceased. Even more insidious, is the timing of the government's poll tax collection campaigns so as to correspond to the period when estates need labour. Peasants are thus forced to seek wage employment to pay taxes at precisely the time they should be working on their own farms. The government seems bent on creating a labour reserve very much along the colonial lines except that this time the outlet would be internal.

Physical Infrastructure

Due to past colonial neglect and the geographical position of the country, another top priority area has been the improvement of physical infrastructure, especially transport. In the 1971-80 plan 30 per cent of development expenditure was allocated to improvement in transport. In actual fact 40 per cent was spent on this sector during the period. It was as high as 50 per cent in later years due to the continued expansion of the primary rural network, extension of the railway to Lilongwe and to the Zambia border and the construction of the controversial Lilongwe International Airport. Great emphasis has been led not only on improvement of Malawi's external links, but also an feeder roads to "open up" potential rich agricultural areas.

Industry

Malawi's industrialization falls squarely within its overall export-oriented strategy. At first glance Malawi's industrialization resembles the usual demand-oriented import-substitution. Although 80 per cent of manufactured output is for the domestic market, government policy does not
contain any of the major features of import-substitution industrialization. Import duties have averaged about 15 per cent. Most of the "protection" to Malawi industry has been provided by the country's geographical location and transport dislocation in Mozambique during the war of liberation and now by the subversive activities of South African-backed MRN. The main incentives for industry have been the tax-structure, depreciation allowances, low interest rates, the cheap "disciplined" labour and the availability of cheap agriculture raw materials. Most Malawi industries come under the heading of agricultural processing; tea, tobacco and sugar factories, soaps, detergents, and animal feed, shoe factories, textile mills, saw-mills and canneries. A common feature of all these industries is that they rely on local raw material and export substantial portions of their output.

Another important feature of Malawi's industrialization strategy is its emphasis on labour intensive industrialization supported by the governments crunch on wages discussed above. As a result wage employment grew at the rate of 6.3 per cent, indicating a relatively high employment elasticity of the accumulation process.

Economic Crisis: 1978-82

The high growth enjoyed during the 15 years of independence suddenly came to a halt in 1979. For the first time since independence Malawi had a negative growth in per capita incomes. In addition to deceleration in economic expansion, there were increased government budgetary deficits, deteriorating financial positions for many private and public enterprises and growing balance of payments pressures.

The immediate cause of the crisis were external factors that undermined most of the internal efforts of an extremely open economy. The factors took the form of decline in terms of trade, high international interest rates and souring transportation costs. In addition, there were disruptions of transport routes in Mozambique as a result of subversive activities of the South African-backed MNR. Ever since 1970, Malawi's terms of trade have deteriorated (Table III). Up
until 1978, the index fell within historical "normal rates" and were close to the levels of 1967 and 1968. After 1978 there was a dramatic worsening of the terms of trade. Import prices rose by 54 per cent in two years. Export prices, which had kept pace with import prices even after the 1973 oil crisis, did not rise at all in 1979 and 1980. An immediate effect of these trends was a sharp rise in current account deficit from K 57 million in 1978 to K 205 million in 1979 and a slight fall back to K 178 million in 1980. Note that Malawi's foreign reserves have averaged about K 50 million from 1974 to 1977 and could therefore not be expected to cover the more than K 100 million addition of the deficits.

TABLE III

MALAWI'S PARITY TERMS OF TRADE (1970=100)

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Although external factors were largely responsible for the crisis, Malawi's own past internal policies did contribute to the intensity, if not cause of the crisis. One of these internal factors was the neglect of peasant agriculture whose immediate effect was the extreme crop concentration of Malawi exports on tobacco. As the leading export in 1965 tobacco accounted for 35 per cent of export and accounted for 55 per cent of Malawi's exports in 1979, greatly increasing Malawi's vulnerability to fluctuations in the world market. In addition, these policies contributed to a slowdown in export expansion in later years. Whereas total exports grew at an average rate of 6.8 per cent per annum between 1965 and 1979, with estate agriculture averaging 13.6 per cent per annum, peasant smallholders exports grew
at a mere 1.7 per cent. More tellingly, since 1973 main small-hold er exports have declined causing the overall rate of growth of exports to decline sharply from 8.1 per cent per annum in the period 1965-70 to 3.9 per cent in the 1973-79 period, despite continued high growth in the estate sector.

Other internal policies contributing to the magnitude of the crisis were the low expenditures on education. They hampered expansion of extension services and contributed to balance of payments problem through the expatriation of funds by costly imported manpower. Furthermore, we noted that although Malawi chose an export-oriented strategy, the internal market still constituted 80 per cent of the outlet for manufactured output. However, the skewed income distribution and declining real incomes of the workers and peasants tended to restrict the expansion of this market, further deepening Malawi's dependence on external markets.

Malawi's short term responses to the crisis called for (a) greater inflow of foreign capital through net transfers and increased borrowing, (b) drastic curtailment of imports through adoption of deflationary measures most of which were recommended by the IMF, (c) attempts at "structural readjustment" through policies aimed at encouraging peasant production. Net transfers to the government increased from K 9.4 million in 1976-77 to an estimated K 61.3 million in 1980-81. During the same period, external borrowing by the government increased from K 28 million to K 61.3 million. Furthermore parastatals also borrowed heavily doubling their foreign borrowing (in 1980). More ominous was the increase in short-term borrowing, especially in 1979, when net inflows jumped from K 10 million in 1978 to K 52 million in 1980.

The net effect of these measures was a dramatic increase in Malawi's debt and a hardening of loans. Up through 1977 only two per cent of external borrowing was on commercial terms and average loan terms were quite favourable with interest rates in the range of 2 per cent, 7-8 years grace and repayments periods of 34-40 years. In 1978-80 over one third of new loan commitments have been on commercial terms whose average terms have been approximately: interest 5.5 per cent; grace 6 years; maturity 25 years. This hardening of average loan terms and the rapid rise in short-term loans has led to rising debt service. The debt service ratio which
was 5.2 in 1977 went up to 12.7 per cent in 1978, 18.7 in 1980 and is estimated at 29 per cent in 1982.

Malawi also had to resort to the IMF which came with its standard package. Short-term demand management measures were introduced leading to a two and one-half year standby arrangement. The already austere government budget was to be further tightened through restraints on the expansion of development account expenditures and measures to increase revenues and interest rates. The IMF performance criteria for the standby credit included ceilings on domestic credit (especially that extended to government and parastatals) and external borrowing of 1-12 years maturity. Price controls, which have been rather restricted in Malawi were to be removed.

In addition, the World Bank provided "structural adjustment" funds which were limited to a set of proposals whose main elements were:

a) improvements in public services and in incentives to increase the productivity of smallholder agriculture;
b) Strengthening incentives, institutions and investment policies in the industrial sector to encourage the development of resource-based industries;
c) introduction of a population control programme;
d) increase in allocation to the social sector to enhance manpower skills and the meeting of basic needs of the population;
e) improvement in the mobilization and management of public sector resources.

The Malawi government has accepted all but one of these measures, namely population control. Judging from the recent pricing policies, attempts are being made to stimulate the peasant sector. Foreign consultants have been brought in to examine parastatals. Typically, Banda's reaction towards inefficiencies in the parastatals was to fire nearly all managers of these enterprises. A number of estates have been declared bankrupt and credit to the estate sector has been severely restricted. One should not interpret this as implying a radical shift from estate farming to peasant farming. Given the vested interests of the ruling class in estate farming the present set of policies may be a temporary reflection or the state's inability to resist external pressures on its
A more likely scenario will involve an initial consolidation of the remaining estates and further diversification away from tea, tobacco and sugar into maize, rice, groundnuts and other crops which have thus far been dominated by peasant production.

Future Prospects

The "Berg Report" of the World Bank has given three major reasons for the crisis in Africa.

1) overvalued exchange rate and over-protection of industry as part of import-substitution industry leading to unfavourable internal terms for agriculture;

2) overextension of the public sector and inefficiencies in the parastatal enterprises;

3) neglect of agriculture.

Malawi cannot be accused of any of these sins. We already noted the low levels of protection of industry and the export-orientation of the development strategy. The share of the public sector in GDP and employment have fallen and parastatals have, all in all, been run profitably. Furthermore agriculture has received top priority. Thus if anything the present crisis in Malawi reveals the overgeneralisations and superficiality of the "Berg Report" and suggest the existence of deeply structural problems inherent in dependent capitalist accumulation. This is not to deny that certain policy measures adopted by the government have contributed to the intensity (as opposed to the occurrence) of the crisis. However, these pale into insignificance when compared to the overwhelming effects of external pressures.

The prospects for the Malawian economy look rather bleak given the continued world wide stagflation and high interest rates. World Bank projections for the prices of the major crops give little room for comfort. Although terms of trade are supposed to improve, these improvements will be only 7-8 per cent over the 1979 low. For an export-oriented development strategy dependent on foreign capital, such grim expectations
expectations about export performance have the quality of a self-fulfilling prophecy. The increasing debt service charges convinces capital that the country is a high risk one and may not be able to earn sufficient foreign exchange to cover repatriation of interests, dividends and other payments to foreign factors. As a result, foreign capital may seek to safeguard its assets by ceasing reinvestment of its profits and start repatriating an increasing amount of it, thus putting further strains on balance of payments which, in their turn, confirm the fears of foreign capital. A vicious circle may thus start leading to greater disinvestment by foreign capital which arouses strong nationalistic pronouncement which tarnish the "good boy" image of the country. It is significant that Dr. Banda, a vociferously pro-Western leader, recently attacked the West for its trade, aid and financial policies towards the Third World. Furthermore, Malawi, which has generally been lukewarm towards regional co-operation, now shows greater interest in SADCC as a potential market for its manufactured products.

It is clear that for Malawi profound changes in the international economic environment are decisive so far as the economy's rate of expansion is concerned. Higher and stable prices for Malawi's major exports have in the past been translated into rather high rates of growth. It should, however, be stressed that important as these changes in the international environment are, high rates of growth can be translated into real social progress for the broad masses of the people only if the internal policies are changed so as to widen the domestic market for industrial products and the resources base for further industrialization. Both these call for a better deal for the peasants and workers of Malawi who have all along borne too much of the burden of the "economic miracle".
NOTES


2 In the case of Malawi, such restrictions included higher taxes for Africans working less than 30 days for whites, higher transport costs for Africa produce, restrictions on what crops Africans could produce, etc...

3 Vail, op. cit. p. 52-53

4 Vail, op. cit. p. 61

5 As Banda characteristically told the Malawi Parliament "We do not suppress the acquisitive and possessive instinct here. Instead, we encourage it", quoted in New Africa Year Book, 1979.


8 Dr Banda, "My country's Agricultural Promise", African Development, 18 November 1971.


12 Harvey, Charles - ibid.

13 In speech opening the symposium in Lilongwe for African Central Banks, August, 15, 1982.
INTRODUCTION

The economy of Ghana, like most of the sub-Saharan Black African economies, is on the verge of collapse. There has been a persistent rise in the price levels and a slowing down in the growth rate of per capita income. Negative growth rates have been registered for several years. Since the early 1960s, living standards of the average Ghanaian have been falling. One of the outcomes of the deteriorating economic condition has been political instability: since 1966 five military coups have jolted Ghana. A way must be found to reverse the deteriorating economic and political conditions in Ghana, and in Africa in general.

The main purpose of this paper is to examine, delineate and analyse the internal factors which have contributed to the underdevelopment of Ghana with emphasis on her economic performance in the past decade, 1972 to 1982.

The paper examines the specific nature of the present economic crises and its human dimensions. The paper identifies the main causes of the economic and political problems facing Ghana and evaluates the effects of various strategies which have been prescribed to solve the economic problems. The paper suggests alternative strategies of development based, in part, on our analysis. The recommendations are also based on an examination of the strategies for development of Black Africa suggested in two reports by international agencies:

Nature of the Economic Crisis and its Human Dimensions

I. Nature of the Problem

Ghana was the first of the 44 Black African countries to gain political independence from colonial rule in 1957. By 1962 most of the Black African countries had gained political independence. After 25 years of political independence, the Black African countries are on the verge of political and economic collapse. Several students of Africa have blamed the current economic crisis on mismanagement of the economies by African leaders and on an apocalyptic array of natural and man-made disasters. The causes of the present economic difficulties facing Africa have some of their roots in the pre-independence period. There are internal and external causes of her underdevelopment. Four major hypotheses may be advanced to explain the causes of poor economic performance, underdevelopment and collapse of the African economies during and after the colonial period:

1. The exploitation of the colonial countries via unequal exchange in the production and sale of primary commodities by the colonial powers denied the "late comer" countries an optimum level of capital accumulation which could have been the basis for expanded reproduction and the accelerated development of productive forces.

2. The structural imbalance between the rapid growth in the demand for manufactured goods and the inability to earn enough foreign exchange to pay for these is due, in part, to exogeneously determined demand structures and consumption patterns brought about by the "demonstration effect" under uncontrolled urbanisation.

3. Colonial administrators, academicians and policy-makers assume that African economies will develop naturally by following the footsteps of the advanced industrialised countries, as evidenced by the post World War II economic boom in the advanced countries. As a result the policy-makers and the academicians not only underestimated the situation but are ill-prepared to deal with the dept of structural and institutional disequilibrium that arise when the "late comers" of the backward agrarian economies try to embark on adequate development efforts, under conditions
created by co-existence with highly industrialised countries.

4. Its inability to prescribe policies to correct the structural disequilibrium in aggregate demand and supply sets inflationary surges in motion. High rates of inflation become uncontrollable as the structural imbalance deepens. Prices and wages become distorted and market failure, under-development and political instability are the end result.

Western versus African Development Models

Economic development of the Western European countries followed a different path from that of the "late comer" African countries. A central explanatory theme in the "Western Model" is the "challenge response hypothesis" propounded by Gerschenkron. This concept was borrowed by Gerschenkron from Toynbee's empirical observation of the historical processes of industrialization in Europe. His (Toynbee's) general observation was that very frequently small challenges do not produce any response and that the volume of response begins to grow very rapidly (at least to a point) as the volume of the challenge increased. That is to say, the 'tension' must be considerable before a response in terms of industrial development materialises.* Gerschenkron tests his model by examining the development experience of France, Germany and Russia, concentrating on the most important institutional variables - the banks and the role of the "state". England's lead in industrialisation called for a response from France and Germany. In both of these countries changes in the banks lending institutions which favored industrial investors, in key sectors of the economy, were responsible for opening up the way for industrialisation to catch up with England. Russia which was relatively more backward needed active state intervention, motivated by military interests, to help in the catching up process. In the case of Japan it seems that the state played a stronger role, relative to Russia, under the Meiji restoration to respond to the challenge from the West, under the threat of domination to industrialise her economy. Japanese society developed a national ideology to face the challenge by imitating and borrowing western technology but using her own social organizational methods.
under "Eastern morality".  

African countries unlike the France, Germany, Russia and Japan were not prepared to respond to any challenge when their economies were opened up for exchange. The African countries had a choice: trade or imitate. Because of the low level of the development of productive forces these countries could not imitate or borrow western technology as Japan did; they could only trade under free trade imperialism. Thus due to imperialism, colonialism and the lack of an adequate degree of economic and social development the African countries could not embark on indigenous development under, for example, protectionist policies to compete in the market place with the advanced capitalist countries. They were therefore dominated and colonized.

Colonialism was synonymous with exploitation and unequal exchange. The colonial administrators enforced a colonial policy whereby "any proposals, whether in the field of industry or tariffs, which give rise to any conflict of economic interest, should be approached from the standpoint that the United Kingdom trade interests must rank first, Dominions' trade interests second, and those of colonies last". J A Calder defined the order of priority for colonial development before the second World War as follows: "firstly agriculture for food and export, secondly and a long way behind - the development of mineral resources, and lastly secondary industry".  

Colonial policies are responsible, in part, for the underdevelopment of the Ghanaian economy. These policies stifled the development of industry which is the basis of structural transformation.

Szereszewski examined the structural changes in the economy of Ghana from 1890 to 1960 and concluded that: "On the whole the system of structural change since 1911 Gold Coast, did not alter some of the fundamental characteristics of the economy. In other words, Ghana of 1960 could still belong to the same category of structures as the 1911 Gold Coast, albeit at a generally higher (double) level G D P per capita". The lack of structural change in production between 1911 and 1960 did not imply that there has not been a structural change in demand or consumption patterns. This change is influenced by exogenous forces including the "demonstration"
effect. The marginal propensity to import and consume manufactured goods had changed dramatically between 1911 and 1960. However, the ability to produce and export agricultural products in exchange for hard currency had not kept pace with the demand for foreign exchange. Thus making the economy prone and highly sensitive to balance of payments disequilibrium. For example, in 1911 the rural population was disproportionately larger than the urban population and the marginal propensity to consume imported items of both the urban and the rural populations was low relative to the 1960 population groupings.

In the 1960s the African governments began to embark on accelerated and large development efforts. To the extent that unbalanced growth is a feature of development one cannot avoid structural bottlenecks. Thus fluctuations in price levels which are reflections of changes in supply and demand aggregates cannot be avoided. It follows therefore that high rates of inflation are an inevitable yet undesirable feature of the development process; as an African-type economy embarks on an adequately large development effort. If the inflationary surge is not controlled it becomes a cancer which undermines the structural and monetary balance in the economy with its attendant price and wage distortions. Finally, a market failure becomes the inevitable outcome.

Nature of the Ghanaian Market Failure: The Human Dimension

The London Financial Times described the economic situation in Ghana as follows: "Supermarket shelves are bare but in a state-owned Accra hotel champagne is on sale for £36 (220 Cedis) a bottle; outside the capital, petrol is scarce but in the city a new Mercedes sits in a solid traffic jam with one tyre in a pot hole; in a local market, traders offer a loaf of bread for more than the official minimum daily wage". The price or market system in Ghana has collapsed. The official exchange rate for the Cedis is 2.75 Cedis to one US dollar. On the black market one US dollar fetched about 40 Cedis in 1981. In the early part of 1981 a loaf of bread and a bottle of beer were selling for 20 Cedis and 15 Cedis respectively. Yet, the minimum daily wages was 12 Cedis.
Thus the labourer had to work two days to buy a loaf of bread; and his daily wage could not buy him a bottle of beer. This then is the human dimension of the results of high rates of inflation and market failure in Ghana.

The Ghana economy has lost its internal correcting mechanisms. Skilled workers are leaving the country in large numbers - university professors, high school teachers and mechanics - to neighbouring countries. Corrupt practices, called "kalabuleism", have become part of normal business transactions. Successive governments, unable to collect enough local taxes to pay for her expenditures, have recourse to the printing of more money. Financing development projects by printing more money fuels the high rates of inflation which have been running at over 100 per cent in the past five years.

Corruption, mismanagement and inappropriate development strategies have all contributed to the collapse of the Ghanaian economy. For example, the cocoa sector has been destroyed by over-taxation. Governments over the years have set prices paid by the Cocoa Marketing Board for the farmers' produce at levels far below the ruling international prices. Farmers have had no incentive to produce more cocoa. Cocoa exports have fallen to half of the 1965/65 level: from 540.000 tons to 270.000 tons. Since the last quarter of the 1970s, Brazil and Ivory Coast have overtaken Ghana as major producers of cocoa beans.

Viable solutions to Ghana's development woes are not easy to find. Monetary solutions to the problem have been found to be wanting. Structuralists have articulated their position but do not offer concrete ways of solving the problem. According to the structuralists view point, inflation cannot be curbed in the short run because supply inelasticities and import bottlenecks generated by export instability proceeds are inherent in the growth process. Thus inflation is natural to the growth process, given the structure of the developing economies. Monetarists on the other hand believe that inflation stifles the development process and must be stopped immediately through monetary and fiscal policies with the help of international institutions such as the IMF. Monetarists argue that currency devaluation can correct the price and exchange rate distortions and conclude that it stimulates economic activity. This is so because the initial increase in the price of foreign goods relative to home goods
leads to the generation of excess demand for home produced goods. The prevailing view on devaluation may be summarised as follows: devaluation can be expected to raise output if there are unemployed resources and to raise domestic prices if there aren't. Devaluation may lead to falling real incomes and therefore may cause initial excess of supply of home goods. It seems that for each country an empirically simulated investigation needs to be made to examine the probable response of both employed and unemployed resources to devaluation before a realistic policy can be propounded.

Before we attempt to suggest alternative strategies of development and recommendations to solve the present economic crises, we present an examination of the performance of the economy and the causes of Ghana's economic crises, focusing on the period 1972 to 1982.

Underdevelopment in Ghana: The Problem of Structural Inflation

Ghana gained political independence from British colonial rule in 1957, after close to one hundred years of colonial domination. Under a nationalistic regime headed by Kwame Nkrumah, she embarked on a large scale development effort. The regime ran into balance of payment difficulties and structural inflation in 1961 from which it has not recovered. Ghana's experience with structural inflation and underdevelopment may be categorized under three basic periods:

A. Era of controlled structural inflation: A colonial monetary strategy: Turn of Century to 1957.


A. Controlled Inflation under Colonial Regime: Turn of Century to 1957

Structural inflation was controlled by the colonial regimes in Ghana and other colonial areas by keeping growth rates and institutional changes at low levels. The modern sector was expanded slowly. The precapitalist sector, which earned foreign exchange through exports of cash crops was able to produce and finance the consumption needs of the expanding modern sector.

a. Lord Lugard (1908) strategy of indirect rule reinforced dualism by slowing down the interaction between the "modern" market institutions and the pre-capitalist African institutions and modes of production. 9

b. Colonial economic policies were consciously or unconsciously designed to keep structural equilibrium in the "modern sector", i.e., the import-export economy. This was done through the monetary arrangements between the sterling exchange standard and the colonial Currency Boards. The Currency Boards were required to maintain a 100 percent cover of their currency liabilities. This tied the money in circulation to the balance of payments.

West African sterling was only issued against the exchange of British sterling and such issues, and counterparts redemptions took place on an automatic basis. Under the above conditions, the threat of inflation normally originated from the fact that export receipts tended to be bigger than import expenditures. The colonial monetary policy kept inflation in check: A balance was sought between export earnings (which commanded the purchasing power) and the imported merchandise available in Ghana. At times, there was congestion at ports and the volume of imported merchandise was limited. In such a situation, the money supply (purchasing power) was reduced to keep inflation in check.

Under the colonial monetary policy, economic development was stifled because capital formation financed out of credit by the West African Currency Boards or by the Banks couldn't take place. Thus, the colonies were denied a strategy to accelerate development based on credit creation by the central banks. 10
We have pointed out that the colonial policies encouraged the production of agricultural products to be exchanged for manufactured goods. Such a policy created structural disequilibrium of disarticulation in the production matrix in Ghana. The potential for industrial development was nipped in the bud. Expansion of agriculture did not lead to the development of linkages to initiate other sectors of the economy.

By 1952 the structural disarticulation in the economy was complete: "If we were to sum up the Gold Coast (Ghana) economy in one word, the word we would choose would be 'Fragile'." The national income depended solely on one cash crop - cocoa. Since the 1920s cocoa had accounted for over two thirds of the export receipts; the diamond and gold mining enterprises and exports of timber and lumber accounted for the rest. Marketing of cocoa was under a statutory marketing board which was set up in the 1947/48 season. Marketing of imported items were under the control of expatriate merchant firms - United Africa Company (Unilever subsidiary) was by far the biggest merchant firm. Under the above structure of production and distribution the successive colonial administrations were able to contain inflation by managing the incomes of cocoa farmers (purchasing power) so that they equaled the value of imports by the merchant firms. Government expenditures were financed mainly out of modest taxation on import, company profits and on exports.

The colonial development policy constrained capital formation and growth to a modest level because of its deflationary policies. Mr. Armitage, the last colonial Minister of Finance, in his budget speech in 1953, explained the colonial monetary and development policies in the post-WWII Gold Coast as follows:

"(Sterling) balances have accrued ... largely because the raw materials produced in the Gold Coast (mainly cocoa) have brought in large earnings and the Government ... Increased taxation partly in an endeavor to lessen the amount of money which would exert an inflationary pressure on the supply of goods and services in the country, and partly to build reserves."
B. Controlled Inflation: Financing Capital Formation out of Reserves, 1957-61

Ghana attained internal self government in 1954 and her independence from colonial rule in 1957. She immediately embarked on an ambitious program to accelerate her growth which was anything but modest under the colonial regime before 1954. What were the development strategies available to the Nkrumah and his party, the Convention People's Party (CPP)?

The cold war atmosphere in the 1950s seems to have forced the Nkrumah regime to follow the development plans and strategies bequeathed it by the colonial regime as propounded in the following documents:

(i) The Ten Year Plan of Development and Welfare of 1951 (colonial plan).


All the documents laid heavy emphasis on the need to build the infrastructure: this was made more explicit in Lewis report and in the Ten Year Colonial Plan. Seers and Ross argued in general terms that Ghana's fragile economy problem could be tackled through diversification of exports by engineering a closer balance between the structure of domestic demand and output. However, in the short run, they argued that "the immediate problem is not one of providing jobs, or raising consumer goods output, so much as of trying to release existing productive power by improving communications". 12

Sir Arthur Lewis, on the other hand, in his Report (1953) and in his earlier writings on industrialization strategy in Puerto Rico (1949) and in the British West Indies (1950) had argued for a strategy based on: (1) Building the necessary infrastructure; and (2) making it attractive, through tax holidays, for private investors - multinational corporations - to come and invest in the country. 13 Such a strategy looked attractive in the 1950s, but now we know more about the conditions under which multinational corporations would invest in a developing country. 14

The colonial government since 1951 had been preparing the Gold Coast for internal government and independence.
Nkrumah, the leader of the CPP, was made the leader of Government Business in 1951. In 1953, Arthur Lewis was requisitioned by the Nkrumah transitional regime to write a report on the industrialization of the Gold Coast. The Report (1953) like that of Seers and Ross (1952) had a great deal of impact on the post colonial development strategy up to 1961.  

The Nkrumah Party which had gained internal self government in 1954 continued with the Ten Year Colonial Development Plan which was launched in January, 1951. After formal independence in 1957, the Nkrumah regime abandoned the Ten Year Colonial Development Plan. Sir Arthur Lewis, who had earlier written a Report on the Industrialization of the Gold Coast, was invited to help draw up the Five Year Plan of post-independence Ghana. The Plan was implemented in July, 1959, but was abandoned in the third quarter of 1961.

Sir Arthur Lewis Five Year Plan development strategy was very similar to that of the Colonial Ten Year Plan. The Ghana government was to use its own reserves to build local infrastructure and foreign private investors would be attracted to come and invest in the country. This strategy may be characterized as "industrialization by invitation".  

The two development plans were abandoned, because the plans led to a rapid depletion of the country's resources and induced high rates of inflation while the country's infrastructure was being built. However, in the private sector the expected foreign investment did not come. The difference between the Ten and Five Year Plans in terms of development strategy was slight: the major difference was in the projected levels of investment in infrastructure. The plans were not geared to revolutionizing agriculture since the investment in that sector constituted about six to eight percent of total investment.

The regime was sold on the idea that foreign investors would come into Ghana and/or help local entrepreneurs to invest in the private sector once the infrastructure had been built. Thus in the Five Year Plan only GH 2.1 million was voted for agriculture.
Inflationary Consequences of Ten and Five Year Development Plans

Because of the Korean commodity boom and the large reserves which Ghana inherited at the time of independence, the inflationary consequences of the Ten Year Plan was hardly felt. During the life of the Plan, 1951 to 1957, out of Ghana's own resources both private and public capital expenditure amounted to £ 350 millions, foreign aid amounted to £ 3.5 million and foreign private investment amounted to £ 7 million. Thus, foreign private investment was a mere two percent of Ghana's own investment, mainly in infrastructure. It was, therefore, clear from the experience of the Ten Year Plan that the strategy of relying on foreign investors to finance the private sector was wrong. Yet the Five Year Plan called for the same strategy at a higher level of expenditures of Ghana's own resources. Perhaps it was felt that the reason why private foreign investment had not accelerated was because the infrastructural development was still low. The Five Year Plan had two alternative expenditure estimates: "Small coat" plan and "Large coat" plan. The government overstepped its expenditures by £ 15 million a year more than programmed for in the "Small coat" plan. By 1961 Ghana reached a crisis stage: (1) Inflation was on the rise of over five percent whereas in the 1950s the percentage change averaged about 2.5 percent per year. (2) The large international reserves, which constituted the best guarantee against cumulative inflation, because sources of local taxation was limited, had dwindled alarmingly. In 1955 foreign reserves stood at £ 208 million; in 1961 it stood at about £ 72 and the balance of payments deficit on current account was £ 52 million. (3) The international investors who were supposed to come and invest to provide opportunities in the private sector failed to appear.

Naturally, the Nkrumah regime became disillusioned with foreign investors and local entrepreneurs; it was time to abandon the colonial strategy of development. The Five Year Plan was abandoned in 1961.

The economic crisis of 1961 was a reflection of a failure of the colonial development strategy. The Nkrumah regime decided to try an import substituting strategy of industrialization. Import substituting industrialization was probably the worst possible strategy since the import bill was rising at an alarming rate. The state was to set up and manage most of the enterprises, since private investors, both foreign and local entrepreneurs, had failed to initiate the industrial sector. But where was the massive capital needed for such an industrialization strategy to come from? The nation's foreign reserves had run low by 1961 and its export earnings were inadequate to finance the industrialization effort. The desire to industrialize at all costs, under economic nationalism, did not allow the Nkrumah regime to consider a self-reliant strategy which would have led to a faster growth rate in the long run. The strategy, as developed by Nkrumah in 1961, called for external loans to finance state enterprises.

The CPP Party Congress approved the development strategy in late 1961. The Plan was prepared and approved in March, 1964; it was to run from January 1964 to 1970. This plan was different from the colonial plan; with emphasis on local manufacturing rather than on building infrastructure. The difference lay in the level of investment and in the methods of financing projects. The Seven Year Plan called for twice as much yearly investment as the Five Year Plan. It shows the differences in sectoral allocations between the Seven Year and Five Year Plans.

The Plan was doomed to failure: (1) The government did not have the capital to sustain the required level of investment; and (2) the whole development effort could not be financed on loans and suppliers' credits. What was needed was an agrarian development strategy, a variant of Maoism or the type envisioned by the Russian Populists. The Seven Year Plan in many ways echoed the policies of the ruling paradigm in the development economics literature: The obsession with industrialization via the "big push" strategy. The Five Year Plan called for the establishment of 600 factories to produce 100 different commodities. The
Seven Year Plan called for an increase of 83 percent in output of industry and construction.

The Nkrumah experiment came to an end when world cocoa output recorded a bumper crop in the 1964/65 season and cocoa prices dropped sharply to their lowest levels since World War II. Ghana's credit worthiness dropped sharply. The resulting foreign exchange squeeze precipitated the military take over. The plan lasted only just over two years. By 1966, a credit crunch was in the air. Essential goods were in short supply, creating production bottlenecks but demand was increasing at a rapid rate, resulting in high rates of inflation. The government enforces price controls but in face of deficit financing, it had no effect on inflation of prices. The population was no longer willing to bear the burdens of industrialization via economic nationalism and accepted the military coup d'etat that took place in 1966. The strategy of borrowing from abroad to finance industrial growth, hoping to pay back out of profits, was soon to be proved an illusion in the case of Ghana.

I. Post Nkrumah Era: The National Liberation Council (NLC) and Busia Regimes

The National Liberation Council (NLC) ruled from 1966 to 1969. It saw itself as an interim government. It sought to slow down the pace and level of investment to stabilize the economy. It curtailed public spending and imposed severe restrictions on imports and external borrowing. In July, 1967, it devalued the Cedi by 30 percent. The deflationary "monetarist" or IMF-type policies led to massive unemployment in the country of about 11 percent of the work force in 1968. Attempts were made to revitalize the economy, through a Two Year Development Program, subtitled From Stabilization to Development, by liberalizing imports and exchange restrictions. This aggravated the imbalance in imports and export values. The government reacted by imposing price controls once again; inflation was kept under control somewhat until the Busia civilian regime took over.

The Busia regime, 1969 to 1972, believed in orthodox restrictions. This policy was short lived. In 1971, cocoa prices fell - the foreign exchange scarcity crunch was on.
The government once again, despite its laissez-faire philosophy was forced to impose controls on imports. To make imports expensive, it devalued by a massive 90 percent in local currency terms. The effect of the devaluation was felt immediately. Prices of imports shot up. But prices of home produced goods did not go down. The real incomes of wage earners fell as a result there was a fall in output of home produced goods. The unpopular measures carried out by the Busia regime induced some junior officers to seize power in January 1972.

II. Post Nkrumah Era: Acheampong (NRC), Akuffo and the AFRC and the PNDC Regimes. 1972-1982

The Acheampong regime reversed the devaluation of the cedi carried out by the Busia regime, in 1972. The regime sought to please the masses: It increased the levels of deficit financing without increasing taxation. The balance of payments position worsened and raised the inflation rate further. The Acheampong regime faced a classic case of inflation: A lot of local currency chasing a few goods. By the end of 1978, inflationary rates had risen to over 100 percent - hyperinflation.

By 1978, the Acheampong regime had become unpopular due to high rates of inflation and corruption in high places. The military leadership became aware of their unpopularity and changed the leadership in a peaceful palace coup d'état. Akuffo became head of state. This regime was short lived. It was, in turn, overthrown by young military officers who were angered by the rampant corruption among the army ranks in 1979, which Akuffo was unable to control.

The Rawlings (AFRC) military regime, noting that civilian elections had been planned earlier, handed over power to a new civilian regime in less than a year after taking over power. What the Rawlings regime accomplished was to punish the corrupt elements in the society. The regime by their actions protested against perverse capitalist development. It was hoped the new civilian regime under President Limann would be able to stop corruption which had become a way of life and would develop a viable strategy to reverse the deteriorating economic trends. For most of the period since
1966, the Ghanaian economy had registered negative GDP growth rates. The Limann regime did not have a new plan to develop the country. They sought refuge in orthodox plans of industrialization, based solely on foreign investment. They paid Ghana's foreign debts on schedule, hoping to build the confidence of foreign investors in the new regime. Foreign investors did not respond to the new gesture. The regime tried to induce foreign investors to come to Ghana by making the terms in the Ghanaian investment codes more attractive but this strategy failed. By the end of 1981, the economic crisis in Ghana was getting worse every day, but the government was unable to come up with any answers. No attempt was made to mobilize the nation for production. Rather, the party leaders became more and more corrupt in allocating to themselves the dwindling surplus through shady deals. At the end of 1981, Rawlings staged his second comeback to put an end to an inept corrupt regime which was insensitive and incapable of solving the economic crisis facing Ghana.

It is too early to analyse and evaluate the economic policies of the PNDC. The regime is dedicated to put a stop to the corrupt practices which have become part of normal business transaction. The regime hopes to develop a strategy to resolve the economic crisis facing Ghana. It has yet to come up with a clearly articulated alternative strategy of development to tackle the enormous task of rebuilding the Ghana economy.


At the close of the Busia regime, the Ghanaian economy faced several structural problems:

(a) Disequilibrium in balance of payments and an over-valued exchange rate;
(b) Large and growing budget deficits;
(c) A large under-utilised industrial stock;
(d) High rates of inflationary surges;
(e) Declining production in key exports; and
(f) Maldistribution of income.
The root causes of the high inflationary woes are:

(i) The country's inability to earn enough foreign exchange to pay for the rising demand for manufactured products from abroad; and

(ii) successive governments reliance on deficit financing of the development efforts and government expenditures due to low taxation revenues which accrue to the government coffers. The high rates of inflation which have been experienced are the direct result of these structural problems.

(i) Consequences of Excess Money Supply

Table III shows the dramatic increases in the money supply during 1972-1981. Between 1972 and 1980 it rose by over three times from 461 to 6224 million cedis. Since productivity was falling in this period, the increases in money supply was inflationary. By June of 1981 the money supply had risen to 8310 million cedis. This is the basic reason why hyperinflation developed in this period. Having depleted foreign exchange reserves in 1961 and unable to generate reserves, successive regimes have resorted to financing capital formation out of credit creation. This is a disastrous strategy in an open economy without an established industrial base and engaging in import substitution industrialization. In a closed economy with surplus labor such a strategy for financing capital formation, without withdrawing scarce resources for other uses, creates inflation only temporarily. (1) In the first stage, the credit creates purchasing power which chases the same amount of goods since labor and capital employed has not created any production as yet. (2) In the second stage, the inflationary process comes to an end when savings output increases via the multiplier effects and savings increases to the level of the inflated investment. This implies that as output grows over time the capitalist profit also grows; thus the part financed out of credit diminishes all the time until inflation ends. Such a strategy of credit financed capital formation cannot work in Ghana-type economies: (1) The openness of the country will prevent increases in savings to the level of the inflated investment;
The national income is not rising thus it is not clear if capitalist (savers) real income will rise faster than non-savers. Thus the money supply must be brought under control if inflation is to be curtailed.

(ii) Consequences of Deficit Financing

Deficit financing by successive governments since 1961 had played a major role in aggravating the inflationary situation in Ghana. Deficit spending in 1976/77 rose to about 70 percent over the previous years. Deficit spending in 1980/81 amounted to 4440.2 million, an increase of about 300 percent over the previous year. It seems that, for political reasons, civilian regimes tend to spend more than they collect in taxed so as to avoid political unrest; but this only postpones the problem and makes it harder to deal with it in the future. The central government's deficit expenditures and the uncontrolled expansion of the money supply in general have aggravated the inflationary situation in Ghana. It has had adverse consequences on the economy:

"The damage inflicted on the economy by inflation has been severe and extensive. The decline in standard of living of a large section of the population and the subsequent lowering of their morale and productivity are everywhere apparent. Severe inflation has discouraged saving, created insatiable lust for money and fostered speculative activities, smuggling and currency trafficking to the detriment of the economy." 20

Consequences of Adverse Balance of Payments Situation

The inability of the Ghanaian economy to generate enough foreign exchange to pay for its imports is a basic cause of her inflationary problems. The demand for imports and import prices is rising; however the quantity of exports is not growing as fast and is sluggish. Another factor which has affected the balance of payment position seriously is the price crises of crude oil since 1973. Since 1976 Ghana has spent on the average about 15 percent of her foreign exchange earnings on the importation of crude oil; in 1980 the
proportion rose to 25 percent. Table V shows the quantity and the value of imports of crude oil. Although the quantity of crude oil imports has not increased, the value of these imports has more than doubled between 1975 and 1980. Table VII shows in the balance of payments position for the period 1972 to 1980; the balance is increasing year by year. The deteriorating balance of payments position is due, in part, to the decline in the quantum of exports. These declines in output in all categories of exports are shown in Table VII.

The decline in cocoa exports cannot be blamed on sluggish external demand due to the world-wide recession. Inappropriate cocoa pricing policies is the culprit. The decline in the exports of sawn timber seems to be due to increases in local demand. The decline in the exports of manganese, diamond and gold are due to internal production problems and sluggish external demand. The decline in exports of aluminium may be due to sluggish demand as a result of the recession in industrialised countries. Given the deteriorating economic situation in Ghana, what types of economic and political strategies can be devised and implemented to pull her out of the endemic economic crisis? An examination of this issue is presented below.

A Way Out of Ghana's Economic Crises: Analysis of Alternative Strategies

The economic and political crises facing Ghana cannot be resolved without altering, drastically, the existing institutional framework within which the economy functions. Thus one strategy calls for engineering a closer balance between the structure of domestic demand and output: a bias towards a self-reliant strategy of development. This was the approach adopted by the ECA Secretariat after consultative meetings in Monrovia and in Lagos. A development strategy was promulgated in a document called the Lagos Plan for Action (LPA). The Lagos Plan for Action seeks to restructure the African economies in a manner "in which inter-sectoral and intra-sectoral linkages and the exploitation of national, multinational and regional resources and opportunities are being exploited to meet Africa's needs".

The World Bank strategy, on the other hand, calls for more
improved trade with industrialised countries under free trade. This point has been endorsed by neo-classical economists. Anne Krueger argues that "in-so-far as the developing countries are relatively abundantly endowed with unskilled labor and relatively short of capital, trade with other LDCs is likely to increase the imbalance in factor availability, whereas trade with the developed countries may serve as a means of exchanging abundant factors for scarce". McKinnon endorses and summarises Krueger's policy prescriptions as follows: If LDCs dismantle their trade restrictions, then the resulting industrialisation patterns might yield tendencies toward factor price equalization which would improve the lot of unskilled labor in the Third World much more than seems possible based simply on the industrialisation experience of the 1950s and 1960s. The World Bank report - Accelerated Development in Sub-Saharan Africa: An Agenda for Action - takes the same approach as expounded by Ms. Krueger and McKinnon.

The World Bank Report is a response to the African Governors request to the World Bank concerning the economic situation of Sub-Saharan African countries. These countries have experienced in the last decade slow economic growth and have been adversely affected by the economic recession in the industrialised countries. The policy action to growth oriented program consists of: (a) more suitable trade and exchange rate policies; (b) increased efficiency of resource use in the public sector; and (c) improvement in agricultural policies. Thus the World Bank Report would like to initiate policies in Ghana, for example, to correct the overvalued official exchange rate, which is due, in part, to higher inflation at home than abroad; improvement in price incentives, especially to the cocoa farmer; and to give lower protection for industry to eliminate through competition the inefficient industries.

It is not clear if the neo-classical policy prescriptions which calls for a more efficient allocation of resources will do the job. Gerschenkron concluded from his empirical investigation of economic development of the western countries that it took more than 'efficient allocation of resources' for France and other western countries to develop:
"to break through the barriers of stagnation in a backward
country to ignite the imaginations of men, and to place
their energies in the service of economic development, a
stronger medicine is needed than the promise of better
allocation of resources ..." 24

We have pointed out that currency devaluation may not
achieve the desired results - raise output and eliminate price
distortions in the economy. 25 It may be argued that some of
the "allocative efficiency" policy prescription are politically
unacceptable: Some of the African countries including Ghana
are maintaining perhaps lower levels than the minimum tolerable
gross domestic product or per capita product, thus the popula-
tion cannot accept even a temporary lower standard of living
without a political upheaval. Yet, currency devaluation, under
conditions of trade deficit, results in price increases of
imports and immediately reduce real incomes of wage earners.

Analysis of Alternative Strategies: Ghana and the Lagos Plan

The Lagos Plan for Action unlike the World Bank Report is in
favour of a self-reliant strategy of development for Africa.
This strategy will allow the African countries to have a
direct control of their socio-economic institutions and to
engineer a closer balance between the structure of domestic
demand and output. The "openness" of the African economies
make them too vulnerable to economic fluctuations in the
industrialised countries. Trade is an engine of growth. How-
ever the engine of growth has slowed down due to the world-
wide recession. Arthur Lewis has argued that the LDCs should
expand intraregional trade and move away from exclusive
reliance on the industrialised countries as their trading
partners. 26 Others, such as Patel, have argued that the
African countries pay too much for technology which is some-
where between 2 and 4 percent of their national income.
These national income "leakages" reduce the level of investible
surplus drastically. As a result, Patel concludes that: "The
choice between external dependence and mainly 'going it alone'
is thus neither an empty argument among irritable academics
nor a silly self-glorification by foolish politicians". 27

In the short run, the African countries should take steps to
lower the level of "leakages" due to technological and
financial dependence as well as unequal exchange in trade.

The internal constraints to development and social transformation must be resolved if a viable development is to take place. The two basic technical factors of production which have inhibited African development are: lack of capital and backward techniques of its inhabitants or low level of its "productive forces". The lacking institutional factor is the necessary level of organizational skills for social mobilization and development. Under capitalism the missing link is entrepreneurship. In the case of Ghana any long-run or short-run strategy to revive and restructure the economy will have to be based on: (i) holding down consumption; (ii) rebuilding the administrative machinery; (iii) to arrest the declining export performance, and (iv) to prevent a relatively higher proportion of value added in manufacturing from going abroad.

In the long run attempts must be made to restructure the economy from dependence on one cash crop.

Some Suggestions for Restructuring the Ghanaian Economy

A. Short-run policies

The economic crisis in Ghana is too deep to be resolved by a non-revolutionary strategy. It is suggested that a two-year program for rehabilitation of the national economy should be drawn up with the aim to restore economic stability. (1) The imbalance between aggregate food demand and aggregate supply should be restored. (2) Deficit financing of government projects must be curtailed. (3) Financing capital formation out of bank credits must also be curtailed. A strategy should be developed to expand food production so that the country would become self-sufficient. This would save the foreign exchange currently being spent on food imports. Cash crop production, cocoa and other products, should be rehabilitated to the 1964/65 production levels. Attempts should be made to increase efficiency on marketing of cocoa, gold, diamonds, timber and manganese in the short run so as to contribute to short run increases in foreign exchange earnings. A policy should be developed to take redundant labour out of all sectors and redeployed in gainful activities, especially in the agricultural areas. The aim here is to attain full
employment and raise standards of living based on planned reflation of the economy primarily through increases in Government spending. The performance of all public and the big private enterprises should be evaluated. The inefficient enterprises should be closed down. The inefficient private enterprises which are profitable from the private point of view but not from the public point of view should be closed down. It is the subsidies provided by the Government including foreign exchange allocations which make these enterprises at times profitable from the private point of view. The government may try to renegotiate unfavourable agreements with transnational corporations such as the VALCO agreements. If the terms are renegotiated the government may stand to gain from increased foreign exchange earnings.

The policies suggested above should help in reducing the high rates of inflation to tolerable levels, so that economic stability can be restored.

The policies suggested above can be carried through by a populist government. Thus PNDC is suited to carry through the above policies. It is beyond the scope of this study to examine the political organisation needed to carry out the above short run policies.
TABLE I

Comparison of Planned Distribution of Public Investment Under The Ten Year (Colonial) Plan and The (CPP) Five Year Plan

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Ten Year Plan</th>
<th>Five Year Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ millions</td>
<td>% share</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.2</td>
<td>6</td>
</tr>
<tr>
<td>Manufacturing and Mining</td>
<td><strong>4.4</strong></td>
<td>6</td>
</tr>
<tr>
<td>Infrastructure and Public Services</td>
<td>29.1</td>
<td>40</td>
</tr>
<tr>
<td>Education</td>
<td>12.3</td>
<td>16</td>
</tr>
<tr>
<td>Health, Social Services and Housing</td>
<td>13.0</td>
<td>17</td>
</tr>
<tr>
<td>General Government</td>
<td>11.0</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>74.0</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Sources: Ten Year Development Plan
       Five Year Development Plan
### TABLE II

**Sectoral Allocation in Public Investment: Five Year and Seven Year Plans (Annual Average)**

<table>
<thead>
<tr>
<th></th>
<th>Seven Year Plan 1964–1970</th>
<th>Five Year Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ Millions</td>
<td>% Share</td>
</tr>
<tr>
<td>Agriculture</td>
<td>10.3</td>
<td>15</td>
</tr>
<tr>
<td>Manufacturing and</td>
<td>16.8</td>
<td>24</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure and</td>
<td>18.6</td>
<td>27</td>
</tr>
<tr>
<td>Public Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>9.6</td>
<td>14</td>
</tr>
<tr>
<td>Health, Social Service</td>
<td>9.5</td>
<td>14</td>
</tr>
<tr>
<td>and Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>3.5</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>68</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Sources: Five Year Plan Government Printer  
Seven Year Plan Government Printer
TABLE III

(2 Million)

<table>
<thead>
<tr>
<th>End of period</th>
<th>Currency in Circulation (1)</th>
<th>Cash Held by Banks (2)</th>
<th>Currency in non-Banking Sectors (3)</th>
<th>Demand Deposits (4)</th>
<th>Money Supply (3+4) (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>255.8</td>
<td>16.6</td>
<td>239.2</td>
<td>221.9</td>
<td>461.1</td>
</tr>
<tr>
<td>1973</td>
<td>268.9</td>
<td>23.9</td>
<td>245.0</td>
<td>318.7</td>
<td>563.7</td>
</tr>
<tr>
<td>1976</td>
<td>504.3</td>
<td>32.9</td>
<td>534.2</td>
<td>634.8</td>
<td>1169.0</td>
</tr>
<tr>
<td>1979</td>
<td>2624.4</td>
<td>196.8</td>
<td>2427.6</td>
<td>2356.8</td>
<td>4784.4</td>
</tr>
<tr>
<td>1980</td>
<td>3897.0</td>
<td>469.4</td>
<td>3427.6</td>
<td>2797.0</td>
<td>6224.6</td>
</tr>
<tr>
<td>1981 (June)</td>
<td>4818.7</td>
<td>423.2</td>
<td>5242.0</td>
<td>3068.6</td>
<td>8310.7</td>
</tr>
</tbody>
</table>

Sources: Bank of Ghana Annual Report (Several years)
**TABLE IV**

**Central Government Revenue and Expenditure 1972-1981**

(£ Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Government Revenue</th>
<th>Government Expenditure</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972/73</td>
<td>391.6</td>
<td>545.1</td>
<td>153.5</td>
</tr>
<tr>
<td>1973/74</td>
<td>583.6</td>
<td>378.5</td>
<td>154.9</td>
</tr>
<tr>
<td>1974/75</td>
<td>804.8</td>
<td>1161.5</td>
<td>356.7</td>
</tr>
<tr>
<td>1975/76</td>
<td>814.8</td>
<td>1438.6</td>
<td>623.8</td>
</tr>
<tr>
<td>1976/77</td>
<td>1074.6</td>
<td>1945.2</td>
<td>870.6</td>
</tr>
<tr>
<td>1977/78</td>
<td>1539.1</td>
<td>3017.6</td>
<td>1478.5</td>
</tr>
<tr>
<td>1978/79</td>
<td>2621.5</td>
<td>3763.1</td>
<td>1141.6</td>
</tr>
<tr>
<td>1979/80</td>
<td>3026.1</td>
<td>4671.5</td>
<td>1645.4</td>
</tr>
<tr>
<td>1980/81</td>
<td>3279.1</td>
<td>7719.3</td>
<td>4440.2</td>
</tr>
</tbody>
</table>

**Sources:** Economic Survey 1977/80 - *Central Bureau of Statistics 1981*  
Budget Proposals 1979/80 - Government Printer 1979
**TABLE V**

**Imports of Crude Oil**

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (metric tons)</th>
<th>Value (million cedis)</th>
<th>Value (million dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>1.24</td>
<td>132.6</td>
<td>115.3</td>
</tr>
<tr>
<td>1976</td>
<td>1.16</td>
<td>133.2</td>
<td>115.8</td>
</tr>
<tr>
<td>1977</td>
<td>1.22</td>
<td>149.2</td>
<td>129.7</td>
</tr>
<tr>
<td>1978</td>
<td>1.18</td>
<td>210.1</td>
<td>119.4</td>
</tr>
<tr>
<td>1979</td>
<td>1.11</td>
<td>474.3</td>
<td>172.5</td>
</tr>
<tr>
<td>1980</td>
<td>1.03</td>
<td>795.2</td>
<td>289.2</td>
</tr>
</tbody>
</table>


**TABLE VI**

**External Debt (June 1981)**  
(Million US Collars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Debt</td>
<td>321.0</td>
<td>478.8</td>
<td>422.2</td>
<td>356.6</td>
</tr>
<tr>
<td>Medium-term Debt</td>
<td>382.8</td>
<td>358.0</td>
<td>336.4</td>
<td>350.1</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>481.2</td>
<td>543.2</td>
<td>662.3</td>
<td>786.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1185.0</strong></td>
<td><strong>1130.0</strong></td>
<td><strong>1420.9</strong></td>
<td><strong>1493.4</strong></td>
</tr>
</tbody>
</table>
### TABLE VII(a)

**Exports of Domestic Products 1974-1978**

Units '000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa Butter and Paste</td>
<td>40</td>
<td>38</td>
<td>40</td>
<td>41</td>
<td>26</td>
</tr>
<tr>
<td>(tonne)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cocoa Beans (tonne)</td>
<td>314</td>
<td>322</td>
<td>328</td>
<td>253</td>
<td>213</td>
</tr>
<tr>
<td>(cu. metre)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timber (logs)</td>
<td>430</td>
<td>430</td>
<td>340</td>
<td>399</td>
<td>406</td>
</tr>
<tr>
<td>(cu. metre)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timber (sawn)</td>
<td>187</td>
<td>185</td>
<td>159</td>
<td>140</td>
<td>223</td>
</tr>
<tr>
<td>(cu. metre)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manganese (tonne)</td>
<td>280</td>
<td>373</td>
<td>360</td>
<td>322</td>
<td>287</td>
</tr>
<tr>
<td>Diamond (carat)</td>
<td>2,556</td>
<td>2,372</td>
<td>2,308</td>
<td>2,079</td>
<td>1,475</td>
</tr>
<tr>
<td>Gold (grams)</td>
<td>16,502</td>
<td>14,593</td>
<td>15,030</td>
<td>10,625</td>
<td>9,747</td>
</tr>
<tr>
<td>Aluminium (tonne)</td>
<td>133</td>
<td>123</td>
<td>122</td>
<td>145</td>
<td>109</td>
</tr>
</tbody>
</table>

### TABLE VII(b)

**Percentage Distribution of Value of Exports 1974-1978**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cocoa Paste and Butter</td>
<td>10.5</td>
<td>8.6</td>
<td>8.2</td>
<td>9.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Cocoa Beans</td>
<td>47.9</td>
<td>55.4</td>
<td>54.4</td>
<td>56.2</td>
<td>63.3</td>
</tr>
<tr>
<td>Timber (logs)</td>
<td>7.0</td>
<td>4.0</td>
<td>5.0</td>
<td>5.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Timber (sawn)</td>
<td>4.6</td>
<td>3.5</td>
<td>3.4</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Manganese</td>
<td>1.1</td>
<td>1.7</td>
<td>2.1</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Diamond</td>
<td>1.6</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Gold</td>
<td>12.0</td>
<td>8.8</td>
<td>8.7</td>
<td>6.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Aluminium</td>
<td>10.6</td>
<td>10.0</td>
<td>11.3</td>
<td>12.9</td>
<td>10.2</td>
</tr>
</tbody>
</table>

TABLE VIII

Ghana's Balance of Payment - 1972-1980
(£ million ($1.00 = £2.75))

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>1216.7</td>
<td>1622.5</td>
<td>1867.1</td>
<td>2202.6</td>
<td>2142.4</td>
<td>2446.3</td>
<td>2640.2</td>
<td>2931.7</td>
<td>3188.5</td>
</tr>
<tr>
<td>Imports</td>
<td>706.2</td>
<td>1032.1</td>
<td>1947.1</td>
<td>1788.9</td>
<td>1898.2</td>
<td>2365.5</td>
<td>2150.2</td>
<td>2020.3</td>
<td>2956.8</td>
</tr>
<tr>
<td>Surplus or Deficit</td>
<td>+510.5</td>
<td>+590.4</td>
<td>-80.0</td>
<td>+413.7</td>
<td>+244.2</td>
<td>+80.8</td>
<td>+490.0</td>
<td>+911.4</td>
<td>+231.7</td>
</tr>
</tbody>
</table>

Source: Economic Survey Central Bureau of Statistics (Several issues)
NOTES


5 Ibid., p. 497.


7 Financial Times (London), May 13, 1981.


10 This strategy of development has been misused in the post independence Ghana and the uncontrolled expansion of the money supply by way of deficit financing has contributed to runaway inflation which has contributed to ruining the economy.


12 Ibid., p. 146.


17 See Table 1.


21 Background to the Lagos Plan of Action. Notes by the ECA Secretariat. Addis Ababa, 1980, p. 3.


DEBT AND THE DEVELOPMENT OPTIONS IN CENTRAL SOUTHERN AFRICA: THE CASE OF ZAMBIA AND ZIMBABWE

by

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Department of Economics

University of Harare

Introduction

International Monetary Fund advisors play an increasing role in shaping government policies in the adjacent land-locked states of Zambia and Zimbabwe, located at the heart of central southern Africa. Zambia attained independence some 16 years before Zimbabwe. As a front-line state it supported the liberation struggle that, in 1980, won independence for its sister nation. Both have become members of the newly formed regional organization, S.A.D.C.C. At independence, both countries could boast relatively high per capita incomes and significant locally generated investable surpluses. Today, despite widespread Third World criticism of the consequences of adopting IMF advice, both Zambia and Zimbabwe apparently find themselves constrained to accept IMF tutelage. This paper seeks to explore the reasons why.

The answer lies in (1) the constraints imposed by the inherited political economic institutional structures of the two countries; (2) the fact that they attained independence as part of the overall struggle for liberation in Southern Africa in the period of the deepening general capitalist crisis; and (3) the nature of the particular development strategies adopted by their newly independent governments. In examining these three aspects, this paper aims to shed some light on the constraints and possibilities confronting Third World countries in general, and African states in particular, in their efforts to attain self-reliant development.
The Inherited Institutional Structure:

The inherited institutional structures of Zambia and Zimbabwe - like those of most Third world countries - define both the limits and the possibilities for attaining balanced Integrated development to provide increasingly productive employment opportunities and rising living standards for their inhabitants. At independence, dominated largely by the same set of transnational corporations with regional headquarters in South Africa, their economies ground out raw materials for export. The Anglo American Group, the giant South African mining finance house, together with a network of associated financial institutions, played a crucial role in their most productive sectors. Shaped by decades of closely intertwined settler colonial rule, the institutional structures coerced male Africans into low-cost labour reserves to ensure the profitable operation of the mining and commercial agricultural sectors. They pushed Africans off the best agricultural land adjacent to essential transport facilities; denied them necessary inputs and credit; and excluded them from equal access to markets for their crops. Young African men had little choice but to migrate to work for a pittance for the four giant mines on the copper belt and the 1.000 settler-owned line-of-rail estates in Zambia; or on the 6.000 commercial farms and somewhat smaller mines scattered across the Rhodesian heartland. Women, children and older men remained to scratch a bare subsistence from worn out rocky or sandy soils with outmoded tools. Their banishment to the reserves provided the mine companies and farm owners an excuse for paying wages barely sufficient to support the men alone.

Geographical realities and historical circumstances did differentially shape the two countries' political economies. At Independence four giant mines owned by Anglo-American Groups and American Metal Climax produced copper over 90% of Zambia's exports and almost half its national product. In Zimbabwe, in contrast, Rhodes's "Pioneer's" failed to discover rich mineral deposits. The British South African Company turned instead to attracting settler farmers. With massive state aid, some 6000 immigrant farmers, employing about 330.000 workers had, by independence, built a prosperous commercial agriculture that produced about half the
nation's exports. During the 10 years of Federation, the settler regime had taxed Northern Rhodesian (now Zambia) mining companies some 10 million a year. These revenues financed the Federation administration and infrastructure in the urban centres of Salisbury (now Harare) and Bulawayo.¹ Low-cost unskilled labour flocked from impoverished Nyasaland (now Malawi) and Mozambique to work on the farms and mines. More "lucky" Zimbabweans - 4% of the adult population - obtained jobs in import substitution industries that mushroomed in the protected Federation market. The Anglo American Group moved its Federation headquarters from the copperbelt to Salisbury.² It invested a significant share of its Zambian profits to develop the Wankie coal mine. It secured a government-guaranteed return of 12 ½% for every tonne of coal mined. Cementing ties with the nation's financial institutions³ it invested its growing profits to buy up and develop other mines, agricultural estates, and the fast growing manufacturing sector.⁴

When the Federation broke up in 1963, two qualitatively different governments emerged to steer sharply divergent courses: Zambia's newly elected African Government took immediate steps to reduce its economic dependence on its southern neighbours. It spent millions of kwachas to open transport routes to the north to facilitate shipment of goods without using South African or Portuguese Mozambican ports. It encouraged investment in import substitution industries to replace the import of goods manufactured in the then Southern Rhodesia during the Federation era.

The Rhodesian minority regime defying UN sanctions, passed increasingly racist legislation and further reduced the real incomes of the African majority. Rhodesian settler capital collaborated with South Africa, and the transnational corporations expanding their investments there, to new manufacturing capacity using the oversized physical and financial infrastructure established during Federation days. In the last years of UDI, under the impact of the growing liberation struggle, the transnational corporate affiliates in the country absorbed smaller domestic firms so that,⁷ by independence, they held some 70% of the assets of the so-called 'modern' sector.⁸

Despite these differences, both Zambia and Zimbabwe inherited basically similar political economic institutional
structures. The decades of colonialism had shaped their state machinery to foster the growth of commercial farms and transnational corporate mines employing larger numbers of low paid Africans to produce crude exports. Both generated significant investable surpluses, running into hundreds of millions of dollars. Essentially, despite the differences in timing and the particular features of their inherited institutional structures, both the Zambian and the Zimbabwean nationalist movements which took power at independence confronted similar tasks. They needed to create and institutionalise a new state machinery, responsive to and increasingly involving themselves of the wage earners, peasantry and unemployed in decision-making. At the same time, they needed to implement appropriate institutional changes to capture and redirect their significant domestically generated Investable surpluses to finance carefully designed physical plans to restructure their national political economies. Planned cooperation with their independent neighbours in the context of SADCC would render these possibilities significantly greater.

The Context: The Deepening General Crisis and the Struggle for Liberation

The impact of the growing international capitalist crisis and the regional struggle for liberation undoubtedly also circumscribed Zambia's and Zimbabwe's development options at independence. Any attempt to explain the difficulties confronting the two countries today must consider this larger context. This brief paper can, however, only outline its salient features.

During the first twenty years after World War II, while nationalist movements across Africa mobilized to demand independence, transnational corporations based in developed capitalist countries engaged in rebuilding war-ravaged Europe. They devised and financed expensive new increasingly capital-intensive technologies. They intensified competition to expand their international stakes in the world economy in general and in Africa in particular. The transnationals' expanding manufacturing operations at home required increasing amounts of the raw materials of the kinds produced by African
farms and mines. They strove to sell their surplus manufactured goods exports in African markets, formerly reserved to colonial firms. The biggest banks in the most developed capitalist countries, often with state assistance, strengthened their ties with and helped to finance the transnationals competitive expansion. Together, transnational corporations and banks devised new techniques to reap the growing investable surpluses generated in Africa, directly through profits, interests, dividends and indirectly through widening terms of trade differentials.

By the 1960s, the competitive growth of transnational finance capital had begun to focus on building up regional sub-centres to secure certain regional sources of raw materials and markets. In Southern Africa, foreign investment, especially in manufacturing, multiplied under the increasingly oppressive conditions of apartheid in South Africa. Despite all the newly independent African states attempts to attract international investment, foreign firms poured over half of all their manufacturing investment on the entire continent into South African factories. By the end of this decade, transnational corporate capital controlled 40% of South Africa's growing manufacturing sector, about two thirds of its banking assets and over 90% of its petroleum industry.12

Transnational corporations and banks financed the build-up of a powerful military industrial complex. This undoubtedly emboldened the apartheid regime to defy the United Nations and international opinion by tightening its grip on Namibia and bolstering the illegal Smith regime. Transnational corporate industrial and financial affiliates from their regional headquarters in South Africa, extended their operations throughout the rest of the region. Despite UN sanctions, they collaborated with the Smith regime to mobilize domestically generated surpluses to expand industrial growth and strengthen its repressive rule.

In 1969, by the time Zambia's government began to initiate significant institutional changes, mounting crises wracked the capital world. The international monetary crisis reached a new level when the U.S. devalued the dollar, leading to fluctuating exchange rates, mounting speculation and International inflation. Transnational financial institutions, seeking profitable new outlets for their growing accumulations of capital expanded the Eurocurrency market inside national
monetary controls. Transnational oil firms took advantage of OPEC demands for an equitable share of oil revenues to push up world prices and reap record profits. Non oil-producing countries, like Zambia, had to pay 20% or more of their foreign exchange earnings to finance the oil imports required to operate their increasingly technologically-sophisticated export-oriented enclave development.

These factors combined to raise the costs of all African countries' imports. In addition transnationals increased the drain of investable surpluses in the form of profits, interest and dividends as well as indirectly through transfer pricing. At the same time, export prices for African countries' traditional crude exports sagged, affected by technological advances reducing raw materials requirements as well as by the spread of recession and stagnation in the core capitalist economies. By the late 70s, many independent African states, Zambia among them, began to borrow funds, increasingly at high interest rates on Eurodollar markets - and the repayments draining off an additional share of locally generated investable surplus, also reduced scarce foreign exchange earnings.

Meanwhile the struggle for liberation spread across Southern Africa. Mozambique and Angola attained independence in the mid 1970s. The Zimbabwean liberation forces intensified their efforts as the Western Powers, headed by the U.S., began efforts to negotiate a "solution" along Kenyan lines. SWAPO mounted new attacks, forcing South Africa to mobilize tens of thousands of troops to protect its control of Namibia's rich mineral wealth. The Soweto uprisings in 1976 signaled a renewal of the liberation struggle in South Africa. South Africa had to finance a further military buildup in the midst of the mid 1970s recession. Despite mounting world-wide opinion, transnational corporate banks came to South Africa's rescue, lending over $2 billion to the hard pressed regime. Rather than expanding direct investment as in the past, transnational finance capital apparently preferred to make Eurocurrency loans, backed by South African - and sometimes their own - government guarantees. The International Monetary Fund, itself, without imposing any conditions, granted the apartheid regime a $500 million credit to offset balance of payments deficits. By the late 1970s gold prices, reflecting the international monetary crisis and uncertainty in the core
capitalist states, soared to record levels. This provided the South African regime with ready funds for continued military industrial growth.

Only in the early 1980s did the gold price again fall, an important factor contributing to the spread of the renewed international recession throughout South Africa and into the neighbouring countries.

By the time Zimbabwe attained independence in 1980, the general capitalist crisis showed signs of further deepening. On the one hand the continuing monetary crisis and international inflationary forces imposed rising import costs on the new nation struggling, after years of civil war, to achieve reconciliation, resettlement and reconstruction. On the other hand, the renewed recession narrowed the international market for its exports, pushing down prices especially for minerals which provided over a third of Zimbabwe's export earnings. The transnational corporations, whom control the nation's export-import trade and the banking and financial system, devised new techniques to evade foreign exchange controls transferring a greater share of the nation's investable surpluses out to their South African and overseas affiliates.

As the liberation struggle mounted, furthermore, the South, African regime sought by various means to "destabilise" the independent neighbouring states. In its last hours, the Smith regime's pilots bombed transport networks connecting Zambia to its northern neighbours. Zambia's government exposed undercover agents seeking to disrupt its administration, and put top army and civilian officials on trial for collaboration. In Zimbabwe, Prime Minister Mugabe declared South Africa was training 5000 former Rhodesians as mercenaries. South African agents penetrated security forces, and blew up a major ammunition dump. In the crucial 1981 harvest period, the South African regime withdrew 40 locomotives from Zimbabwe, hampering the country's efforts to export crops and minerals to earn much-needed foreign exchange. The regime also threatened to end Zimbabwe's preferential treatment in the South African market. Only belatedly realizing that it stood to suffer more than Zimbabwe from the resulting trade loss, did it agree to extend it for another year. In sum, the intensified crisis wracking the core capitalist nations, together with the growing struggle for liberation, aggravated the contradictions which, at independence, narrowed first Zambia's, then Zimbabwe's development options.
Development Options

Upon attaining state power in Zambia in 1964, in Zimbabwe in 1980, the nationalists embarked on much the same development path. They took steps to rapidly improve wages and working conditions, provide social services, accelerate Africanization in the civil service and create more democratic institutions. They tended, initially to leave productive activities to the private sector largely dominated by transnational corporations and financial institutions.

The new governments in both countries raised minimum wages for the paid labour force - less than a fourth of the adult population in either country - who worked on the mines, commercial farms and in industry. Both governments multiplied expenditures to expand social services, doubling, even tripling school attendance; building new clinics and supplying free health care for low income families; constructing roads and telecommunications into remote neglected rural areas. The peoples in both countries clearly demanded these fruits of independence; the new governments had little choice but to pay this necessary price, if for no other reason than to maintain their legitimacy. More than that, the Inherited ministerial structures, in both cases, were designed to provide social and economic infrastructures. In line with the precepts of neo-classical economic theory, the colonial regimes assumed that private enterprise would then invest in expanded productive activity. After independence, pressured by new African ministers, the civil service hired new staff and expanded their services to larger populations. They still functioned primarily according to old working rules, although these were largely shorn off their open racist bias. In Zambia, as quickly as possible, given the sparse number of university graduates - said to number barely 100 at independence - Africans entered the expanding civil service, though old-timers continued for a considerable period to help shape new policies into old moulds. In Zimbabwe, with an estimated 16,000 African university graduates. Africanization proceeded more rapidly. The Lancaster House Agreement rendered sacking white civil servants expensive, however, so the new government retained many. They typically sought to influence expanding government activities along old lines, although now without the previously openly racist features.
The nationalist governments introduced the institutions of western parliamentary democracy, arranging elections at local and national levels, initially under Westminster-type constitutions. UNIP, in Zambia, moved fairly quickly to a presidential form of government and eventually to a one-party state. Zimbabwe's leading party, ZANU-PF, despite the more restrictive Lancaster House Agreement, likewise began to call for moves in this direction.

The establishment of new institutions to facilitate worker-peasant cooperation and ensure their effective influence in shaping government policies at all levels, however, posed greater difficulties. Zambia's government sought to decentralize decision-making to more effectively involve rural populations, but local governments tended to represent bureaucratic rather than peasant concerns. Zimbabwe has established district councils in the former "reserves", now renamed "communal areas". The rural district councils in the commercial farm areas still, however, excluded representatives of the 330,000 commercial farm workers.

Pre-independence legislation in both countries, designed to fragment and hinder trade union political activity, required government acceptance and registration of trade unions. Both the new governments sought after independence, to unite and direct the union movements within the framework of the ruling party perspective.

In both Zambia and Zimbabwe, the new nationalist governments initially left decisions as to expand investment in the productive sectors - agriculture and industry - primarily to private interests. In agriculture, the inherited ministries and their staff had in the past, primarily serviced the settler commercial farms. After independence both governments made efforts to extend these services to rural peasants, but the existing patterns of landownership, transport, markets, credits and inputs tended to favour large scale commercial farm production. Ministry working-rules and the "bounded rationality" of many old-line civil servants perpetuated commercial farm predominance. The early post-independence acquisition of increasing numbers of settler farms by newly-rich African civil servants, politicians and businessmen further reinforced this tendency. Subsidized prices in the early 1970s in Zambia and the early 1980s in Zimbabwe fostered a commercial farm shift to growing maize, often in competition with
peasant farmers. In those years bags of unsold maize piled up in marketing board yards and on railroad sidings across the country.

Efforts to encourage increased peasant production encountered difficulties. In Zambia, the government initially sought to stimulate peasant cooperatives, but failed to provide the essential marketing facilities, inputs and extension education. By the mid 1970s, Zambian government spokespersons called for renewed commercial and corporate farm expansion to increase food output for the growing urban population.

The Zimbabwean government proceeded cautiously in the area of land reform, the primary issue over which a radicalized peasantry had supported the liberation struggle. The Lands and Resettlement Ministry, endowed by 1982 with barely 3% of the national budget, had, in the first two years after independence, officially relocated only about 12,000 families. They totalled less than 5% of the 250,000 that even the former regime had admitted must be removed from the "reserves" if they were to become viable. Civil servants imposed regulations requiring would-be settlers to give up their land rights in the communal areas, but granted them only probationary status, subject to ministry supervision, in the resettlement areas. The unpublished Three Year Transition Plan allegedly proposed to resettle 165,000 farmers. By mid 1982, the government had in hand plans to acquire only 6% of the commercial farm lands on a willing-seller, willing-buyer basis. Given the size of plot allocated in the existing resettlement schemes, it has been estimated that to resettle 165,000 peasant families would require about 70% of the commercial farm land. Meanwhile, rumours spread that as many as 200,000 squatters had moved onto unused commercial farmland. Even if their numbers did reach that total, however, their illegal status prevented essential government assistance in provision of marketing, credit, inputs, or extension education. Official statements appeared in the press, furthermore, suggesting that some, if not all, the squatters might be removed, exposing the uncertainty as to their rights which inevitably hindered long-term planning and investment.

In both countries, the failure to expand peasant productivity and improve rural living standards in the long run fostered intensified urban drift, augmenting overcrowding and unemployment in the cities. At the same time, inade-
quate expansion of agricultural output - aggravated by drought conditions in Zambia in the mid 1970s and for both countries in the early 1980s, implied the eventual necessity for importing food-stuffs for expanding urban populations. By the mid-1970s, Zambia began to confront periodic shortages of cooking oil, wheat, and other food items. In 1982, Zimbabwean headlines forecast the emergence of similar shortages.\textsuperscript{23}

Both governments initially left manufacturing production to the private sector, largely dominated by transnational corporate affiliates. Zambia, cut off by UDI and UN sanctions from then Southern Rhodesia, took steps to attract new investments in parallel import substitution industries.\textsuperscript{24} For the most part, transnational firms built factories in existing urban centres, along the line-of-rail. They processed luxury and semi-luxury goods, primarily for the narrow high income urban population, along with a few broader mass consumed items like textiles, beer and cigarettes. They imported machinery, parts and materials, increasing the manufacturing sector's external dependence. They utilized relatively capital-intensive machinery and equipment, reducing employment potential.

During the same years, the then Rhodesian regime, forced by UN sanctions to become increasingly self-reliant, had utilized typically state-capitalist measures to alternately cajole and coerce the transnationals that dominated the modern sector to invest in expanded import-substitution industries. The Smith government introduced import licensing. With the aid of the transnational commercial banks it exercised foreign exchange controls to channel scarce foreign exchange to predominantly transnational-controlled import substitution factories. It also intervened extensively in the industrial sector through parastatals. RISCO (remamed ZISCO after independence) developed the iron and steel business in collaboration with European and Japanese interests, exporting about two thirds of its output, primarily to Japan, as crude steel. The Industrial Development corporation joined with foreign partners in a range of industries, from textiles to auto-assembly, to ensure their continued operation despite UN sanctions.

As a result, transnational corporate affiliates, working in conjunction with transnational financial institutions, mobilized and invested locally generated savings to expand manufacturing production, beyond the levels attained during
The transnationals expanded production in the urban centres, primarily Salisbury and Bulawayo. They too, processed luxury and semi-luxury items, based on the imports of parts and materials—mainly from South African affiliates—to meet the needs of the narrow high income group, in this case predominantly the white minority. Restrictions on the import of machinery and equipment, designed to conserve limited foreign exchange, hindered the introduction of the most up-to-date capital-intensive technologies. Nevertheless, the new factories failed to provide enough jobs for the growing numbers of unemployed. Despite operation at less than capacity during the latter years of the liberation war, Zimbabwe's manufacturing industry had grown so that it remained second only to that of South Africa itself in sub-Saharan Africa.

After independence, the introduction of minimum wages and the expansion of the domestic market due to vigorous government expenditures on social and economic infrastructure, stimulated a rapid spurt in the Zimbabwean manufacturing industries. Their growth remained dominated, however, by transnational corporate managers. These rejected suggestions they should restructure their output to provide increasingly productive employment opportunities in hitherto neglected rural areas. They called, instead, for increased foreign exchange allocations to buy more modern machinery and equipment to enable them to cut labour costs and compete in the export market.

The international postwar prosperity had already begun to peter out when in 1969, five years after independence, Zambia introduced the Mulungushi reforms with the proclaimed aim of gaining control of the "commanding heights" and beginning to restructure the national economy. The Government purchased 51% of the shares of the mines, major manufacturing plants, and the largest foreign trade firms. Talk of nationalizing foreign owned banks—the same ones that continued to operate in Zimbabwe: Barclays, Standard and National Grindlays—faded.

The Mulungushi reforms failed, however, to contribute significantly to reshaping the Zambian economy. An Anglo-American spokesman unofficially welcomed Government's 51% participation in the mining companies as putting the govern-
ment on "the industry's side" in opposition to the workers. Government, on the other hand, declared it sought to stimulate increased mining investment and exports. This, it was argued, would augment the stream of revenues needed to sustain still-expanding government expenditures and, hopefully, finance a different pattern of manufacturing and rural growth. Instead, mining revenues fell drastically. Compensation payments slashed government's share of the profits. A measure intended to foster augmented investment permitted the foreign partners to ship home, untaxed, profits equivalent to invested funds. The companies borrowed funds to invest and shipped their profits out of the country. In addition to losing tax revenues, the companies and the government would have to repay the loans with interest before taxes out of future profits. The government, seeking to acquire greater control of management and marketing, then borrowed $150 million at a 13% rate of interest on the Eurocurrency market to buy the remaining 49% of the companies. Without adequately trained personnel, however, it still found it necessary to let the companies continue to manage the mines for a fee. Evidence suggest that the companies supplied inputs from affiliates inside and outside Zambia, transferring a significant share of profits into their own coffers by over-invoicing.

By the mid 1970s, as Zambia together with other copper exporters vied to sell more copper on the world market, world copper prices began to fall. New technologies had reduced world copper consumption and recession gripped the capitalist metropole economies. Zambia's terms of trade index dropped steadily, with only minor fluctuations, from 100 in 1970 to 31 in 1981. By the late 1970s, Zambia confronted growing government budget deficits and balance of payments problems. The manufacturing sector, unable to obtain foreign exchange to import essential materials and parts, cut back output. The economy stagnated: Gross Domestic Product, by 1979, had dropped 12% below its 1976 peak. Unemployment mounted. Aggravated by Government domestic borrowing and rising import costs, domestic price levels more than tripled between 1970 and 1981. Real incomes fell, especially for the lower income groups.

It should be underscored that, despite the drastic deterioration in terms of trade, Zambia's government, by severely
cutting back imports, achieved a visible export surplus every year in the 1970s except 1975. The recurrent annual balance of payments deficits resulted from heavy outflows on the "invisibles" account. Of this net outflow, "investment income" constituted roughly a third. Gifts, maintenance, salaries and emigrants' transfers totalled another 20-25%.

These circumstances, combined, forced the Zambian Government to request IMF assistance. It borrowed K350 million in 1978-79, followed by another K800 million in 1981-83. The IMF imposed "conditions", shrouded in the usual secrecy. These apparently required Zambia to cut back on government and mine employment, eliminate or reduce subsidies, halt further state intervention in the productive sectors, make tax and other concessions to attract private investment, and devalue the Kwacha. Press reports alleged the IMF also insisted that Zambia reopen its rail line to the South through Smith's Rhodesia, a measure the Government soon afterwards adopted. Zambian imports from South Africa, which had dropped to K31 million in 1978, multiplied almost five times to K139 million by 1980 - a valuable market for manufactured goods produced by the transnational corporate factories operating under apartheid.

In short, the Zambian government's efforts to increase state control over the "commanding heights" predictably failed to contribute much to restructuring the national economy. In large part it premised its development strategy on collaboration with the transnational mining companies to expand mineral exports to the uncertain world market. Sharply deteriorating terms of trade, combined with a continuing outflow on the "invisible" account and a stagnating national economy forced the government, by the end of the 1970s, to accede to the usual IMF "conditions". Far from restructuring the economy to achieve more balanced, integrated development capable of increasing productive employment opportunities for the broad masses of the population, Zambia's development strategy had enmeshed the economy more deeply into the contradictory capitalist world economy. By the 1980s, in consequence, Zambia's nationalist government found itself squarely at the mercy of the International Monetary Fund's advisors.

Zimbabwe's nationalist government, taking office in 1980, adopted a set of development policies similar to those adopted by Zambia a decade and a half before. These, given
the heightened contradictions characteristic of the capitalist world economy in the 1980s, pushed Zimbabwe more rapidly into the arms of the IMF. Government spending doubled from 1978 to 1981-82. Expenditure on social services like education and health, which, together, totalled a fourth of the budget - rose even faster. Defence and police expenditures consumed a fifth of the budget. Saddled by the Lancaster House Agreement with civil servants who had served the old regime, the Government Africanized its staff by almost doubling its personnel. This roughly doubled the bill for wages and salaries. At the same time the new government introduced only marginal changes in the regressive inherited tax programme which left largely untapped sizeable domestically generated surpluses - in 1981, about $1.7 billion. Taxes provided almost 90% of the government's revenue, about half derived from a heavy 12% sales tax, together with excise and customs duties. Income taxes, falling almost equally on high income individuals and companies, provided the other half. The effective company tax rate was roughly 25% of profits, though the stated rate was 45%. As a result, by the second year in office, the new government anticipated a deficit equal to a third of its budget. It proposed to finance this by borrowing, most at commercial rates, about half from domestic and half from external sources. The remaining 6% it hoped to obtain in the form of soft loans and grants.

The new Zimbabwean government hesitated to alter the inherited institutional structure insofar as it affected the productive sectors. Two years after independence, the rather extensive parastatal sector, involving some 40 companies, continued to function much as it had under the previous regime. In some cases the Government appointed a few Africans to their boards of directors. Transnational corporate managers called for relaxed foreign exchange controls to permit importation of more capital-intensive machinery to expand existing product lines. Government leaders wavered and debated among themselves. Import licensing continued, largely guided by inherited criteria. Commercial banks, linked with transnational corporate affiliates, determined foreign exchange allocations within broad Reserve Bank regulations, much as they had during UDI. The government introduced only marginal tax changes, apparently in hope of attracting additional foreign investment. Far from bringing in more new capital,
however, the transnational corporations stepped up their transfer of funds out of the country. In 1981, they reportedly invested only $20 to 25 million in new capital. At the same time, through direct profit remittances, reinsurance and the full range of available transfer pricing techniques, they shipped out about 12 times that amount, equal to roughly a third of the nation's foreign exchange earnings.

Unwilling or unable to make the necessary institutional changes to redirect domestically generated funds to increasingly productive activities. Zimbabwe's nationalist government borrowed increasingly heavily, externally as well as internally. Domestic debt, already swollen by the previous regime's military expenditures, rose 10% from 1979 to 1981 to $1.6 billion. Foreign debt mounted by 45% in the same period to $514 million.

The widely-publicised ZIMCORD conference in Harare brought pledges of new foreign funds totalling $1.2 billion. Foreign governments and international lending agencies pledged about half these funds; loans at commercial interest rates. They agreed to negotiate the projects and funding conditions for the rest over time. The Government estimated that it would obtain about 10% of the promised funds for reconstruction and redevelopment in the financial year 1981-82; $4 million in the form of grants, the remaining $79 million as soft loans at less than commercial rates of interest. It planned to borrow an additional $308 million abroad at commercial rates. Obviously this would become an added future balance of payments burden. Already in 1981-82, the government had to budget $155 million to repay the principal and interest on past debt, about double its total expenditure on health that year. It had to repay only about a fifth of these funds in foreign currency that year, but, as it borrowed more and more heavily overseas, the foreign exchange component would inevitably mount.

Furthermore, the transnational commercial banks based in Zimbabwe cooperated with their clients to borrow additional funds in the form of suppliers credits and Eurocurrency loans to finance the import of machinery and equipment. Repayment of these funds, too, would add an additional unknown sum to the future balance of payments burden. In arranging these loans, the transnational corporate sector pressured the government in directions that threatened to undermine options for integration of the national economy into increasingly self-
reliant SADCC development. For example, Anglo American Corporation, together with Standard Bank and the parastatal, the Electricity Supply Commission, persuaded the Government to reject the development of a regional electricity grid involving Mozambique's Cabora Bassa and Zambia's Kafue projects, as well as the Zambian-Zimbabwean owned Kariba plant. They argued that despite the potentially lower costs of electricity supplied through such a grid, Zimbabwe should avoid dependence on imported power for more than 15% of its needs. They urged the government, instead to guarantee international loans, ultimately to mount to over $1 billion, to build a multi-stage thermal plant. The Electricity Supply Commission originally considered this proposal during UDI, but shelved for lack of funds. Now Anglo-American and its friends dusted off the old plans. The thermal plant provided a market for Anglo's Wankie mine to sell vast amounts of its coal at prices including a guaranteed 12½% profit per tonne. The loans, arranged with an International consortium by Standard Bank - known as "Anglo's Bank" in Zimbabwe - would bring Standard and its associates a tidy profit in commissions and interest. The loans would have to be paid off, before taxes, in hard currency.

By the end of 1981, Zimbabwe's new Government already faced serious balance of payments problems. What had been a healthy visible balance of trade surplus throughout UDI - with the exception of 1968 - had by 1981 turned into a $68 million deficit. The nation's import bill almost doubled in the first two years after independence. On top of this, outflows on the "invisibles" account increased dramatically. The Reserve Bank announced in 1980, that investment income outflows would rise by $40 - $50 million after it relaxed foreign exchange controls to permit foreign firms to remit up to 50% of their after tax profits. Other unrequitted transfers, including migrant funds, non-commercial transactions and pensions, almost doubled to $110 million. Despite the revaluation of its gold reserves to a market related price in 1980, Zimbabwe's foreign reserves dwindled. By the end of 1981, they totalled less than two months' imports.

The Government approached the IMF for temporary assistance. Its advisors proposed the usual medicine; cut back on government spending, especially on defence; reduce the rate of increased social services; devalue the currency.
The Government resisted, delayed, bargained - all behind a heavy curtain of government secrecy. It undertook a major demobilization of former liberation fighters, but as it promised to pay each one $82 a month for two years, this did not achieve immediate savings. In an effort to combat inflation, the Reserve Bank in two steps more than doubled the interest rate - held down by the Smith regime to 4.5% throughout UDI - to 9.5%. This increased the costs of borrowing, especially hindering small emergent African businessmen from acquiring essential credit. Even transnational corporate affiliates, seeking to borrow domestic funds, complained of the increased financial burden. But, despite hopes inspired by monetarist-type prescriptions, rising interest rates failed to halt inflationary pressures. Mounting government domestic debt, rising import prices, and oligopolistic price manipulation in the limited national market - all these factors combined to raise the domestic price index for low income families by 26 points (1964-100) from March, 1981, when the Reserve Bank first raised the interest rate to March, 1982.

By mid, 1982, mounting economic difficulties confronted Zimbabwe's Government. The rapid post independence spurt of industrial production had primarily utilized existing capacity, idled by the war, to meet the demands created by increased minimum wages and government spending. Rising domestic prices now began to offset these stimuli. Industrial firms faced raw material shortages as government tightened up on imports. Falling international prices reduced mining company profits and foreign exchange earnings. Spokesmen for transnational mining firms, led by Anglo-American affiliates, called for devaluation.

Rumour alleged that the IMF had persuaded the government to adopt incentives designed to stimulate transnational corporate production for exports. This emphasis seemed calculated to tie the national economy more tightly into dependence on crude exports. Zimbabwe, as a landlocked country, could hardly expect its manufactured goods to compete on overseas markets. If Zimbabwe-based transnational manufacturing affiliates sought to sell their wares in an unplanned way in neighbouring SADCC member countries, the latter would undoubtedly block them by raising tariff barriers. Such steps would inevitably thwart efforts to build an inte-
grated, self-reliant regional economy. Yet the IMF, pursuing its time worn prescriptions, reportedly insisted on a strategy to expand exports. Adoption of this course, however, as in Zambia, threatened to turn the government's attention away from institutional changes required to redirect domestically-generated funds to creation of new productive employment opportunities in a more integrated national economy. If the proposed incentives to expand exporting by the end of the year failed, the rumours alleged the government had agreed to devalue.

Summary and Conclusions

The prospects for development in Zambia and Zimbabwe, at independence, appeared as healthy as anywhere else in Africa. The nationalist governments in both countries declared their aim as re-constructing their countries' economies to reduce their dependence on South Africa and to raise the living standards of the majority of their inhabitants. Both countries enjoyed relatively high per capita incomes and sizeable domestically generated investable surpluses which might have been redirected to finance physical plans to achieve these goals. This would, however, have required fundamental restructuring of inherited institutions, especially those guiding investments in the productive sectors.

Instead, the new government leaders in Zambia in the 1960s and Zimbabwe in the 1980s sought primarily to fulfil the aspirations of their peoples and to ensure their own legitimacy by spending available government revenues to expand social and economic infrastructure and administrative machinery. They encountered difficulties in cementing an alliance between the wage earning workers, the unemployed and the peasants and institutionalizing their representation in new government structures. They failed to extend direct control over the powerful foreign-owned banking sectors which with close links to transnational corporate affiliates dominating their economies played a major role in shaping decisions to invest in productive sectors.

Five years after achieving independence, Zambia's government did take steps to acquire shares of ownership in the large
mines. It paid a heavy price in the form of foregone government revenue. Instead of directing the investable surpluses they generated to investment in a more desirable pattern of industrial and agricultural development, it directed its participation primarily to expanding mineral exports.

A decade later, Zimbabwe's new government hesitated to intervene in what some proclaimed as "efficient" productive sectors of transnational-controlled industry and settler commercial farms. It, too, seemed bent on adopting a strategy based on borrowing funds and encouraging foreign investment to expand exports.

The contradictory features of the deepening world capitalist crisis doomed these strategies to failure. By 1982, both countries were becoming increasingly mired in international debt, debt which tied them ever more tightly into the world capitalist system, their economies increasingly subject to "conditions" imposed by the IMF.

The experiences of these two Central Southern African countries suggested a set of theoretical propositions:

1. An African state, which inherits a typical colonial economy, confronts limited options when it seeks to fulfill its inhabitants' demands for a better life:

   (a) it may expand social and economic infrastructure and the associated administrative bureaucracy (with or without marginal changes in the institutions). To finance the resulting increased expenditures, it may borrow funds and seek to attract transnational corporate investment to expand exports in hopes of augmenting future tax revenues and foreign exchange earnings.

   OR

   (b) It may make fundamental institutional changes necessary to reduce transnational corporate domination over key sectors of the economy. It may seek to capture and direct available locally-generated investable surpluses to more balanced, integrated, self-reliant industrial and agricultural development capable of providing increasingly productive employment opportunities and raising the living standards of the majority of its inhabitants. These goals may be more easily attained within the framework of planned cooperation with neighbouring states in a regional organisation like SADCC.
2. An African state like Zimbabwe and Zambia, which adopts the first strategy (1-a) will almost certainly confront an economic crisis within a decade or less;

(a) Expansion of social and economic infrastructure and administrative expenses without simultaneously increasing planned investment of about a fourth of the national product in productive sectors will inevitably require the state to borrow funds domestically or internationally. Unless the borrowed funds are invested according to appropriate plans to increase productive employment opportunities throughout the economy, the national will confront serious difficulties:

(i) Domestic borrowing will foster inflationary pressures. Re-payment may contribute to more distorted income distribution and lead to greater future government deficits.

(ii) International borrowing may contribute to inflationary pressures, increased imports not offset by increased exports, and growing dependence on foreign financial institutions. Re-payment requirements may lead to future deficits in government and balance of payments accounts.

(a) Transnational corporate banks, seeking profitable outlets for funds accumulated in stagnant home economies, willingly lend government guaranteed funds at high interest rates through Eurocurrency consortia. The higher the interest rates, the greater the government's budget and balance of payments deficits may become at a later date.

(b) If, in addition, the state permits uncontrolled private sector borrowing from transnational banking consortia, the nation's future balance of payments deficits may become even greater.

(b) Expansion of exports in the current era of deepening capitalist crisis, despite possible short-term returns, cannot in the long-run augment tax revenues and foreign exchange earnings sufficiently to pay the costs of expanding infrastructure and administration as well as the growing debt.
(i) The world market for crude and semi-processed raw materials produced by African and other third world countries is limited by:

(a) New technologies in developing countries which substitute synthetics and recycle used materials;

(b) The growing contradictions and increasing stagnation of capitalist metropole economies;

(c) Therefore competitive expansion of crude and semi-processed materials by African and other countries will inevitably force down their prices, reducing their potential foreign exchange earnings and government revenues.

(ii) African countries cannot anticipate long-term gains from competitive efforts to attract transnational corporate capital to expand manufactured goods exports:

(a) Transnational corporations seek areas of the lowest possible wages and taxes in which to produce a limited range of light manufactures in the changing international division of labour. They invest therefore, primarily in oppressive regional sub-centres like South Africa. They do not invest much in countries where governments impose minimum wages and raise taxes to finance expanded social services.

(b) Developed capitalist countries impose tariffs to restrict the import of manufactured goods in competition with their own output, especially in the capital goods industries which third world countries seek to build.

(c) As the price for increased transnational corporate Investments in exports, the national economy will experience a growing outflow of locally generated investable surpluses. These will further aggravate future balance of payments deficits.

(1) To get the best tax and foreign exchange advantages, transnational corporations play off one third world country against another. From the African country's perspective, the lower the tax revenue and the more profit it must permit the transnationals to remit, the heavier the outflow on the "invisibles" account:
(11) Transnational corporations have, in recent years, increasingly used various transfer pricing techniques to conceal this outflow of investable surpluses.

(11i) Other hidden costs of transnational corporate investment may include various forms of corruption to avoid or evade state efforts to curb this outflow. This will tend to foster a "bureaucratic bourgeoisie" whose interests are linked to the maintenance of the status quo.

(d) As the government budget and balance of payments deficits mount, the African state eventually finds it necessary to draw on the International Monetary Fund for assistance - and with it to accept the conditions IMF advisors typically impose. These conditions, far from resolving its difficulties, tend to aggravate the circumstances culminating in crisis.

For example:

(i) Cutting back government expenditures aggravates unemployment and lower real living standards for the majority of the population. This undermines government's legitimacy and contributes to underlying political instability;

(ii) Reduced state intervention in the economy may thwart the government's belated efforts to redirect investable surpluses and foreign exchange earnings to more desirable planned development patterns;

(iii) Devaluation of the national currency boosts the costs of imports and aggravates domestic inflationary tendencies; It also increases the cost of repaying the nation's foreign debts, typically denominated in terms of "hard" currencies.

(e) If the African Government fails to accept the IMF's conditions, the transnational corporate banking community, too, may refuse to lend it further funds. Thus, whichever way it turns, an African government adopting this option for development is likely to become increasingly embroiled in crises.
REFERENCES


2 The supporting statistical data introduced in this paper, unless otherwise noted, is available in the relevant Monthly Digest of Statistics, published in each country by the Central Statistical Office.


5 For these financial links, see the Research Projects by Economics Students (Economics Department, University of Zimbabwe, mimeo 1982) on commercial banks, merchant banks, discount houses, insurance companies, pension funds and building societies.

6 For a list of Anglo American holdings in Zimbabwe, see Anglo American South Africa Ltd. Annual Report, 1981. For more details see D.G. Clarke, Foreign companies and International Investments in Zimbabwe (Gwelo; Mambo Press, 1980).

7 For consequences of merger movement in late 1970s, see data relating to production of largest companies in each sector, in Rhodesia, Census of Production, 1976/77 and 1977/78 (Salisbury).

8 For role of foreign companies, see D.G. Clarke, Foreign Companies and International Investments in Zimbabwe, op cit.

9 For discussion of this kind of development strategy, see A Seidman, Planning for Development in Sub-Saharan Africa (Dar es Salaam; Tanzania Publishing House, and New York: Praeger Publishing Co. 1974).


11 See, Ibid, Parts I and II for more extensive analysis of its features. Unless otherwise noted, this is the source of the material of this brief section.
The South African regime failed, despite extensive exploration, to discover oil on its own territory. Nevertheless, transnational corporate oil firms built in South Africa the largest refinery capacity on the African continent - roughly equal to that of all the independent sub-Saharan states - presumably to acquire control over the regional market.

The 1980 UN Council on Namibia conference in New York revealed the role of transnational corporations and banks in helping South Africa ship out uranium from the Rössing Mine.

Top officials of both the Zimbabwean and Zambian Governments, as well as those of other SADCC states, have repeatedly denounced South Africa's destabilization moves. See eg. New York Times, October 4, 1981.

A high proportion of these were trained in Britain and the United States as the governments of these countries realized the importance of training African personnel to staff a "moderate" government and the private sectors in a post-independence non-racist environment.

The Report of the Commission into Incomes, Prices, and Conditions of Service, under the Chairmanship of Roger C Riddell, to the President, June 1981 (Harare, 1981). Hereinafter referred to as Riddell Commission Report found that the TTLs could carry only 325,000 families, 455,000 less than lives there in 1981 (see p. 147).


The plan had not yet been published, more than a year after officials initially promised it. Apparently deep seated disagreements at Cabinet level held its publication up.

Herald, July 12 1982. This policy represents a conservative interpretation of the Lancaster House Constitution. The Government could utilize various techniques to accelerate land acquisition at a far lower cost, even within the Constitution's boundaries.

The previous regime had estimated that roughly half the total commercial farm land lay under-utilized, for productive purposes. Herald, November 4, 1981.

Zambia's urban population for example increased from 25% to 40% of total population in the first post-independence decade.
Sunday Mall, July 11, 1982.


Kaunda, K "Zambia Towards Economic Independence", April 19, 1968 (Munungushi); "Towards Complete Independence" Aug. 11, 1969 (Matero); and "Take Up the Challenge" 7-10 Nov. 1970 (Lusaka).


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Ibid., p. 16.

The IMF conditions are discussed in M.M. Burdette, "The Political Economy of Zambian Foreign Policy", (Lusaka: University of Zambia, Mimeo, 1982).


A Seidman, "A Development Strategy for Zimbabwe" Inaugural Lecture (Harare: Economics Department, University of Zimbabwe, mimeo, May 13, 1982; to be published by Zambezia).

The Smith regime before independence had borrowed $353 million, mostly from South Africa, to finance the war against the liberation forces. International financial institutions nevertheless apparently made it clear to the new government that it could not repudiate that debt if it wished to borrow more funds from international capitalist sources.

See Zimcord Document.

Prof. M. Nziramwasanga reported these negotiations might well drag out over several years, and the donor nations tended to tie the loans to their own national objectives. (Lecture to Monetary Economic Class; July 31, 1981, University of Zimbabwe).

For discussion of these alternatives see A.K. David, "Planning Electrical Power Development in Zimbabwe" (Harare, University of Zimbabwe, Faculty of Engineering 1981) and Standard Chartered Review, October 1981.

An Anglo American representative sits on the Electricity Supply Commission board of directors.

Reserve Bank of Zimbabwe, Economic and Statistical Review, September 1980.

Information was leaked to the South African Press, however, see The Citizen (South Africa), September 30, 1981.


Cary Smith of Bindura Nickel an Anglo American affiliate, claimed interest costs increased $4.7 million as a result of borrowing to finance the purchase of the Shangani Mines. This increased interest cost almost as much as $5.5 million in wage costs which he denounced bitterly. Financial Gazette (Harare); June 18, 1982.

The negotiations were still conducted behind a heavy veil of secrecy, but government accounted new export incentives were to be provided. (Herald, July 22, 1981).
The East African Common Market encountered its first serious setback when the Kenyan Parliament rejected the 1967 Kampala Agreement designed to achieve planned regional industrial allocation. Shortly thereafter the member countries introduced transfer taxes - another name for internal tariffs and the end of the East African Common Market appeared in sight. (For discussion see A Seidman, Comparative Development Strategies in East Africa. (Nairobi, East African Publishing, Harare, 1980 especially re. manufacturing industries).
"NO WORST THERE IS NONE"? TANZANIAN POLITICAL ECONOMIC CRISES 1978 - ????

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A man who has inherited a tumbledown cottage has to live in even more conditions while he is rebuilding it and making a decent house for himself.

We have only two rights in the present world economic system, to sell cheap and to buy dear. Mistakes are mistakes.

- President Julius K Nyerere

"Here We Go Round the Mulberry Bush..."

The political economic and socio political crises now confronting Tanzania are appalling and unprecedented in their intensity and duration. The only vaguely comparable crisis - that of 1974-1975 - was both much less severe (especially in human terms) and lasted at most 24 months (versus at least 45 to date for the present one).

Worse, no rational projections (on anybody's strategic model) now available give any cause for expecting a significant upturn of even a firm consolidation at present levels. The reality is of accelerating deterioration with no evidence that the worst is about to pass or even where the bottom of the precipice is.

Worst, this result is not one achieved by an absence of response but in spite of energetic and draconic responses which have imposed major sacrifices on most social and economic groups (including the decision makers), so far to no very evident purpose beyond slowing the vertiginous decline from what it otherwise might have been. Analytically and operationally the informed, detached observer is increasingly plunged
into the worlds of Eliot's "Hollow Men" who shore up fragments of a lost dream, wander in circles and experience the end of their world "not with a bang but with a whimper"; of "Coriolanus: Ode To A Statesman" whose musings on institutional reform and diplomatic negotiation end in "the rising cry of the people: Resign! Resign! Resign!"; or of Yeats' "Second Coming" where, as "things fall apart" and the "centre cannot hold", "mere anarchy is based upon the world" and a violent apocalypse moves nearer to birth.

If those visions become the perceptions of Tanzanians and Tanzanian leaders, the crises will become insoluble and the end of the road (however different its actual milestones) will be that of Ghana, of Zaire and of Uganda. To date this one clearly positive element is that Tanzanians, Tanzanian decision takers and Tanzanian analysts still (if with growing doubts and increasing twinges of despair) still hold to Dylan Thomas' dictum "Do not go silent into that good, but rage, rage against the dying of the light" and that of Gramsci to proceed with pessimism of the intellect but optimism of the will.

1982 - "Alms for Oblivion"?

A quick sketch of the political economic crises in Tanzania in 1982 can perhaps best be presented in an order of driving forces and interactions even if this is necessarily too unidimensional and abstracts from feedbacks.2

There is a visible trade gap equal to about 100 % of exports and perhaps 10-124 % of GDP.3 This is true despite imports being held down to $ 1.000 million odd as opposed to $ 1.250 - 1.400 million required to maintain capital stock, operate basic services (e.g. health, education, water) fully effectively and operate the industrial and agricultural sectors at reasonable output to capacity ratios. Attempts to handle this gap have over 1979-1982 led to the buildup of about $ 300 million of trade arrears, $ 100 million of short term external commercial bank credits, $ 200 million in short term supplier credits and $ 20 million in delayed long term debt service - about 120 % of annual export earnings. Debt service including amortisation in the near future will stand
at 20% to 30% of export earnings (the very wide range relating to how rapidly one assumes arrears to be cleared) as opposed to 6-8% in the early 1970's.

The direct result of the import squeeze is to hold operation of domestic manufacturing to perhaps 35% (versus about 70% in 1977 and 1978) with the trend rapidly downward and 1978-1982 absolute decline likely to be over 40%. Given that the incremental import/exfactory value of manufactured output ratio is about 4 to 1, and virtually no consumer manufactured goods are imported, the impact on availability of basic consumer goods and construction materials is draconic.

Similarly because Sales Tax on domestic manufactures plus company tax on their producers accounts for about half of recurrent revenue (even at 1981/82 depressed levels), recurrent revenue at Sh 8.800 million is about Sh 4.000 million below what it would be had output risen slowly over 1979-82 instead of declining steeply.

The impact of import constraints on agriculture is harder to quantify. In respect to food production it relates primarily to inadequate transport and secondarily to input supply. In respect to industrial/export crops the input impact is greater and compounded by inadequate capacity and capacity utilisation in processing. The total cost in production and availability may be of the order of 3-5% for food and over 10% for industrial/export crops. If these orders of magnitude are correct, the loss of exports is about 10% ($50 million) and the impact on food imports $30 million (half of present grain imports) and on domestically produced urban and quasi urban food supply 15-25%.

The government bank borrowing requirement in 1981/82 was about Sh 3.000 million (16% of GDP). A very slight improvement over 1979-80 1980/81 in proportional terms, but a deterioration in absolute ones, and a level likely to at best remain about constant as a proportion of GDP in 1982/83. This is despite real (constant price) cuts in basic public services expenditure (excluding defense, debt service and parastatal reconstruction and interim subsidization) over the past two years of perhaps 10-15% with another 6-10% cut in 1982/83. To have held real provision of basic public services per capita stable and provided for adequate maintenance of infrastructure would have added perhaps Sh 1.500 - 1.750 million in 1981/82. That would have meant a bank borrowing level of Sh 4.500 -
4.750. It is worth contrasting this to the Sh 4,000 million revenue loss from the import capacity squeeze on manufacturing in that Sh 500-750 million (1% of GDP) would be a prudent (or too austere) bank borrowing level.

The mechanism of inflation generation - about 20% in 1979, 30% in 1980, 25% in 1981, probably at least 30% in 1982 on a cost of living basis - is only too clear. Reduced government revenue base leading to a broad recurrent budget deficit (versus a 1961-1977 record of unbroken, modest to moderate surpluses) combined with reduced availability of manufactured goods and certain preferred foods is a perfect recipe for rapid inflation and - if continued - for hyperinflation at Ghanaian or Argentinian rates of 50-100% a year.

The human impact is equally clear. Average personal consumption power in 1982 is of the order of 20% below 1977. In one sense as a result of the 50% fall in the external terms of trade directly on purchasing power of constant price notional output and indirectly through the multiplied impact of import compression on output. The main losers are urban salary earners, small scale self employed and wage earners. Rural purchasing power changes are not homogenous - both weather and price/output trends for particular crops vary widely - but on average the fall is much less severe. The gainers are - inevitably under the circumstances - "entrepreneurs of adversity" ranging from basically reputable producers/dealers of scarce goods (including some peasants) to pure fixers, bribe takers and shortage creator/exploiters.

In respect to public services the decline is in quality and reliability. Coverage and quantity have continued to increase absolutely and even on a per capita basis for basic health-water-education services, though not for urban services. It is illustrated by the proportion of clinics frequently without basic drugs, schools with few texts or other materials, rural water units out of operation pending maintenance. The pharmaceutical availability to need ratio is at best 50% and at worst 25%, the out of service ratio of rural water supply at any one time is at least 25-33%.

Both in respect to personal consumer goods and services and to public service access, pure price change and reliability data understate the human hardship for two reasons. First, getting what is available (especially if one cannot afford to pay over the going rate via a 'parallel market' or a bribe)
takes far more time hunting and queuing than at any time in
the previous 20 years. Second, the opportunities for corruption,
favouritism and abuse of power (as trader or as official) are maximised in a context of extreme shortages with the far away (physically). Poor and individually non-powerful the chief victims.

While to date the drive toward greater equity (lesser inequality in consuming power, access to public services and participation in decisions) has not been reversed. It has faltered (e.g. no minimum wage increase in 1982 after a year of 25% inflation) and, to the extent it survives, squeezes middle income groups, not the most obnoxious exploiters. Further, the process of absolute poverty eradication has been reversed. Redistribution is out of decline not growth (including decline in national and communal total ability to take/implement decisions).

The impact on morale, expectations, personal and national self respect, are both evident and critical. It is not evident that hard work, commitment and honesty lead to personal, communal and national development. On the face of it nothing works and man is a plaything of forces beyond his or his leaders' control. The incentives for despair, cynicism, passive "going through the motions", febrile grasping at straws or "each for himself and the devil take the hindmost" are only too dangerously clear as are their first fruits of corruption, inefficiency and anomie. The present levels of these - shocking by Tanzanian standards but less so by global or African - are neither fatal nor irreversible. It is the trend which is cause for grave alarm.

1972-78 "Facile Descensus Avernum"

The present contains both the past and the future, and the past, the present and past of the future. To understand the present and to shape the future requires an interpretation of the past. This is especially true in the case of Tanzania because as recently as 1977 none of the facets of the 1982 survey of crises existed in any overt or severe form. Overall the balance of payments was in surplus, external reserves were nearly six months (versus six days or hours) imports; the
recurrent budget surplus was over 3% of GDP; inflation was in the range of 6–8% a year; food surpluses (not deficits) predominated; real GDP growth was around 6%; the terms of trade were at about the same level as in 1961 and better than in any intervening year. The confidence of a major crisis surmounted and of palpably renewed progress dominated most individual and national perceptions. Looking back one seems to see another country in another era in another world.

In 1972 Tanzania’s economy was basically in balance (external and domestic), moving ahead and showing a sustained development dynamic. In 1964–66 (income distribution, incipient fiscal and inflation) and 1969–71 (external balance, credit management) crises had largely been overcome and overcome by means which strengthened institutional and decision taking capacity. 1973 appeared to be similar. In fact the bad harvest combined with increases in the world price of grain, oil, fertiliser and manufactured goods and the down-swing of some commodity prices (including several critical to Tanzania) meant that by the year's end the prospects were for a massive, externally triggered crisis.

Over 1974–75 the crisis emerged – external reserves vanished, terms of trade worsened sharply (on the order of 10% of GDP loss over 1972–75 on UNCTD estimates). The recurrent budget surplus virtually vanished; domestic credit creation expanded; import constraints crippled growth; prices rose sharply while real wages and real grower prices fell. However, this was within a coherent short term policy framework, worked out over early 1974 and adopted in April. The price changes (about 40% from late 1974 to April 1975) were deliberate and structural and balanced with changes in the minimum wage, grower price for food and tax. The goals were to sustain the growth and development trend (including basic service access expansion); limit low income group consumption compression; return to a 10% or less inflation rate; hold the recurrent budget in balance; and seek substantial external bridging finance over 1974/75 – 1976/77 until supply increases (better weather, more food production incentives, completing basic product capacity coverage in manufacturing, reversing export stagnation) closed the domestic and external gaps.

By late 1975 it was clear (as it had not been earlier in the year) that the strategy and most of the tactics were working. Unfortunately the two that were not (speedy comple-
tion of manufacturing projects and export rehabilitation and development) were lost to sight in 1976 and 1977. The beverage boom (price explosion for coffee, and to a lesser extent tea, consequential on Brazilian frost) raised real import capacity while reduced compression of imported inputs and spares bolstered manufactured goods output.

Further, during this period food procurement storage, marketing and finance as well as agricultural pricing broke down (not known until 1979). Fiscal and foreign exchange policy became lax in a way only sustainable so long as the beverage boom lasted. When it collapsed in 1978, both external and internal balances were lost though not so rapidly or visibly as in early 1974. As a result no serious, across the board policy response was seen to be necessary. Although by the last quarter of 1978 one was clearly heading for reserve exhaustion; recurrent budget deficit; inflationary credit expansion (government and food marketing); and shortages in the first half of 1979.

The Amin invasion of late 1978 and its consequences over 1979-81 had a very negative, threefold impact: 1) direct costs of the order of $700 million (with a heavy foreign exchange component); 2) indirect costs of rendering recovery of external and fiscal balance impossible so long as the war lasted; 3) focusing attention away from the economic crisis in general and its more underlying medium term components in particular. Compounding these results was the onset of the 1979-81 run of bad harvests (following are equally unprecedently long 1976-78 run of good ones) and the discovery of the non-viability of national storage and, therefore, non-existence of supposed food reserves.

Until late 1979 the situation could be described as unmanaged and partly unrecognised crises. During 1979-80 drastic efforts were begun to achieve fiscal, foreign exchange, credit and overall domestic balance management. Success was limited both by successive discoveries of new adverse adjustments (previously hidden agricultural sector losses, worsening terms of trade, breakdown of IMF and World Bank programmes or programme negotiations) and a failure to achieve a coherent, workable strategy comparable to that of 1974 or to achieve a similar degree of consistent articulation and disciplined implementation. Thus the apparent consolidation achieved in 1980 was either illusory or transient and 1981 was marked by
renewed deterioration which accelerated in 1982. While the period was marked by a number of policy, and partial strategy, initiatives these tended to lack coherence and to be overwhelmed by events before becoming operational rather than to serve as any chart for crisis management.

To Talk of Many Things: of Causes, Cabbages and Kings

Two exogenous event causes can be stated briefly: 1) the Amin invasion and consequential war and attempt to provide interim security for Uganda to allow elections and the emergence of a Ugandan chosen and supported government and 2) the shift from the previous, one good/one bad year basic weather cycle, to the 1973-1974 bad, 1975 fair, 1976-1978 good, 1979-1982 bad pattern of the past ten years (with a most unfortunate correlation of bad years with ones which were difficult on other counts as well). Their total net cost has been the order of $1.000 - 1.200 million, albeit this is partly (say 10-15%) the result of inept agricultural policy including relative price setting, output mix incentives and storage.

External balance crisis causation includes terms of trade, export volume decline, debt service increase, initial laxity in controlling imports and using supplier credit and the levels and making of external resource inflows.

The 1982 import purchasing power per unit of exports is about half 1972/3 or 1976/7. The 1980 export volume was 15-20% below 1972/3 (or 1965/67). The 1981 improvement was of the order of 10-15%, but has not been sustained. Had 1981 terms of trade and export volume been the same as 1972/3 (or 1961/3 or 1976/7) export earnings would have covered about 11-120% of actual imports and 85-95% of minimum necessary imports. The export volume lag is partly the result of the declining terms of trade, partly of unsound price policy, partly of inadequate micro export promotion policies and projects. But perhaps most of all, a lack of any clear strategic priority being given to exports until 1980 or any attempt to articulate an export strategy until 1981.

Debt service increases come partly from bunching of initial repayments on World Bank and Chinese loans, partly from commercial and debt service arrears which must be reduced.
But substantially from an unwise 1978-80 laxity in cutting back on imports (leading to arrears) and attempting to sustain investment by use of supplier credit without attention to future consequence. Tighter import controls in 1978/79 and a systematic analysis of supplier credit proposals might have reduced present debt by $200-250 million.20

External financial inflows have risen over 1977-82. Albeit in real terms they are now declining and within them concessional finance has probably never regained 1973/74 real per capita levels.21 Makeup problems include the "use" of arrears, supplier credits and short term borrowings (e.g. IMF) and the share of concessional finance linked to expanding capacity rather than allowing fuller maintenance and use of what exists. Long term commercial bank borrowing has been negligible; private foreign direct investment has been negligible and its prospects turn on the outturn of studies/negotiations toward major natural resource projects (oil, gas, coal, nickel, uranium).22

Agricultural performance has, on the food side, been a secondary cause of the crises and on the industrial/export crop one, a significant one. The trend growth rate of 3 to 4% has been sustained but within this the industrial/export crop growth has been negative and 1979-81 bad weather means that 1982 output is below trend.23

Agricultural policy and institutional performance has been the major domestic "contribution" to crises. Relative prices went haywire over 1975-79 leading to a fall of two thirds in output (or more accurately picking) of the most promising export (cashew). At the same time, there were huge switches to several traditional, drought resistant crops whose surpluses could neither be stored nor exported except at massive losses (to the marketing body and relative to the more plausible exports priced out for cassava, millet, sorghum and pigeon peas). Storage was not developed plausibly, both high and low technology expert advice when acted on led to debacles. Consequently the 1976-1978 surpluses led to 600,000 tonnes spoiled, strayed, fed to poultry or exported (the last two to avert spoilage), not to the reserves which would have covered 1979-1982 maize deficits.

Production targets (decentralized by crop and area) were abandoned after 1973. They were not reinstated until 1979,
while articulation of coherent relations of policies and inputs to targets was not even addressed until, perhaps, 1980/81. Transport problems multiplied—partly as a result of import constraints and the war, but partly as a result of bad management of public sector and ineffective hiring of private sector vehicles. This was combined with a tendency to maximise number and total distance of movements between producer and point of use/export and to posit total reliance on road even when rail would have been cheaper.

As a direct result, all but one or two marketing authorities fell into major deficits. Exacerbated but not caused, by internal inefficiencies (especially tea, tobacco, pyrethrum) and loss of volume raising per unit fixed costs (especially cotton, cashew). The National Milling Corporation achieved total 1977/78 - 1980/81 losses of about $250 million. These results were largely unknown until 1980 or even 1981 because of monitoring consisting of oversights and, in several cases, an incredible deterioration in accounting.

Ironically these were precisely the areas which in 1975 were subcontracted to basically autonomous, professional expert group whose proposals were fairly uniformly acted on until 1979. The Marketing Development Bureau, also basically expatriate and externally responsible, is a classic example of the damage non-responsible, "expert", parallel administrations can achieve. The fact that it took three years (1979-82) to claw back policy and analysis to Tanzanian control, thereby paralysing strategy during that battle, is also an instructive, but a very costly, learning process.24

Public sector management performance deteriorated in some areas—notably accounting—but more often because capacity did not grow as rapidly as crises increased demands. Resulting in a general deterioration, and a more marked one in strategic and tactical forward planning and budgeting, and in financial control and performance. The pattern was very diverse e.g. in government some departments (notably forestry) because more relevant and effective and the ingenuity (or capacity) of parastatals to cope varied from high (e.g. breweries) to poor (e.g. textiles) to abysmal (e.g. NMC). Overall public enterprise surpluses fell from 5-6% of GDP in the early 1970's and, probably, in 1977 to about nil in 1981. The diversity shown in that the 1981 result is a cross
cancelling of profits and losses each totalling about 4% of GDP. 25

Completion of capacity lags, capacity utilisation and maintenance all deteriorated. Training of middle level manpower began to build up momentum after 1972. However, it remained inadequate, albeit by the end of the decade enrolment in specialised (largely user sponsored) institutions was comparable to that of formal public secondary schools. Part of the performance decline relates to macro projection weakness (external to operating units) and part to micro over-optimism on costs (inflation) and resource availability (whether budgetary or import). However, failure to prioritize, adopt and cut back fast enough over 1978-1980 exacerbated the impact of resource constraints both in respect to overall output levels and financial outturn.

Price management became increasingly incoherent at macro level. Increasingly unreal given the degree of imbalance and, therefore, increasingly ineffective from late 1979 onward. Attempts to protect minimum wage earner and peasant real incomes over 1980-81 could not be sustained for 1982/83. Price Commission analysis was too dependent on (usually too high) capacity utilisation forecasts either to protect surpluses in manufacturing/wholesaling, or to avert the rapid growth of parallel markets.

Foreign exchange pricing from mid 1979 on suffered from inadequate examination of options. An atypical degree (for Tanzania) of dogmatism, and inordinate delays in acting which rendered analysis and action out of date. 26 Until 1981 the only devaluation option considered was a massive single cut; phased smaller adjustments (preferably after an initial external resource injection) were not seriously analysed. In response to theological sermons on 40 or 60% devaluations, a pattern of quasi-theological or abstract academic rejection of any foreign exchange price change gained force. The 1981 proposals to delink from the rising dollar and adjust back to mid 1980 parity with major currencies took a year to be decided on. The early 1981 Exchange Rate Study conclusions against a 60% devaluation in early 1981 seem to be perceived as somehow relevant to phased 8-12% downward adjustments beginning in late 1982 and, therefore, at least 60% inflation (say 33% relative to industrial economies) later.
Fiscal performance is clearly the key factor behind inflationary pressures. This is now basically caused by revenue stagnation related to manufacturing output constraints flowing from import limitations. However, 1977-1979 was marked by relative laxity in budgeting. While over 1977-78 this was masked by windfall revenue overruns, it created a habit hard to reverse and very damaging from mid 1978 to early 1980. Subsequent efforts to constrain expenditure and raise revenue have proven inadequate even though they have been draconic. Until 1982-83 there were limits on possible rates of cutting military spending (1979/80 - 1981/82 real cut perhaps 30%).

Debt service increases are consequential on past deficits and the declining revenue base prevented real (and minimal nominal) increases. Overruns on normal spending were held to an average of 6-7%, which in world terms is fairly good. The uncovering of deficits elsewhere in the public sector drove subsidies and related costs from about Sh 150 million in the initial 1979/80 budget to Sh 1.427 million in 1981/82. 27

Strategy and Policy Response, while by definition not an initial cause of the crises, has been less coherent, less speedy, less consistently articulated and less diligently pursued than over 1974-76. This has limited its effectiveness and, presumptively, caused the crises to build up greater intensity and momentum.

In 1978 the incipient crisis simply was not fully perceived. In 1978-80 there were hopes (by no means unique to Tanzania) that the "Second Oil Shock" would be as speedily followed by the resumption of global output and trade growth as the first. Until late 1979 the war prevented concentration on economic issues. Over the entire 1979-82 period an inordinate amount of time and energy was spent on negotiations with external parties which (except for "operating" or balance of payments support finance) came to little or nothing. This was partly because of rigidities in both sides positions, but largely (except arguably in 1980) because Tanzania did not have a comprehensive, coherent, consistent prioritized strategy. A delay in negotiations further contributed as it resulted in the crisis worsening and the Tanzanian (or indeed the external) proposals becoming impracticable for that reason alone.
The demands of day to day survival and the failure of major policy attempts increasingly led to short term stop-gappery, febrile partial initiatives and hesitancy to act decisively on major priority issues over 1981-82. While hardly surprising and partially inevitable (collapse today would render strategy tomorrow useless), the overall results have been deeply damaging.

Industrial sector crises are largely consequential not internal. The rate of technological and personnel capacity development has been inadequate (albeit rising) but this is hardly a cause of the sharp deterioration in post 1978 performance. Indeed its continuation is partly a consequence of the great difficulty of staying in production at all. The failure to identify a set of industries suitable for export buildup and follow through on them (and failure to ensure inputs in some of the cases attempted) has had a significant, but secondary negative impact (perhaps $20-25 million net exports a year or 5% of total actual exports).

The industrial strategy evolved over 1969-1975 (basic industry in the sense of vectors covering all basic consumer goods, most intermediate and construction inputs and a start toward engineering and capital goods) has resulted in substantial capacity, relatively low (by African and poor country standards) incremental import/output ratios and some buildup of sectoral linkages. However, the 1979 on period has caught it at a stage when import constraints cripple its ability to produce or maintain capacity and prevent filling in missing linkages.

The dominant causes are external (perhaps 75-90% counting terms of trade, war and weather and contrasting with 1977 performance). However, domestic strategic response cannot be 10 or 25% of the problem as the external shocks have happened, the terms of trade will not recover appreciably in the foreseeable future and it is quite inconceivable (whatever the logical or normative case for or against) that doubled concessional finance in real terms can be secured or sustained.
Tanzanian Strategic Responses: Of Sisyphus and the Stationery Queen

The panorama of the crises and adumbration of causes may suggest a lack of serious response - which would be untrue - and a lack of responses which actually mastered the rising trend of crises (or falling trend of performance) - which certainly is the case. Tanzanian strategic and policy response (partly because of its time lags, partialness and optimistic projections, but largely because external events and prospects worsened very rapidly) resembled Sisyphus trying to roll his stone up the hill or the Red Queen in Alice In Wonderland who could at best stay in the same place by running flat out.

War and weather are not - at least in the Tanzanian context - easy subjects for effective response. The real military spending cuts of 1980-82 are targeted to be followed up with 35% nominal (50% odd real) in 1982/83. Small scale irrigation and plausible storage are approaches to offsetting weather swings. However, the first cannot yield major results in the short run. Appropriate storage techniques and pattern remain partly unanalysed and largely undecided (with central large store proponents clashing with decentralised, point of purchase or import concentrated, slightly modified godown advocates) and will pay off massively only after the next run of two or three consecutive good harvests.

In respect to external balance little is practicable vis a vis the terms of trade. Response via integrated Commodity Programme, commodity agreement and improved Compensatory Facility efforts have not, and, in the short term at least seem unlikely to, yielded much.

Export volume decline has been targeted as a priority area. While both the 1981 and 1982 National Economic Survival Programmes export target and related policy/resource allocation sections are analytically weak (and 1982 in particularly grossly over-optimistic), a growing response exists. But raising import allocations for exports (including transport and processing) in the context of declining import capacity and providing real price incentives to crops with declining global real prices in the context of an economy with declining real per capita purchasing power (despite - until 1981 - real per capita output growth) have proven intractable. 1981 saw
export volume growth, but largely because the 1980-81 coffee crop was a cyclical peak above both the low 1979-80 performance and the (rising) trend.

Specific export rehabilitation/growth programmes appear to be working in coffee and may do so in sisal, but in respect to cashew, cotton and tobacco require major rethinking. Two major resource export projects with high priority - paper and amonia/urea - should give a structural boost to net exports (over 50% of 1981 levels), but only after basic debt repayment, i.e. In the 1990's not the 1980's.

Indiscriminate use of supplier credit has (with a twelve month lag between problem identification and action) been halted. Arrears and debt payment delays are certainly identified as problems. However, given import capacity restraints/requirements they have continued to worsen (albeit more slowly than in 1979 and early 1980). Import capacity allocation is more coherent (subject to the fact that applications now bear no relation to actual desired allocations making really efficient decisions virtually impossible), but pouring a half litre into four litre jugs produces demonstrably unsatisfactory results.

The attempt to reduce expansion of (unusable) capital stock in favour of maintenance and operating imports has made uneven progress. It became fairly fully embodied in the 1981/82 and - especially - 1982/83 Budgets. On the external finance side it has resulted in maintenance and balance of payment support finance rising from perhaps 5% of concessionary inflows in 1977/78 to about 33% in 1981/82. How high a degree of consistent articulation and systematic implementation has been achieved is less clear.

Agricultural institutional and policy reform has been a priority item since 1979. But until 1982 limited action other than - somewhat doubtfully effective given inflationary impact - nominal grower price increases and - potentially more effective - relative price realignment was done. At present a priority list exists: prompt collection from and payment to producers (whose deterioration over 1978-81 may have affected output more negatively and parallel marketing "positively" as actual price trends); continued relative price adjustment by crop and region; specific targets by crop and area linked to resource allocations: rehabilitated transport and process-
ing; cost control (especially on storage losses, excessive transport and administration) in parastatals; overall production and parastatal financial data strengthening and development of adequate storage. Input supply improvement is primarily a matter of better transport and allocation among crops. Research and extension productivity improvement (or perhaps creation except for a few crops and areas), stepping up improved animal drawn and hand implement production and use and small scale irrigation are seen as needing initial action but as having long term, not initial crisis resolution payoff. However, a checklist of priorities is far from an articulated, operational strategy.

Public sector management performance has been identified as a priority area, but without clear operational priorities for improving it nor - beyond a handful of cases - micro programmes at operating unit level. The 1982 National Bureau of Accountants and Auditors report may lead to a forward dynamic, as may Treasury 1980 onward financial monitoring and control tightening.

However, practicable short term incentives have been hard to devise. Output is too contingent on exogenous events to make productivity bonuses or deductions broadly realistic while the 1981 salary increases at best indicated managers were not wholly forgotten. Similarly greater discipline, self discipline and accountability for results are not easy to enforce when maximum effort at best usually leaves one standing still. Furthermore, falling real living standards/shortages provide pressure and opportunity for moonlighting, parallel marketing or worse. However, the rather shotgun approach to these issues has certainly done less good than a planned one and by arbitrariness (and hitting innocent bystanders) may have reduced willingness to act decisively more than sloth of malpractice.

Price management, while improved in detail, remains incoherent (or unworkable) at macro level. The nil minimum wage increase for 1982/83 implies a nil agricultural price increase for 1983 (which is clearly not going to happen). The foreign exchange price policy delay means - since the very dramatic 1981 decisions on 1982 export crop prices - huge marketing board deficits (now - quite rightly - transferred from the banking
system to the Treasury) and inflationary pressures. Price ceilings cannot work at present supply levels and rate of credit expansion. Market management can restrain price movements and avert self-justifying margin creep under conditions of balance or moderate, intermittent shortages (1973, to a degree 1974-75, 1976-78) but not close the type of gaps currently existing.

Fiscal policy response has been targeted on recurrent budget deficit elimination – or at least reduction. Albeit the 1982 "Bluebook" Structural Adjustment Programme For Tanzania appears to downgrade that goal (and with it, one must logically conclude, reduction of inflation). Real expenditure – excluding debt service and public enterprise deficit/rehabilitation cover – has been cut. The increase in these two items (in the latter case partly a matter of discovery and of shifting the burden from the banking system), and the deterioration of real recurrent revenue performance despite higher tax rates and improved collection, have kept the recurrent deficit and overall bank borrowing requirement rising in nominal and static, or slightly rising, in real terms since the initial 1978-79 recurrent deficit. Here the sectoral policy response and priorities may be coherent and correct (or too draconic as to maintenance and basic services). But, in the absence of consistent price management strategy and increased import capacity effectively used to restore manufactured output, they can only avert or delay catastrophe.

Industrial performance policy responses are clear at overall level, but do not lead coherently to operational micro level policies or allocations. There is stress on capacity maintenance and utilisation and not – except for export directed or key import bottleneck cases – on new capacity, but how this relates to partly completed plant is unclear. Similarly import allocation priorities are clear, but are stated in terms requiring about twice the possible overall foreign exchange budget item so they cannot actually guide policy. Calls for substitution of local inputs do not seem to be backed by meaningful support to locating or developing them. Admittedly the basic problems of capacity utilisation (including for export) and of reducing the incremental direct operating import to output ratio from 20-25% to 10-15% all
need unavailable foreign exchange. But if that does block major improvement, both allocation (however painful) and secondary productivity improvement policies could be given more systematic attention.

Energy policy is coherent, clear and - up to a point - operational. Petroleum product consumption - via price, substitution, rationing and - much less acceptably - physical shortages is down 20% odd on 1977. The sector yields both taxes and profits. Hydro power and electricity grid development are the subject of serious forward planning. However, the resource shortage is delaying closing the grid gaps and has blocked the only economically rational route to hydro power expansion. Coal development has begun, but poses unresolved technical and cost problems. The identification of the wood problem has been in advance of a national crisis (though not of crises in certain regions and in respect of tobacco). Whether the buildup of reaforestation (e.g. woodlot) programmes will become adequate remains less than clear, especially given the general crisis setting.

The presentation of these sectoral or programmatic national responses illustrates the continuing absence of a coherent, prioritized, articulated overall strategy. The 1980 Structural Adjustment Programme collapsed under the pressure of lags, worsened external contexts and failure to conclude the World Bank (though, ironically, not the IMF) component. The 1981 and 1982 tranches of the National Economic Survival Programme, while formally adopted and partially articulated, have not proven to be fully coherent, nor have they been fully adhered to in detailed articulation and action. If the 1982 "Bluebook" is to be the start of such a strategic response, it will require clearer priorities and much more emphasis on macro price management and fiscal outturn will also require articulation both to test for consistency and to turn a somewhat gappy collation of broad principles and bits and pieces of (usually, but not always, evidently sensible) micro policy into a set of policies backed by quantitative allocations and practicable targets. Further this must be done promptly or it too will become dated by worsening events and with determined enforcement at the operational stage to avoid micro deviations (or inaction) rapidly undermining what will be at best a fragile construct.
The task on the response front is considerably more difficult than copying anybody's ex ante prescriptions. Accelerated Development in Sub-Saharan Africa's strategy is no exception because it is equally non articulated, non coherently prioritized in any operational sense, as well as too generalised for a direct fit to any one country. This is quite apart from serious empirical feasibility (e.g. re its export led growth and doubled aid prescription and assumption of general private sector capacity and benignity) and its apparent normative assumptions ("to him that hath shall be given and from him that hath not even that little which he hath shall be taken") problems. Tanzania's basic policy and instrumental mix is not particularly ideological (nor have the so called "pro capitalist" strands been notably effective). Switching to an intensified inequality, reduced access, increased passive dependence strategy is not practicable without a new political and social base after an intervening collapse. To attempt one within the present framework would assuredly destroy its self confidence, credibility, legitimacy and - therefore - operationality in a very short space of time.

'Through a Glass Dimly.....'

The downside potential of the Tanzanian economy is massive - to put the prospects in jargon. The cost in terms of human deprivation, social and political collapse and engulfment in a quagmire from which clawing back would take decades is morally appalling.

To outline doomsday scenarios has a macabre fascination and may be useful either to shock advocates of "steady as you go" navigation into noticing that a waterfall lies immediately ahead or to guide "entrepreneurs of adversity" (or wingless two legged vultures) tactics. However, the fascination would, on the present author's part, be pure masochism. His concern for the care and feeding of vultures is negative, while there is no need to inform Tanzanians or Tanzanian leaders that they are in the midst of a worsening crisis. Therefore these concluding notes are partial preconditions for a stabilisation and recovery strategy, however daunting or unlikely to succeed that may appear to be.
1. Tanzanian (and external cooperating body) projections of external events must be **cautious and pessimistic**, not - as has been the case to date - overly **optimistic**. The global economic crisis shows no signs of "turning the corner" and the fact that the weather cycle must eventually come to a good year is no basis for projections used in three year programming.

2. Tanzanian (and external cooperating body) projections for speed of response to policy changes, resource injections and strengthening must be **slower**. The crisis has exacerbated every latent weakness emptied pipelines so that new resource injections will take 8-12 months to halt declines in most sectors; and dulled the enthusiasm and initiative needed to galvanise rapid change.

3. Tanzanian decision takers must achieve a **comprehensive, priority focused strategy** (not a kaleidoscope of partially conflicting pieces with unclear relative importance); articulate a possible pattern of policies and resource allocations from the strategy; and proceed to implementation **speedily** and with **regular monitoring**.

4. Tanzanian implementation and monitoring must be **disciplined** despite the severe costs of any strategy, policy and resource allocation package meeting the criteria of short run feasibility and long run sustainability. **But** it must also be subject to **correction** if major divergencies in external setting or domestic responses from projection occur.

5. Both Tanzanian decision takers and would be cooperators must accept both that, whatever the merits and demerits of 1967-72 and 1974-77 strategies, neither is viable today. Whatever the weight of external causes **domestic restructuring is essential** (the late 1960s world economic setting cannot be whistled back into being nor can a major international economic order restructuring be projected as a safe **basis** for national strategy). Without enhanced a well as better utilised external resource injections the probable cost burdens and extremely slow payoff of any such restructuring will render it impossible to implement even if the strategy is devised and articulated
realistically. (A ratio of exports to imports of 50% with imports 25-40% below the minimum needed to operate and maintain the basic economic structure cannot be brought to an acceptable—say 80%—ratio in less than a decade.)

6. Tanzanians must be less ready to accept external technical and institutional advice on faith (especially when their own experts demur) and external cooperators more willing to accept the extreme fallibility (for whatever reasons) of their own past (and thus probably present as well) advice. Both need to realise that a dialogue not a lecture, an argument, not a shouting match, is needed on areas of divergence and that a donated or imposed strategy will not work. Unless a basically Tanzanian devised, oriented and believed strategy emerges, no amount of advice, coercion and help can recreate a forward dynamic.

These points are in a sense procedural or at best mega economic for three reasons:

a) there is not adequate space to present a coherent strategy-policy-allocation package;

b) nor is there adequate data to do so partly because of external resource uncertainties and partly because domestic priorities do not appear to be clear, consistent and practicable;

c) and in any event such an exercise by one technician (let alone an expatriate one) would be totally inconsistent with at least the last four basic conditions set out above

However, it may be worth stating that the preceding analysis does not suggest that domestic economic integration (self reliance); absolute poverty eradication and universal access to basic services; lessened inequality (including greater participation) and public sector leadership are inherently unsound. They worked reasonable well over 1967–1977. The errors of 1975–1982 are more deviations from than aspects of them and the experience of African economies with a very wide range of strategic and political economic diversity is so depressingly similar as to cast doubts on ideological or sweeping political economic model interpretations. That does not deny the need for
basic change in priorities, tactics and timing. Restoring import capacity (especially earned import capacity, i.e. exports) and production growth are now crucial to each of Tanzania's basic goals even if the means to achieving them are either not directly relevant to, or represent a partial, temporary and reversible divergence from them.

A conclusion full of hope and bright prospects would offend against the warning on realism in projections. The most positive possible citation may be the Lord Krishna's to Arjuna while a battle hung in the balance.32

Not fare well but fare forward, voyagers.
NOTES

1 Reg Green has been a student of the political economy of Tanzania since 1964 and a full or part time advisor to various Tanzanian bodies since 1965. This paper contains his personal interpretation and views and is no sense to be taken to represent those of any Tanzanian institution. Equally while he has made a number of the critical points before, the present perspective is that of late 1982 and in part comprises changes of emphasis and interpretation which, if correct, means that portions of his previous analysis and/or advice were either wrong or inadequately emphasised relative to other aspects.


3 This was the position in 1981 and appears to remain the case (1981 from Bank of Tanzania data to be published in 1981 Annual Report).

4 Even the 30 % rate assumes 6 years to clearance. Any faster progress would require IMF facilities and/or exporting country consolidation loans of - say - $200 million in excess of medium term operating import bolstering requirements.

5 This assumes 20 % of food is consumed in quasi urban and urban areas and that this supply is basically additional to (not out of) basic rural supply.

6 This is slightly worse than the real position since 1980/81 the burden of public enterprise losses has been largely shifted from bank loans to recurrent budget payments which causes an evident rise in expenditure balanced in part by a concealed fall in de facto bad debt creation.

7 This understates the real rise in costs though, given the sample purchase base of much of the basket and a number of index boosting apparent errors, by less than might be expected.

8 Actual hunger is more related to purchasing power declines than to actual non-availability. But sugar, cooking oil, milk, bread, wheat flour and - at times - rice and maize flour are absolutely scarce. (Bananas, potatoes, millet, sorghum and cassava are not nor are eggs, meat, onions, tomatoes, oranges with fish and poultry erratic).
This estimate is based on constant price GDP evolution reduced for population and military expenditure growth and terms of trade losses. On the fact of GDP based estimates of personal consumption growth (e.g. in 1982 World Development Report) the decline would appear to be much less, but this seems implausible.

This is based on rising real official, private and parallel market prices for agricultural products taken together since 1975 (albeit not for industrial/export crops nor for all foods taken separately) and a conservative estimate of total sales growth.

This is not a deterministic or fatalistic statement, past decisions affect the present and present ones the future.


This may relate to an objectively more difficult situation and/or exhaustion from 1974-76 and wartime crisis management, but the failure to achieve coherence, focus and action remains a fact, whatever its causes.

The author believes it was partly real - late 1979 trends would have led to collapse or at best 1982 crises intensity levels by June 1980.

Again this is an empirical more than a normative judgement, especially in 1980-81 the author was too involved to be an impartial evaluator and still cannot see what systematic alternatives were then open.

The good weather year food surpluses exports offset a very small proportion of the bad year imports.

This has been the subject of debate. Accurate Tanzanian based import price data do not exist nor are global analogues satisfactory. However, the joint World Bank/Tanzania appointed Tanzania Assistance Group ('Three Wise Men') came to roughly the same conclusion of massive terms of trade deterioration and real import volume falls.

Much of it related to a cyclical peak 1980-81 coffee crop and a one year partial recovery in cashew nut picking.

Cf. Green, Rwegasira, Van Arkadie on this issue and on why action was not seen as crucial/practicable earlier. This issue has been debated in Tanzania at least since 1969 when it became clear that Tanzania's very late
'Initial export opening up' rise had plateaued in the mid-1960s. That boom - which was not the result of any conscious export strategy by the colonial or independent governments - and the fact that Tanzania became independent with a trade surplus created a context in which export development strategy did not seem particularly pressing, until external balance projections for the 1969-74 Five Year Plan were drawn up.

1980-1982 imports have been so low that some arrears would have built up and some of the public sector (perhaps 25%) and private sector (perhaps 20% dominated by lorries) supplier credits have been economically prudent.

Data do not show this clearly because international tables tend to exclude Chinese transfers (two thirds of Tanzania's total during the peak of Uhuru Railway construction) and Tanzanian budgetary and external transaction handling of railway finance was neither transparent nor consistent.

Tanzania has been very cautious in use of medium term bank loans - probably wisely since large floating rate five to seven year loans contracted in 1973-74 or 1977-78 (when they were available) would have tended to defer adjustment over 1974-76 and 1980 as well as producing unmanageable interest and repayment or roll-over problems from 1979 onward. On large, technically complex and/or export marketing intensive projects Tanzania has, in principle, welcomed joint ventures. In practice this policy has been rather passive outside the hydrocarbon and mining sectors with individual exceptions in tyres (USA), tanning (Sweden) and shoes (Italy).

The data series are conflicting and unreliable. Only those in National Accounts are based on decentralised total output estimates. ILO and FAO data analysis (and fieldwork in the latter case) tend to confirm a food production trend growth of the order of 4%.

Clearly, Tanzania should have exerted supervision and control much earlier (indeed, never accepted the hiving off of policy and planning to an autonomous unit). But once the Ministry had had its technical functions moved to the MDB, analysing its proposals and performance, let alone reasserting control, was objectively difficult - especially since MDB was believed to speak with the authority and expertise of the World Bank behind it.

Post 1975 figures are open to doubt because of the increasing proportion of delayed accounts and of the share of these which, when received, show rapid financial performance deterioration.

Of R.H. Green 'Political Adjustment ...' op cit, for a fuller discussion.
27 These had previously been financed as if they were working capital. In the agricultural cases, the subsidies are de facto (since grower prices are above export or import parity) to producers while in the transport sector they are to users.

28 For fuller accounts see M. Fransman (editor) Industry and Accumulation in Africa, Heineman 1982. For a fuller accounts in chapters by M.A. Bienefeld, A. Coulson, R.H. Green, A. Singh.

29 See Table 1, "Bluebook" (Structural Adjustment Programme for Tanzania, Dar es Salaam, 1982).

30 The regional price differentials are intended to encourage specialisation. Whether cross-subsidized prices in remote areas - which are highly grower price effective at raising total marketed output and do bring poor peasants into the process of development by providing a "vent for surplus" on orthodox Smithian (Adam not Ian!) lines but are also transport cost intensive - are to be altered and, if so, how remains under consideration.


32 The optimism of the will does remain - Krishna and Arjuna subsequently did carry the field and the day.
Related Materials

Tanzania


World Bank


M. Fransman (Editor), Industry and Accumulation in Africa, Heinemann, 1982, especially chapters by M.A. Bienefeld, A. Coulson, R.H. Green, A. Singh.

R.H. Green


<table>
<thead>
<tr>
<th>Year</th>
<th>Merchandise Trade</th>
<th>Balance on Services</th>
<th>Col. 4 as % of Current GDP</th>
<th>(Col. 4 + Col. 5) as % of Current GDP</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Exports (T. Sh. m)</td>
<td>(T. Sh. m)</td>
<td>Balance (T. Sh. m)</td>
<td></td>
</tr>
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<td>1,475.9</td>
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<td>1,889.9</td>
<td>1,694.9</td>
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<td>1980</td>
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<td>10,261.9</td>
<td>-5,559.7</td>
<td>156.1</td>
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* Revised estimates
### Public Finance/Gross Domestic Product Ratios 1961–1980

(Stated as % of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Recurrent Revenue</th>
<th>Recurrent Expenditure</th>
<th>Capital Expenditure</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960/61</td>
<td>13.0 (^3)</td>
<td>13.6</td>
<td>2.6</td>
<td>16.2</td>
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<tr>
<td>1963/64</td>
<td>14.2</td>
<td>13.7</td>
<td>2.9</td>
<td>16.6</td>
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<tr>
<td>1966/67</td>
<td>15.5</td>
<td>15.5</td>
<td>4.5</td>
<td>20.0</td>
</tr>
<tr>
<td>1969/70</td>
<td>20.1</td>
<td>19.5</td>
<td>7.8</td>
<td>27.3</td>
</tr>
<tr>
<td>1972/73</td>
<td>22.8</td>
<td>21.1</td>
<td>7.0</td>
<td>28.1</td>
</tr>
<tr>
<td>1975/76</td>
<td>20.9</td>
<td>19.8</td>
<td>12.0</td>
<td>31.8</td>
</tr>
<tr>
<td>1977/78</td>
<td>21.7</td>
<td>19.8</td>
<td>11.8</td>
<td>31.6</td>
</tr>
<tr>
<td>1978/79</td>
<td>21.6</td>
<td>26.0</td>
<td>15.1</td>
<td>41.1</td>
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<td>1979/80</td>
<td>22.6</td>
<td>27.5</td>
<td>15.8</td>
<td>43.3</td>
</tr>
</tbody>
</table>

**Notes**

1. Includes Debt Service in full. Technically debt redemption should not be included.
2. 'On budget' items only.

**Sources**

Adapted from "Twenty Year Review" Annex Tables on Gross Domestic Product and Trends in Government Finances; Financial Statement and Revenue Estimates (various years); World Bank, The Economic Development of Tanganika.
# Makeup of Recurrent Revenue 1961–80

(In Percentages)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Major Direct Taxes</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Income</td>
<td>21</td>
<td>22.5</td>
<td>26.5</td>
<td>25.5</td>
<td>24.5</td>
<td>39</td>
<td>36.5</td>
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<td>37</td>
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<tr>
<td>Export</td>
<td>(20)</td>
<td>(20)</td>
<td>(23)</td>
<td>(22.5)</td>
<td>(22)</td>
<td>(35)</td>
<td>(27.5)</td>
<td>(23)</td>
<td>(31)</td>
</tr>
<tr>
<td>(1)</td>
<td>(2.5)</td>
<td>(4)</td>
<td>(3)</td>
<td>(2.5)</td>
<td>(4)</td>
<td>(9)</td>
<td>(7)</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td><strong>Major Indirect Taxes</strong></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Customs and Excise</td>
<td>(44.5)</td>
<td>(40)</td>
<td>(41)</td>
<td>(33.5)</td>
<td>(24.5)</td>
<td>(17.5)</td>
<td>(21)</td>
<td>(16)</td>
<td>(15)</td>
</tr>
<tr>
<td>Sales Tax on Domestic Goods</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td>(12.5)</td>
<td>(13.5)</td>
<td>(35.5)</td>
<td>(30.5)</td>
<td>(37)</td>
<td>(35)</td>
</tr>
<tr>
<td>Parastatal Dividends</td>
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<td>0</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other Sources</td>
<td>34.5</td>
<td>37.5</td>
<td>31.5</td>
<td>25.5</td>
<td>37.5</td>
<td>6</td>
<td>10</td>
<td>14</td>
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<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>External Trade Taxes</strong></td>
<td>27</td>
<td>31.5</td>
<td>33</td>
<td>25.5</td>
<td>18</td>
<td>15</td>
<td>25</td>
<td>23</td>
<td>21</td>
</tr>
</tbody>
</table>

**Notes:**
1. Includes Sales Tax on Imports. Excise amalgamated into Sales Tax 1977/78 - 1978/79
2. Import and Export Duties plus Sales Tax on Imports

**Sources:** As For Table 2
### Analysis of Budgetary Financing Requirement 1963/64 - 1979/80

(In %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Budget</td>
<td>2.9</td>
<td>4.5</td>
<td>7.8</td>
<td>7.0</td>
<td>12.0</td>
<td>11.0</td>
<td>15.1</td>
<td>15.8</td>
</tr>
<tr>
<td>Plus Recurrent Budget Deficit or minus Surplus (()</td>
<td>(0.5)</td>
<td>(0.0)</td>
<td>(0.6)</td>
<td>(1.7)</td>
<td>(1.1)</td>
<td>(1.9)</td>
<td>4.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Budgetary Financing Requirement</td>
<td>2.4</td>
<td>4.5</td>
<td>7.2</td>
<td>5.3</td>
<td>10.9</td>
<td>9.9</td>
<td>19.5</td>
<td>10.8</td>
</tr>
</tbody>
</table>

| External Finance | 1.0     | 1.9     | 1.6     | 3.3     | 5.5     | 4.2     | 8.0     | 10.5    |

| Domestic Finance | 1.4     | 2.6     | 5.6     | 2.0     | 5.4     | 5.7     | 11.5    | 10.3    |
| Grants/Transfers/etc. | (1.4)   | (2.6)   | (0.7)   | (0.2)   | (0.5)   | (0.5)   | (0.4)   | (0.3)   |
| Non-Bank Borrowing | ( - )   | ( - )   | (2.2)   | (1.8)   | (1.8)   | (2.5)   | (1.4)   | (1.4)   |
| Bank Borrowing | ( - )   | ( - )   | (2.7)   | (0.0)   | (3.1)   | (2.0)   | (9.7)   | (8.6)   |

| Ratios to Finacing Requirement | 39 | 43 | 22 | 63 | 50 | 42 | 41 | 51 |
| Ratios to Capital Budget | 33 | 43 | 20 | 47 | 45 | 36 | 54 | 67 |

Notes:
1. Includes grants, loans to government. Some private agency grants may be misclassified under domestic. Includes counterpart funds from external aid and balance of payments support in year.
2. Excludes domestic counterpart funds from external aid (see Note 1).
3. Early figures appear to include some borrowing from Cotton Authority, East African Currency Board. Later year include resources from special Funds in year allocated/ paid over to Development Revenue.

Sources: Adopted from "Twenty Year Review" and Tables on Public Finance, GDP, Financial Statement and Revenue Estimates (various years).
<table>
<thead>
<tr>
<th>Elements of the Recurrent Budget and Supplementary Finance</th>
<th>1966/67 - 1979/80 (Ghs. million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tax Revenue</td>
<td>1017.2</td>
</tr>
<tr>
<td>2. Other Revenues</td>
<td>6.8</td>
</tr>
<tr>
<td>3. Total Recurrent Revenue</td>
<td>1024.0</td>
</tr>
<tr>
<td>4. Recurrent Expenditure</td>
<td>979.7</td>
</tr>
<tr>
<td>5. Surplus</td>
<td>44.3</td>
</tr>
<tr>
<td>6. Development Expenditure Financed by:</td>
<td></td>
</tr>
<tr>
<td>a. Surplus on Recurrent Budget</td>
<td>44.3</td>
</tr>
<tr>
<td>b. Non-Bank borrowing</td>
<td>59.8</td>
</tr>
<tr>
<td>c. Borrowing from Banks</td>
<td>18.9</td>
</tr>
<tr>
<td>d. Other Sources</td>
<td>44.4</td>
</tr>
<tr>
<td>e. External Loans and Grants</td>
<td>127.0</td>
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</table>

* Provisional

Sources: Economic Survey (various issues) and Budget Documents
### TABLE 6

**Gross Bank Lending 1966-1979**

<table>
<thead>
<tr>
<th></th>
<th>Bank of Tanzania</th>
<th>Commercial Banks</th>
<th>Total</th>
<th>Non-Government Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>72.5</td>
<td>98.0</td>
<td>170.5</td>
<td>806.9</td>
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<tr>
<td>1968</td>
<td>64.9</td>
<td>80.1</td>
<td>145.0</td>
<td>819.8</td>
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<tr>
<td>1969</td>
<td>75.6</td>
<td>168.3</td>
<td>243.9</td>
<td>964.4</td>
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<tr>
<td>1970</td>
<td>291.3</td>
<td>164.7</td>
<td>456.0</td>
<td>1141.3</td>
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<td>1973</td>
<td>484.9</td>
<td>558.6</td>
<td>1043.5</td>
<td>1566.9</td>
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<tr>
<td>1974</td>
<td>863.3</td>
<td>671.2</td>
<td>1534.5</td>
<td>2456.4</td>
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<tr>
<td>1976</td>
<td>1477.2</td>
<td>1895.1</td>
<td>3372.3</td>
<td>3513.6</td>
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<tr>
<td>1977</td>
<td>1445.6</td>
<td>1878.7</td>
<td>3324.3</td>
<td>3847.7</td>
</tr>
<tr>
<td>1978</td>
<td>2041.3</td>
<td>1898.2</td>
<td>3939.5</td>
<td>5153.1</td>
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<tr>
<td>1979</td>
<td>4515.6</td>
<td>2589.3</td>
<td>7104.9</td>
<td>6418.2</td>
</tr>
</tbody>
</table>

*The figures are given in quarterly averages*

**Source:** Bank of Tanzania. *Economic and Operations Report* (various years)
WHAT KIND OF SOCIALIST TRANSITION IN CAPITALIST RECESSION?
THE CASE OF MOZAMBIQUE

Bertil Egero
AKUT
Stockholm

Jens Erik Torp
Centre for Development Research
Copenhagen

Introduction

During the first seven years of independence, Frelimo and the Mozambican population have laid the foundations for a fundamental redirection of the Mozambican economic and social life. However, a series of factors combine to deform and retard what could otherwise be an economic recuperation with good prospects for real increases in general levels of living during the present decade.

These factors stand out most sharply when we focus on the Frelimo strategy for transformation of the Mozambican society in the 1980's and the difficulties meeting its implementation. Among the factors we would like to single out the vast direct and indirect effects of uninterrupted military attacks against the new regime, escalated by the illegal government of Rhodesia until its final loss in early 1980 and since then carried out directly by the South African regime. Other factors of major importance are the exodus by independence of the vast majority of all Portuguese, the floods in the first years of independence now being followed by years of drought, and the devastating economic effects of rising oil prices and international economic recession.

* The AKUT Group is a group of political and social scientists based in Stockholm and Uppsala. It was formed in 1976, and has since then developed internal and external scientific activities on the theme "Studies of development strategies in the Third World".
These contradictions and unfavourable circumstances raise the issue of the viability of the long-term strategy formulated by the 3rd Frelimo Congress in 1977 and last year further elaborated in the Perspective Plan for the 1980's. A central element in the strategy is the necessity to "sow before harvesting", i.e. to sacrifice immediate consumer needs for investments in industrialization and modernized agriculture. Only such a policy could lead to a stable and viable economic structure capable of serving the needs of the nation.

The objective of the present paper is to discuss the importance of the prevailing external and internal conditions under which Frelimo attempts to implement its strategy. The argument presented is that the existing conditions combine to put in jeopardy a national development strategy directed towards rapid restructuring of an underdeveloped, dependent economy by means of large-scale agricultural production and industrialization. It is argued that the difficulties confronting Mozambique necessitate a discussion of on the one hand a change in the timing in implementation of the Frelimo strategy, on the other hand the role to be played by international donor organizations.

The World Bank "Agenda" and Mozambique

The World Bank summary of economic problems facing African countries and the best way towards their solution is based, on the one hand, on statistical analyses of the behaviour of African economies over the last two decades, on the other, on its interpretation of policies pursued by governments over the same period. In addition to external factors, especially those of rising energy prices and economic recession in the advanced capitalist economies, the World Bank report devotes a great deal of its attention to domestic policies which it claims have exacerbated the effects of internal structural problems.

Central among the latter, according to the World Bank, are the "consistent bias against agriculture" and the equally overprotective policy in relation to industry. The performance of the two sectors has been adversely affected by weaknesses in planning and management, and a generally
costly and inefficient state sector. Import substitution policies of industrialization have not, and could not, have worked satisfactorily, not least due to limited markets. But they have led to price and exchange rate policies, with adverse effects on production in agriculture.

While playing down the impact of worsening external relations over the last decade, World Bank recommendations, in essence, imply a return to earlier stages in neo-colonial economic development. To avoid a very serious crisis of declining standards of living for their populations, African governments ought to postpone industrialization and adopt a strategy of agro-based export growth. A reduction of state sector involvement in agriculture is seen as necessary, together with an incentive policy for small and middle peasants to produce in response to market demands. As pointed out by one observer, World Bank recommendations mean that the Bank "situates the causes of underdevelopment internally...yet advocates an external solution. Moreover, the World Bank is concerned with individual African states in the world system and with exchange rather than production, i.e. with superstructure".2

There are certain basic difficulties in applying the World Bank mode of analysis to Mozambique. Firstly, the role it gives to the public sector by implication excludes the experiences of a growing number of African states with planned economies, to which Mozambique belongs. Secondly, Mozambique has not been independent for more than seven years, i.e. it attained independence after the international capitalist recession had set in. The comparative perspective used by the Bank for the last two decades, does therefore, not make much sense. Up to 1975, Mozambique was, in a very concrete way, an appendix to the Portuguese economy. Profits, generated in trade and exchange with other countries, were directly transferred to Lisbon. Import/export was locked in monopoly-type trade relations with Portugal, which were extremely unfavourable to the colony. This meant, inter alia, that internal linkages between industry and agriculture in the Mozambican economy were of no benefit to the metropole itself and therefore remained weak. Thirdly, while politically dominated by Portugal, the main sources of income of the colony were those derived from the Southern Africa region via transit trade to the Transvaal and Rhodesia and through
export of labour, particularly to the South African gold mines. Any decrease in these relations following upon Independence would have a serious impact on the national economy. Lastly, the industrial sector was extremely dependent on South Africa and the West for both technology and raw materials.

The "protected" economic development under post-war colonialism created structural problems very different from those of independent African states. The lack of Portuguese interest in investing in general development in its colonies, meant that Frelimo came to inherit an extremely backward society. Illiteracy levels were probably as high as 90%, vocationally trained workers were extremely few and those with a higher education virtually non-existent. A majority of the rural population practiced subsistence agriculture with low productivity, when not forced to sell their labour to plantations or public works. These were some of the characteristics of colonial Mozambique in the 1970's.

The 200,000 strong Portuguese community had staffed all positions of responsibility in colonial Mozambique. By independence, the majority were abandoning the country, leaving behind not only destroyed machinery, trucks, files and data, but also a near-total lack of managerial knowledge and competence in all sectors of society. Production declined drastically, government functions linking central and local levels ceased to operate, internal delivery and trade links collapsed. The Portuguese exodus was not an isolated event of panic. Instead it was part of a pattern of external threats against the new state which still today, 1982, is characterized by the Minister of Plan as "an undeclared international boycott of our country".3

In summary, the "dynamics of decolonization" literally forced more drastic measures from the new government towards the conditions facing the country.

If it were not to become a mere client state of the powerful economies of South Africa and Rhodesia, or even fall victim of a counter-attack against the government by ex-settlers and hostile neighbours in union, Frelimo had to find a strategy for reorientation of the economy towards national needs. The necessity of such a policy became quite clear when, in 1976, South African recruitment of labourers to the mines fell by two thirds and Mozambican adherence to
UN sanction requirements against Rhodesia led to serious economic losses. Quite apart from the material and human losses resulting from innumerable Rhodesian military attacks.

The economic and political problems in the transition to independence undoubtedly created serious obstacles to national reconstruction. We believe, however, that it is correct to say that they paved the way for an ideology of transformation as was already in existence in the liberation movement well before national victory. For the new leadership, the reaction to the victory, not only of the colonial community in Mozambique but of imperialist forces in general, must have confirmed its own analysis of the necessity to attempt a radical break with the past, in economic as well as political terms.

Mozambique 1975-78: Consolidation of State Power and Visions for the Future

The Portuguese colonial empire finally fell apart in 1974. Frelimo, the Mozambique Liberation Front, had matured during a ten-year old armed struggle extending down to the central parts of the country, a thousand kilometres south of the Tanzanian rear bases. Based on strong peasant support, the struggle had resulted in an ideologically coherent leadership, carrying the experiences of the struggle into the development strategies of the new nation. The strategies were alien to colonial society and its urban population. Their theoretical formulations, based on marxist concepts, were rooted in socio-political developments of a highly successful military struggle carried out with small technical resources. The strategies could therefore be said to have proved their value in the concrete conditions of this country.

The analysis of class contradictions underlies all strategies adopted by the party and state in Mozambique. Any particular element of these is considered for its effects on the balance of class forces, as well as for its contribution to economic development. Class forces are not seen as limited to the domestic scene. The hostility of apartheid South Africa embodies the threats, both of imperialist reaction and of the exiled national bourgeoisie.
The strategies were developed to respond to certain central requirements:

- A complete rupture with Portuguese colonial society and its structural relations;

- Reconstruction and development achieved through high levels of popular participation in all phases;

- Reduction of material, social and political Inequalities in society within the realm of general welfare development;

- Extension of political independence through a reduction of the external structural dependence of the economy.

Three problems related to the structural organization of society needed immediate solutions. The first concerned political leadership and control. The Portuguese exodus by independence left state and economy in disarray, allowing for local middle strata to move in and attempt to form power bases. To counter this, Frelimo was transformed into a party of politically advanced and dedicated cadres, with constitutional power of leadership and control. Supporting the party, mass organizations were formed to mobilize different segments of the population and inform about the objectives of party orientations. In industries, an embryo to trade unions was created through the workers' Production Councils. Organization of the scattered peasantry was to be done primarily through the formation of communal villages all over the country.

Popular participation and democratic forms of leadership had been developed as integral elements of societal organization during the years of the struggle. A central problem at independence was how to direct and control an increasingly powerful state. Unique in the history of the country, national elections were held at all levels to create a system of Popular Assemblies. Their growing strength over time should provide for democratic control of state implementations of the directives of the party. Besides, the party itself was to be represented in all organs of the state as well as through the top leadership of the state apparatus.
Thirdly, to fulfil its functions, the state needed re-structuring and with extended control over strategic sectors of society. By independence, all land, health and medical activities and education were nationalized, and private legal and medical service abolished. Strategic sectors of the economy, such as banks, insurance, rented buildings, main industrial units and large-scale agricultural units, were also brought under the control of the state. Gradually, other abandoned or seriously mis-managed production units were added. Today at least three quarters of total production - outside the peasant sector - is functioning in accordance with state plans. This implies that production goals are fixed for the planned sectors, and they receive resources, i.e. imported raw materials, spare parts, transport and technicians accordingly. All reforms described were introduced during the first three years of independence, a period which also saw the presentation of the elements of a development strategy for the country. Although in part outlined already earlier, its coherent presentation took place at the Third Party Congress in February, 1977.

Important to note is the perspective of states in national reconstruction. The initial stage of "People's Democracy", is where the ideological, material and technical bases are created and consolidated for a radical transformation of society, the "Socialist Revolution". The first stage is, in turn, divided into successive phases. Agriculture is, in the first phase, to be the main source of capital accumulation. It supplies industry with raw materials and people with food, and produces the bulk of export products. Industrial production in this phase is geared towards processing of agricultural products, production of instruments for agriculture and serving the market with basic consumer items.

Only in a later phase is heavy industry to be developed. It is considered a necessary and decisive factor in raising the productive forces in all sectors and "liberating us from the profound economic and technological dependence in which we find ourselves".

Two different lines are to be pursued in rural development. Departing from nationalized farms, a series of large-scale mechanized state farms is to be created over the country, responsible for most of the commercialized production. For the majority of the peasantry, cooperative forms
of production are to be introduced which will permit a qualitative step forward from the predominant hoe-type farming.

We may see in this policy an adaptation to the inherited structural conditions. In colonial times cash-crop production had been squeezed out of the peasantry through brutal force in colonial times. The participation of the peasantry would now have to be placed on a completely different footing. A recovery of existing large-scale agriculture could provide a badly needed leeway for a gradual integration of the peasantry into the new economy. However, other considerations also backed the policy of investment in state farms. These were seen as Important means to create a stronger working class, give Peasants training in work discipline and, through a process of diffusion, influence labour force development in adjoining communal villages. The state farm policy has also been steadily extended since the time of independence.

The private sector was never supposed to disappear altogether. Capitalist mechanized farming existed and continued to exist in the country. State policy being to take over only obviously run-down or abolished units. Similarly, cooperative forms of production were intended to predominate, but never exclude private small-holder production. Later developments have included clarifications of the role of the private sector in the economy, in subordination to state plans and priorities.

The focal point, however, of the development strategy adopted by the Party in 1977, is the central role given to large-scale agriculture as both the main source of export and the producer of domestically commercialized products. Unless returns to the necessarily heavy investments in this sector are forthcoming as expected, the deferred attention to the needs of the large peasant sector will have both material and political implications. Simultaneously delays in the industrialization process will be another consequence.

The internal conditions required - management and planning capacity, a well-trained labour force - would in the case of Mozambique depend on the stability of international technical assistance. Reasonably stable trade exchange relations, plus international investment support, are other conditions for the strategy to succeed.
In evaluating the outcome of efforts so far, the different conditions have to be judged for their relative influence. We might already now point out that for most of them, the picture was much darker than expected.

Mozambique 1979-82: Recuperation in Production and Initiation of a Planned Economy

The first years of independence in Mozambique were characterized by Frelimo's struggle to consolidate state power against attempted coups and economic sabotage. It seems, however, that towards the end of 1978 and early 1979 economic sabotage no longer represented a strategic problem. On this basis and helped by the instruments created during the first years of independence, (the organs of people's power and popular participation, the new state apparatus lead by the National Planning Commission, and the party Frelimo) the Mozambican government decided that time was ripe to move into a new phase, where the economic problems of the country would be first priority.

Below we shall look in some detail into four areas; namely Southern African regional economic relations and their change; the launching of a planned economy and its related problems; the performance of the agricultural and industrial sectors; and the dynamics of external relations.

Southern Africa regional economic relations and their change

The economic dominance of South Africa over the whole Southern Africa region was, and still is, very strong. Compared to the nine states which today are engaged in regional economic collaboration within SADCC, the GNP of South Africa is more than twice as high as that of all the nine states together. Historically, this dominance has led to a structuring of transport infrastructure, trade and production patterns, and labour force development and utilization, which to a high degree reflects the economic needs of South Africa and its former northern "ally", Rhodesia.

The South African presence in Mozambique, early predominant in transit trade and labour force extraction, grew during
the last decade of colonial rule in the plantation sector, as well as in manufacturing industry and raw materials supply. Here, and in construction industry, joint ventures with Portuguese capital were not uncommon. It was only in big projects like the Cabora Bassa scheme that Portuguese capital was weakly represented. In the 1970's, trade increased to the extent that by 1973, South Africa had bypassed Portugal as the biggest exporter to Mozambique.

Regional economic interdependence is never only dependence of the weaker in relation to the stronger. Developments in the years since 1975 seem to confirm that South African strategy has never been geared to a complete rupture of economic relations as a weapon against the new progressive regimes. Nevertheless, its relations with Mozambique have since independence undergone changes. They lead to increasing social and economic strains on the new nation. Labour recruitment to the mines was already in 1976 cut to one third, causing revenue losses and growing unemployment. Reductions in transit trade through Maputo accentuated the problems, as did the halt to all tourism from South Africa and Rhodesia.

In March 1976 the government of Mozambique, in complying with the UN sanctions request, put a halt to all contacts with Rhodesia. It was hard to believe that the frontier would remain closed for almost four years. Quite apart from the direct economic and social costs of this move, it is clear that a long time will be required to recover the former levels of transit trade and other exchange between the two countries. Many of the work opportunities for Mozambicans in the neighbouring territory are also irreversibly lost.

The present response of the front line states to their dependence on South Africa includes, first and foremost, the creation of a regional collaboration organization, SADCC. SADCC's aims extend beyond this objective, but are in an acute sense related to the needs to strengthen their economies, in the perspective of intensified conflicts within South Africa itself, as well as along its borders. The problems of restructuring the national economies to a higher level of exchange are formidable, given that intraregional trade today amounts to only a few per cent of total trade. Thus, SADCC gives most of its attention to the issue of rerouting its international trade away from South Africa.
With its key position in relation to most of the six land-locked members of the organization, Mozambique has a central role in coordinating transport development in the region. For the country itself, highest priority must be given to the recuperation of railway lines damaged during the years of Rhodesian war, replacement of obsolete rolling stock and construction of new port facilities. Unavoidably, this makes flozambican territory the scene of increased attacks against the transport network and other economic targets directed by South Africa in continuation of the Rhodesian aggressions of the 1970's.

The launching of a planned economy and its related problems

The realization of a strategy depends not only on its formulation. Necessary instruments, which by independence were present only in a rudimentary way are: a system of information about the behaviour of the economy; resources for planning; and structures capable of implementing plans or indicating obstacles to their implementation.

Information about the situation in different sectors of the economy was in the early years of Independence missing or, at best, fragmented and unreliable. Recreation of ministerial departments and managerial structures in the enterprises led to a growing access to data on industrial production data in industry. In agriculture whatever data existed related exclusively to the large-scale mechanized sector. The creation, in 1978, of a planning commission marked the beginnings of central state planning. The first state plan saw the light in mid-1979. Annual plans have since been available to direct government action and economic development.

The overall direction of the annual plans has been, first, to achieve targets set in 1977 of reaching, in 1980, the same production levels as were recorded for 1973. Secondly, to set the stage for the "Victory over under-development". According to a presidential declaration in 1979, all resources during the 1980's should be directed towards this goal. Victory over under-development was defined largely in material terms as the eradication of hunger, scarcities in housing and clothing, but also heavy
reductions in illiteracy and health hazards etc. Responding to these calls, the plans have tended to set unrealistically high growth targets. Not surprisingly plan fulfillment is rarely reported.

**Implementation** of plans depends on the extent and efficiency of structures to carry out allocations and to control their use. **Nationalizations** of production units have, over recent years, been gradual and in response to proven incapacity of the owner to run the firm. Today, at least 75% of the economy is organized and administered according to annual state plans.

In the annual plans, current expenditures have been reasonably evenly distributed between social and economic sectors. Regarding investments however, 80% or more have gone to the latter. Industrial investments have shown a considerable growth up to almost one quarter in the 1981 plan, while investments in agriculture vary between 20 and 35%. It should be noted, however, that a large part of investments in transport and public works is directed towards alleviating bottlenecks in internal trade, necessary for increases in agricultural production.

Among the more central problems in the elaboration of the annual plans are to secure that sectors capable of capturing foreign exchange are given the means to function properly, and to distribute the foreign exchange available between economic sectors in accordance with their priority. The distribution of foreign exchange is done on the basis of previously fixed objectives for the production of a number of key commodities, where highest priority is given to:

- industries producing **consumer goods** (e.g. food stuff, clothes, footwear),

- **export production** (e.g. sugar, cement, cashew, prawns, etc.),

- **base industries**, producing the necessary raw materials and energy supplies for the above, **including construction materials**.

It is quite clear that much has been achieved during the three years that a system of planning has functioned in Mozambique. But, it must be stressed that Mozambique is still
In an early phase in its attempt to install a planned economic development.

First of all, the high degree of dependence on imports makes the planning procedure vulnerable to price fluctuations in the world market. This at times create a situation where "planning" is reduced to an attempt to alleviate problems being thrown upon Mozambique from changes in world market conditions. Increases in oil prices is a case in point. Secondly, there has been a tendency to be too optimistic regarding plan objectives and to initiate too many new projects, without securing the full utilization of the existing economy. Finally, it is evident that to direct the economy is a new task for Frelimo, likewise planning is something which has to be learned by experience. To change the Mozambican economy into a planned economy is thus a long-term process. It will materialize itself little by little through hard experiences gained by mistakes and successes in the planning process.

Frelimo's response to some of these problems, together with experiences of inefficiency and misconduct, have resulted in reductions in direct state responsibility. A system of state shops (lojas do povo) erected from abandoned shops shortly after independence, was closed down in 1980. The shops were in part privatized. Similarly, collaboration has been started with private firms in the purchase of agricultural products from the smallholder sector.

Persistent difficulties in raising production levels in Industry, transport etc., which remained far below capacity, led, in early 1980, to a President-initiated "offensive" intended to correct certain errors and deviations in the state machinery causing these problems. The "offensive" soon expanded in both scope and depth, responding to the seriousness of problems detected, Such as: advanced corruption in the state housing agency; factories trying to operate in the virtual absence of management; or badly needed goods stored for years in warehouses.

Among methods to identify and diagnose problems in the economy, the "offensive" should undoubtedly be given a high ranking. The "offensive" reached far into the state apparatus, sectors of the economy, and political and mass organs. It became a powerful instrument against negative tendencies in the public sector. In its extension, the "offensive" also
raised more fundamental questions concerning the methods of control of the state bureaucracy, of plan formulation and implementation both in the firm and the ministry. It demonstrated the necessity of popular involvement not least as a source of information about the real development of the economy.

**The performance of the agricultural and industrial sectors**

Statistical data on investments, production and trade are still scanty. Even a careful compilation of published figures does not allow for a comprehensive picture of developments since independence. The reason is, in many cases, that no one was around to produce the statistics or gather it at source. Still in 1981, with a growing capacity for statistical data collection and analysis, the overall data published do not always permit comparisons with earlier years.

In the agricultural sector, it is necessary to distinguish between the subsectors discriminated in the overall strategy of rural development. In the peasant sector, by far the largest and consisting of at least ten million people, one million is today living in villages. Communal production, however, is advancing only in some of the provinces of the country. In all about 70,000 peasants are members of producer cooperatives. Cooperative production covers only a minute part of cultivated land and of total production. State farms with 4% of the area contribute about 15% of total agricultural output and over half of commercialized production. Another third, or less, of the cash crops produced in the family sector and around 10% comes from private farms.

<table>
<thead>
<tr>
<th></th>
<th>Area 1960</th>
<th>Production 1980</th>
<th>Commercialized Production 1978/79</th>
</tr>
</thead>
<tbody>
<tr>
<td>State farms</td>
<td>4</td>
<td>15</td>
<td>52</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>1</td>
<td>0.3</td>
<td>4</td>
</tr>
<tr>
<td>Family sector</td>
<td>94</td>
<td>80</td>
<td>34</td>
</tr>
<tr>
<td>Private sector</td>
<td>1</td>
<td>4.7</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

While agricultural production as a whole increased about 4% between 1980 and 1981, state farm production is facing difficulties. Despite interventions from top state leadership, the big rice project, CAIL, in southern Mozambique, shows a declining trend in rice output 1979-81. This trend might have been halted. Significant problems encountered, most probably in other state farms as well, are a seriously deficient management performance and external dependence on vital raw materials and spare parts. Despite high levels of unemployment, there have also been problems in recruiting the required number of seasonal labourers. Discouraged as they are by the lack of consumer goods in the market. The resulting productivity per unit of land is far below acceptable minimum levels.

Estimates of industrial production are not very reliable. Generally, it is believed that the bottom was reached in 1977-78. Over the last two years 1979 and 1980, growth is calculated to 10 and 6%, respectively. Still, in most types of Industries, production is perhaps only half of estimated capacity.

It must be stressed, however, that material production increased substantially in 1981 in the industrial sector for all products specified in the plan (see Table 2). For some products this meant further increases in levels already high above those of the last years before independence. For others, colonial levels were yet to be reached.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>10^2 T</td>
<td>293,6</td>
<td>170,2</td>
</tr>
<tr>
<td>Molasses</td>
<td>10^3 T</td>
<td>97,0</td>
<td>45,6</td>
</tr>
<tr>
<td>Prawns</td>
<td>T</td>
<td>2,323</td>
<td>6,984</td>
</tr>
<tr>
<td>Cement</td>
<td>T</td>
<td>611,000</td>
<td>235,900</td>
</tr>
<tr>
<td>Coal</td>
<td>T</td>
<td>394,000</td>
<td>408,500</td>
</tr>
<tr>
<td>Cashew nuts</td>
<td>T</td>
<td>29,599</td>
<td>17,600</td>
</tr>
</tbody>
</table>

Products for domestic consumption:

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit 1973</th>
<th>1980</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hoes</td>
<td>units</td>
<td>895,000</td>
<td>217,500</td>
</tr>
<tr>
<td>Soap</td>
<td>T</td>
<td>20,300</td>
<td>16,300</td>
</tr>
<tr>
<td>Capulane traditional skirt</td>
<td>10^2 m^2</td>
<td>n.a</td>
<td>3,082</td>
</tr>
<tr>
<td>(Cloth for women)</td>
<td>10^3 m^2</td>
<td>n.a</td>
<td>5,100</td>
</tr>
</tbody>
</table>


Prelimo defines its political base as an alliance between workers and peasants. The question of securing a material content to this alliance is a question of practical policy. As indicated above, a certain degree of processing of agricultural raw materials already exists in the industrial sector. But the industrial sector in its turn used to produce only a limited quantity and number of products of direct use for the peasantry. A reorientation of production is underway. The transformation of the existing economy and the erection of new projects, geared towards the need of the peasantry, are however, still in their initial stages.

The present situation is characterized by the necessity of large food imports to the cities. An as yet unresolved problem is how to adjust the terms of trade between the cities and the countryside in a way, which does not lead to inflation because of lack of material goods in the market, but to an improvement in rural levels of living in the countryside.

In summary, while there is a general recovery, beginning in about 1978-79, it is uneven, especially in important sec-
tors such as transport and trade it is definitely too slow. The constraints, relate to problems inherited by independence which have not yet been overcome. Manpower shortage is still a seriously limiting factor on the level of managerial as well as technical capacity. Planning and implementation in the state apparatus is still weak and bureaucratically cumbersome. Import problems, caused by a combination of currency shortages and external sabotage attempts, cause constant shortages of spare parts, equipment and raw materials.

The presidential "offensive" of 1980-81 succeeded in removing some of the internal obstacles and paved the way for accelerated growth. However, it did not resolve the problems of incentives for greater individual efforts in production. The policy of austerity implies a continued low-salary scale for workers and, in fact, a reduction for new entrants to middle levels compared to the prevailing situation. Industrial production of consumer goods is still seriously deficient and the peasant does not yet receive the material incentives to increase commercial production.

Since early after independence, cooperative forms of production and communal villages have been given a high priority in party and state declarations. However, in real terms the cooperative sector has grown slowly and with difficulties, lacking a strong support from the government. Whatever cooperative production exists is unlikely to have led to increased productivity. Consequently it is not yet a viable alternative for the majority of peasants.

**The dynamics of external relations**

The balance of trade

The problems facing Mozambique in its external relations when entering the 1980's are still highly influenced by the inherited structure of the colonial economy. Thus, it should be kept in mind that exports of commodities only made up 50% of commodity imports in the period 1973-77, while the existence of invisibles made up the difference. Invisibles consisted mainly of payments in gold to Mozambican miners in
South Africa; of foreign exchange earnings from transit traffic to neighbouring countries; and of incomes from the approximately 1 million tourists coming every year from Rhodesia and the South African Republic.

The independence of Mozambique witnessed the immediate and complete halt of all tourists from neighbouring countries. Transit traffic declined, primarily because of the Mozambican blockade of Rhodesia, but partly also because of South African efforts to redirect merchandise to domestic ports. In 1978, a serious blow hit the balance of payments, when the South African government decided to alter the exchange rate between US Dollars and gold to be used in the agreement on payment to Mozambican miners in South Africa.

The Elozambican economy has, since independence, been unable to generate the foreign exchange needed. Mainly because very little had been done during colonial times to secure linkages between branches of industry, or linkages between industry and agriculture. In the short term, these structural problems can only be tackled by attempts to increase exports and economize on imports. In the medium term, efforts can be made to redirect the economy from imports towards purchasing domestically produced raw materials, intermediary products, and spare parts.

### Table 3

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>5,541</td>
<td>7,560</td>
<td>5,050</td>
<td>4,613</td>
<td>4,833</td>
<td>5,344</td>
<td>8,311</td>
<td>11,817</td>
<td>13,115</td>
</tr>
<tr>
<td>Imports</td>
<td>11,415</td>
<td>11,741</td>
<td>10,472</td>
<td>9,058</td>
<td>10,568</td>
<td>17,199</td>
<td>18,575</td>
<td>23,200</td>
<td>25,783</td>
</tr>
<tr>
<td>Balance of trade</td>
<td>-5,874</td>
<td>-4,181</td>
<td>-5,422</td>
<td>-4,445</td>
<td>-5,735</td>
<td>-11,855</td>
<td>-10,264</td>
<td>-11,383</td>
<td>-12,688</td>
</tr>
</tbody>
</table>


As appear from Table 3, the first years after independence witnessed a 35% setback in exports, which has only been recovered and surpassed in 1979 and 1980. It must be noted, however, that the increase in export earnings is primarily due to a relatively favourable development in export prices. Only for two of the major seven export products did material pro-
duction in 1980 reach the levels of 1973. Some 57% of the value of exports in 1980 were accounted for by five major export products: prawns, sugar and molasses, tea, cotton, and cashew.

Turning to imports, a number of factors wellknown from other African countries have manifested themselves. First of all, the increasing oil prices have led to a situation, where, in 1979, 40% of all export earnings were consumed by the oil bill. Apparently, the situation was further aggravated in 1980, when substantial new increases in oil prices took place.

Secondly, there has been a general deterioration in terms of trade between raw materials and processed goods. The Mozambican government estimates the fall to be 50% for the period 1973-1979.

Finally, due to droughts and the general bleak situation in agriculture, imports of grain have increased substantially. Its share of total imports have increased from 3% in 1973 to 12% in 1980. The two largest import items are equipment (mechanical, electrical and transport) and petroleum. The large volume of equipment reflects the policies of strengthening industrial infrastructure through equipment rehabilitation and renewal. Improvements in the road transport system, to facilitate contacts with the agricultural sector, is another area requiring imported equipment.

This has led to a doubling of the balance of trade, deficit from 1977 to 1978, causing the introduction of very strict import regulations which came into force from 1st January, 1979. These measures seemed at first successful in reducing the growth of imports, which nevertheless exploded again from 1979 to 1980, primarily because of the increase in oil prices.

The international reorientation of the economy

Another dimension in the discussion of the dynamics of external relations is the need to redirect the international orientation of the economy. At the time of colonialism, the economy was tied to Portugal, South Africa, and the USA. In the past seven years, however, the Mozambican government has...
tried to build up a new and planned international division of labour with the countries of Eastern Europe and the Soviet Union. This, of course, is not a process which can be carried out overnight. The need remains to buy raw materials, intermediary goods, spare parts and consumption goods wherever credits were available, and to continue exports to traditional markets, such as cashew and sugar to the USA.

Consequently, Mozambique is still in an intermediate position, having partly broken with old trade traditions and being in the initial stage of building new relations of trade. This is also apparent in Table 4 below.

As is well-known, the Mozambican government has given prime importance to an increase in trade with neighbouring countries. However, apart from transit of commodities, trade with neighbouring countries has so far been limited. This is a result of their dominant export orientation in raw materials and of their common need for foreign exchange through exports. They have therefore only very limited possibilities to extend their trade beyond barter agreements.

**TABLE 4** Mozambican exports and imports by origin. 1973, 1979. %

<table>
<thead>
<tr>
<th></th>
<th>1973</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exp.</td>
<td>Imp.</td>
</tr>
<tr>
<td>EEC</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>South Africa</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Portugal</td>
<td>36</td>
<td>19</td>
</tr>
<tr>
<td>USA</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>State Trading Ctries incl. GDR</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>German Dem. Rep. (GDR)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*) Figures for 1980.

The debt burden: Its origin, nature and future trend

As a result of payments in gold to Mozambican miners in South Africa, the Mozambican government has for some years been able to finance increasing imports by means of the gold reserve. The gold reserves were run down in the 1976-78 period as an intermediate stop-gap measure. In later years, deficits were covered by increases in external aid and other forms of external support.  

In early 1980, Mozambique indicated that its local foreign debts amounted to 265 million US Dollars, which had a coverage in gold. Later in the same year, foreign debt had increased to 445 million US Dollars. The debt consists partly of short-term loans which have been taken in order to buy intermediate products and raw materials. Partly, it consists of long-term loans to finance investments in new projects. Some of these projects are financed by the Soviet Union and countries in Eastern Europe and many of them are expected to create export earnings during the present decade through increased production of cotton, lemon, bananas, coal, and gas. Consequently, increasing debts are foreseen in the first half of the decade which have to be paid back by means of exports of these commodities to the creditor country. A number of countries, notably the Nordic countries, Italy, France, Brazil, and recently Portugal, have also granted loans, often to be paid back after a period of 5-10 years.

Whereas repayment of loans used for buying equipment is dependent on the future production coming from the new projects, the immediate Mozambican problem is the short-term loans taken to finance the current operations of the economy. Data supplied by the United Nations, suggests that in 1981 the balance of payment deficit of Mozambique had stabilized around 7 billion meticais or approximately US $ 125 million.  

However, Table 5 only presents an account of the balance of payment on a modified settlement basis where external financial assistance is included in invisible receipts. Further, international assistance in kind, particularly food donations, is included in imports at their values for import license purposes. This method of estimating the balance-of-payments position thereby overestimates the actual overall deficit. Given the amount of food aid to Mozambique, possibly in a significant way.
Looking towards the future, it is clear that it will be necessary for the Mozambican government to look for finance for current expenditures of the industrial and social sector, including commodities normally paid in cash or by means or short term credits. In addition to this the need exists of entering into new long-term loan-agreements in order to finance new investment projects and new social infrastructure.

Drawing from the experience of other predominantly African countries, it is easy to see that such a quick build-up of foreign debt can rapidly lead to a situation where a large share of the foreign exchange created by the economy itself, has to be used for the repayment of existing external financial obligations. Seen from the Mozambican perspective it is therefore crucial to reach long-term agreements for the finance and repayment of spare-parts, semi-processed goods and raw materials. Otherwise the well-known dead-lock situation, characterized by an under-utilization of the existing indust-
rial and social sectors combined with stop-go practices in the implementation of new projects will present itself. The possibility of avoiding this future dead-lock situation is to be looked for in new forms of co-operation. Concerned governments in Scandinavia and elsewhere must guarantee the long-term financing of contracts for the purchase of raw materials and the like, either by means of securing the banks from losses, when entering into this type of financial ende- vours, or by giving a higher priority to this type of finan- cing in the already existing aid programmes.

The "Plano Prospectivo Indicativo" for the decade of the 1980's

The strategy for political and economic development adopted 1977 reflected in a consistent way the perspectives of na- tional reconstruction. The goal was a nationally integrated economy directed towards the needs of its inhabitants and far less externally dependent than the inherited colonial economy. However, in the "PPI" document of the ten-year prospective plan for 1981-90, published last year, the authors recognize that "After five years of Independence, in its essence, the colonial economic structure remains intact". As explained in the document, the Mozambican economy is still heavily de- pendent on imports of raw materials, spare parts and machi- nery, not to mention petrol products. Production still pre- dominantly consists of agricultural products and consumer goods. The transport structure is still essentially serving its neighbours and the labour force is extremely short of professionally trained workers.

Reading from the document, PPI continue and elaborates on the strategic perspectives of 1977. The state sector will increase its dominance in all sectors of production. Agri- culture is the base in feeding the population and in generating the capital required for construction of heavy industry. The development of an industrial sector is an essential part of a strategy for increased national control and rapid eco- nomic growth.

There are, however, certain lines in the PPI which appear to justify a qualification of this interpretation. A greater
emphasis is now laid on the mutual linking of agriculture and industry, the latter providing instruments for increased agricultural productivity in both state and peasant sector while in turn receiving raw materials for processing. Concomitant to this, highest priority is given to increased volumes of export, primarily from the agricultural sector, and import-substituting production of basic consumer goods including food items.

In the agricultural sector the PPI gives a central position to big state projects presently receiving three quarters of all agricultural investments. Plans include the development and consolidation of up to one million hectares during the decade.

A somewhat slower pace is foreseen for the development of a cooperative sector among the peasantry. Emphasis is here, more clearly than before, laid on consolidating existing cooperatives and on raising the productivity of the cooperative sector. Various forms of state support are recommended, including preferential prices and viable networks for commercialization.

The document does not permit an evaluation of the priority to the peasant sector in economic terms. Two factors are likely to lead to a gradually greater attention in real terms to the resource needs required for local self-sufficiency in food production. These are the growing difficulties demonstrated by emergency relief programmes for rural areas to avoid starvation and the necessity to hold back a growing influence of South African backed resistance movement in society. One step in this direction is the notified reorientation of the Nordic assistance programme MONAP to the cooperative and smallholder sector.

The reduced emphasis on short-term development of heavy industry does not mean that the strategy in this respect has been altered. A shift in timing is evident, with more time required for the generation of necessary capital. Coal production for export should be increased, later to be joined by aluminium export. Iron and steel industry for domestic use are other top priorities, later to be supplemented by chemical and petro-based industries.

Heavy industry is one of the three sectors, singled out as central in raising the productive capacity of the economy.
State agricultural- and cooperatives are the other two sector. Together, these three are intended to absorb most of the 85% of total investments going to the productive sector.

The urban bias of economic policies in Mozambique is so far quite strong. Most of the wheat, the meat and other consumer goods imported are consumed in the towns, today housing 15% of the population at the most. The PPI estimates that the level of consumption per capital is between three and four times as high in urban as in rural areas. The intention is to attack the urban bias, so that by the end of the decade the difference could be less than two to one. This will be achieved mainly through development of the cooperative sector. Salary and price policies will also be guided by the need for austerity, at least for a large part of the period under consideration.

The Mozambican Economy Between Scylla and Charybdis: The World Market and the Peasantry

The aspiration for socialism and the danger of two vicious circles

During the first seven years of independence, Frelimo and the Mozambican people have laid the foundation for a fundamental redirection of the Mozambican economic and social life. As has been the case in other countries trying to break with imperialism, its underdeveloped economy is threatened by external enemies. The socialist vision of moving towards a class-less society dissolving the State in the process is a situation which lies far ahead of presentday Mozambican realities and political perspectives. Rather, the historical role of Frelimo in the remaining part of this century is to industrialize to organize the peasants and to break with material underdevelopment, using means which differ from capitalist competition and the necessity of fighting for ever increasing profits.

The immediate task of Frelimo is to transform the colonial state apparatus and economy into a popular state. In order to do this, it will be necessary: to develop the capa-
city of Mozambique to defend militarily the revolution against South African inspired counter-revolutionary efforts; to draw out an economic surplus from the economy in order to secure accumulation for the industrialization process; to satisfy the consumer needs of its majority; and to sustain popular participation in political and economic development.

In the experience of countries and state leaderships attempting to break with capitalism, a central question needs to be tackled immediately after liberation. It is whether to consolidate the revolutionary process by utilizing the economic goods available as consumption goods for the peasants and workers, gradually transforming the economy into a socialist perspective, or to make a quick move and squeeze an economic surplus into the industrial sector. This latter requires holding back or directly reducing the level of living of the masses in an intermediate period. In history, there are well-known examples of countries, where the peasantry has been deprived of their economic surplus being ploughed into the industrial sector. In other cases the workers themselves have served as the accumulation base for further industrial development.

In 1980/81, when the elaboration of the Perspective Plan for the eighties took place, Frelimo was also confronted with this issue: "Whether to import foodstuff and other products or to make some sacrifices, eat less, and use the foreign exchange which would have been used for these purposes to invest in projects and factories, which will resolve the problems after some years" as the ideological secretary of Frelimo, Jorge Rebello, puts it and he continues: "The Mozambican government decided to sow before harvesting."

That this perspective prevails in the PPI, in direct continuation from the 1977 development strategy, is evident from the presentation above.

Later, we will return to the issue of external and internal sources of finance for the implementation of such a strategy. First, however, it is necessary to delineate the danger of two vicious circles which already can be seen to threaten the realization of the Mozambican vision for the 1980's:

Firstly, worsening terms of trade, whether through oil prices or prices for manufactured products, undermine increasingly the day-to-day functioning of the economy itself.
In other words, in an economy which is increasingly unable to generate its immediate needs for foreign exchange, external developments affect the material conditions of the people, i.e. predominantly the people in the cities. Black marketing and hoarding is an inevitable part of this process, now underway in Mozambique. If the process is allowed to continue, the planned economy will approach a state of "powerlessness", blocking the implementation of the development strategy.

Secondly, irrespective of the international economic conditions government priorities in the investment programme might lead the economy into another vicious circle. Present investment priorities are directed towards mechanized agriculture and industrialization, including heavy industry. Considerable delays in the timing of net returns on these investments will create problems in securing investments for later stages. It will also create increasing strains on the poor majority of the population. The resulting process which is already in evidence in Mozambique, is that of gradual withdrawal of the peasantry from the planned economy towards subsistence production or black marketing. Increasing impoverishment and accelerated exodus to the cities are part of this process which threatens to dry out funds necessary for investments and strongly weaken the sources for domestic accumulation.

Where, as in Mozambique today, these two processes are both in evidence their combined effects can bring about a situation threatening the worker-peasant alliance. A development which would seriously undermine the mass support enjoyed by the party and government.

Does a good circle exist?

When discussing the issue in what way to avoid these vicious circles and carrying through the "Victory over underdevelopment", two main factors come to the forefront:

First of all, it is critical for Mozambique to obtain finance from abroad, partly for the projects intended to be set up in this decade and partly for the running of the existing economy. This makes it possible to increase the
productive potential of the economy during this decade without a substantial decline in the level of living.

Apparently, the Soviet Union and the East European countries are taking upon themselves part of this task. So far, a number of agreements have been concluded between the German Democratic Republic, Bulgaria, Romania, the Soviet Union and Mozambique respectively. The agreements have secured loans for the erection of large state farms geared to exports, producing cotton, lemon, bananas, etc., and for the exploitation of minerals also intended for exports. Furthermore, the agreements cover a number of industrial projects, notably a farm implement and machinery plant, two textile mills, a steel mill, and a number of other projects. It seems reasonable to assume that for such an extended programme of cooperation - apart from the political reasons - there exists mutual economic reasons. Thus it is clear that the COMECON-countries lack the kind of tropical agricultural products that Mozambique can supply, and there might even be an Eastern European interest in access to unskilled labour and minerals.

Mozambique has thus already sent 2,000 contract workers to the German Democratic Republic to work in light industry and another 2,000 workers to Bulgaria to work in the mines.

Furthermore, the East European countries, so far benefited from relatively cheap raw materials and energysupplied by the Soviet Union since the end of World War II. They are now increasingly forced to find these commodities in other, often Third World countries. In this perspective, a possibility exists for a furthering of the economic relations between Mozambique and the COMECON-countries.

However, onesidedness in international contacts has never been Frelimo's policy, neither before nor after independence. The risks of unwanted political ties and limitations in the economic strategy are obvious. But apart from this, there is both room and a direct need for Western aid and cooperation.

Secondly, turning to internal trends in Mozambique, two characteristics deserve comments. To start with, the long-time observer of the country is struck by the mobilizing perspective used by party and state alike, which is in fact a voluntaristic attitude. If politically justified as an overall policy, over time this perspective carries with it the danger of the population losing trust in the party and
government, and not responding to the policy of the government.

The **continuity** in strategic considerations and plan formulations is another striking feature. Early **perspectives** on the role of agriculture, state and small-holder, and of industry, still form the gist of the ten-year plan for the 1980's. Whether this is a strength or a sign of **rigidity**, depends on the **experiences** gained over the period.

External conditions for the strategy have decidedly turned for the worse. Awareness of internal obstacles ranging from serious lack of competence to conscious mis-management must have grown considerably. As mentioned above, the grave nature of developments for the peasantry is reflected in government measures such as the redirection of certain Nordic assistance into that sector. The adaptation of short- and mediumterm planning to new **conditions** appears a crucial requirement if long-term goals of the Mozambican strategy are to be achieved.

Today the pressure on the Mozambican people and leadership is high. The realities of static, or in local cases deteriorating, material circumstances objectively affect internal contradictions. A deformation of the revolutionary political process is certainly not beyond the limits of possibility. A broader international financial and political support is a necessity for the **longterm** success of the struggle to break with underdevelopment and create a good material level of living for all people of Mozambique.

**The World Bank,"Agenda": The case for a Scandinavian disassociation**

The long history of Scandinavian support to Frelimo's anti-colonial struggle is still today a significant factor in collaboration programmes. It is reflected in the attention given by the Mozambican leadership to all aspects of the collaboration. On the side of the Scandinavian countries, material support has remained on a high level since independence. To further increase its value, the views and priorities of the receiver have been well reflected in programmes of collaboration.
In the history of Scandinavian support to developing countries, the importance given to priorities of receiving countries have contributed to a policy of support quite different from the present World Bank recipe of reprivatization and reduced public sector control. Lately, however, policy changes are being announced which imply a more active participation of the Scandinavian donors in project selection and development. Concomitantly, the donor agencies are increasingly critical of direct state involvement in agricultural production, irrespective of the national or political context. Though not explicit, and probably not intended, this trend might imply a gradual proximity with the IBRD intention to restore private market forces in national economies.

We have no reason to believe that Scandinavian governments are in favour of a development which allows all the vices of capitalist development to hit the poor majorities. Therefore, in the case of Mozambique, support must even in the future be guided by a basic sympathy with the objectives of development strategies, and be formulated in response to concrete conditions affecting their outcome. The Mozambican government has recently pointed at the effects of the four-year cycle of drought hitting large parts of the country, and the equally devastating effects of South African aggressions in the military and economic fields. A "crisis economy" type planning is now developed to deal with problems of low production, lack of consumer goods and a rapidly spreading black market. At the same time, measures are needed to handle the potential effects of individual accumulation of capital outside of state control.

In this situation, there is a need for increased interaction with the Mozambique government and responsiveness to its judgements. A high level of flexibility in aid policies is necessary. The state planning today implies a change in timing in implementation of the overall development strategy. Increased support to organized peasant production is certain to be needed. Other important parts of the aid programme should be:

- support to programs to make the public sector more efficient and capable of assuming its role in a planned economy;
- foreign exchange aid to secure a fuller use of already existing productive facilities;

- support to rapid reconstruction of material damage from South African-directed subversive activities.

The bilateral support can only be considered within a context of Scandinavian foreign policies to the Southern Africa region. South African aggressions against Front Line states are intended to impede both national development and regional economic and political collaboration, in particular the SADCC programme. Appraisal of Scandinavian support to SADCC should not be allowed to overshadow the need for criticism of policies on South Africa. Today, Scandinavian trade with South Africa is constant or increasing, while South African aggressions against Mozambique are causing enormous material damage and directly affecting several aid projects in the region.

The problems of the region are hardly resolved through Scandinavian withdrawal from aid projects or harder terms for project priorities. Their foreign policy has to include a much more forceful stand against the South African apartheid regime. In addition, by supporting Mozambique in the way indicated, the Scandinavian governments will demonstrate a practical way of dissociation with the World Bank's essentially neo-colonial strategy for Africa.
NOTES


10 Assistance to Mozambique, op.cit.

11 Ibid

12 Ibid.


14 Jorge Rebelo, op.cit
AFRICAN ECONOMIES IN THE M I D-1980'~
- "NAUGHT FOR YOUR COMFORT BUT THAT THE WAVES GROW HIGHER
 AND THE STORMS GROW W I L D E R"

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External Impact Requires National Response

The generality of economic debacles in Sub-Saharan African (SSA) economies, since 1975 for mineral exporters and since 1977 for others, suggests that the dominant causes of sustained recession and increasing disintegration are - in a majority of cases - external. The structures, histories and policies of the now crisis ridden SSA economies vary so widely, the downturns have been so sudden and the ability to recover so limited (unlike the 1973-75 crisis period) as to make assertions about general, dominant domestic policy causes somewhat implausible.

External shocks reduce domestic efficiency

For example lower export purchasing power causes lower im-
ports, lower capacity utilisation in manufacturing, erosion
of the tax base on domestic manufacturers, lack of "incentive
goods" for farmers to buy. It also means extra work for
policy makers and analysts, for import managers and allocators, for productive unit managers scrabbling desperately
for fuel, for spares, for transport, for local and imported
inputs. In many SSA economies nothing would increase policy
and managerial performance so much or so rapidly as a reduc-
tion in the import capacity (or foreign exchange) constraint.

However, the dominance of external causes - still less
debates about whether their direct and indirect impact to
any specific country's crisis is 50 % or 75 % or 99 % - must
not be seen as justifying a call for an external cure:
1. If the world economic setting has changed national policies and relations to the altered external economic context must change;

2. The buoyant world economy of 1945-69 cannot be whistled back into existence - even its transitory partial reappearance over 1976-78 is beyond reach - and assertions to the contrary serve SSA very ill;

3. Nor is there any real plausibility to hopes for a breakthrough on North/South negotiations either on structure or on massive transfers. The Brandt Report's strategy for survival had and has much to commend it but it has not itself survived the forces massed against it.

In policy review three dangers must be guarded against:

A. Radical back and forth shifts at short intervals with high disruption costs and no perseverance for long enough to bear fruit;

B. Resolute drifting or refusal to take and act on any policy decisions;

C. Grim dedication to particular policies which may or may not have been sound when adopted but can no longer function.

The price of alternating rapid chopping and changing with resolute irresolution for decades is grimly illustrated by Ghana and Argentina.

Starting Where We are

No policy maker has the option of starting where he wishes he were today much less where he aspires to be in 20 years time. Nor can he alter the past to change where he has arrived. Time past and time future are contained in time present. Time past is only redeemable by understanding and acting on it in the present to alter the future. Time future can only be altered by acting here and now. Courses not taken and the paths to which they would have led remain possibilities only in speculation and abstraction.
Analysis of past alternatives and of future goals from which to chart direction is essential. But it must not be allowed to mystify suggesting that will and desire can evade or overcome the necessity of starting where we are.

There can be no long term unless we grapple successfully with the short, no first arrival unless we take the first steps - and take them in the right direction. In Africa where we are is in crisis - in the political economy not of autonomous development or of dependent development but in the majority of cases in the political economy of deepening stagnation, incipient or actual disintegration.

That means that the first imperative is to consolidate, to regroup - in a word to survive. Only when that is done can a forward dynamic be resumed. Failure to begin consolidation and regrouping now will mean more and more collapsed economies like Ghana and Uganda for whom the barriers even to halting the dynamic of decline, still more to real consolidation and most of all to restored growth even to where they were in 1960 and 1970 respectively are very high and craggy indeed.

Consolidation has four priorities:

a. maintaining the core of existing productive, infrastructural and human capital stock (in installations, institutions and human beings);

b. rehabilitating critical elements of the economy's and society's capital stock which are run down (e.g. cocoa in Ghana, railways in Zambia, rural water facilities in Tanzania);

c. maintaining or raising the rate of utilisation of existing capacity - in agriculture, in transport, in manufacturing, in basic services;

d. identifying and closing gaps (in infrastructure or production chains or basic services) which critically hamper achieving the first three priorities.

The achievement of these four tasks can lay a foundation for new advances (whether on the previous basic national political economic project, a revised or a radically altered one). Until that foundation is laid trying to restore a
rapid development dynamic is like lying brick walls on quicksand.

To be concrete consolidation means more imports of spares and chemicals for textile factories and less or no new factories and capacity expansion, more spares for existing rural water projects and a slowdown in new capital/import intensive one's establishment, more parts for lorries and less new lorries. Of course selection is needed - spares for tractors which have always been underutilised and uneconomic and whose potential viability has been wiped out by oil price increases and reduced import capacity are as much of a nonsense as manufacturing plants dedicated on day one and closed for lack of imported inputs on day two. The basic point - and one which has only been partially realised and even more partially acted on by SSA governments of external donors - is that priority must go to operating maintaining and rehabilitating what exists.

How does the principle of starting where we are and consolidating to build a foundation for renewed advance relate to externally oriented, export led growth strategies (as quite explicitly advocated on the World Bank's Agenda for Action) and to what I will call National Political Economic Integration Strategies (whose regional context and twenty year goals are sketched in the OAU's Lagos Plan)?

Export Led Growth

Primary product export led growth is a high risk, low pay-off strategy. It will only benefit its practitioners if one country in ten follows it. The growth rate prospects and price elasticities for most of Africa's traditional exports are dismal in the extreme (a projection on which the Bank and UNCTAD are in close agreement). The 50% deterioration of the terms of trade for many African exports since the early 1970's (over 67% since 1977 for coffee, tea and cocoa) is now projected to continue for the 1980's as a whole.

Those projections assume continued low growth of African exports. Given the low price elasticities were SSA exports of these products to rise rapidly African economies
would receive less - not more - foreign exchange. For coffee if an African country raises its rate of export growth for every kroner of exports it gains other African exporters will lose one and a half and all other coffee exporters taken together about five. At bottom the primary export led growth theme - at least for the 1980's - rests on a simple fallacy of composition.

Export led growth based on manufacturing might be more desirable and promising - only might since the rapid increase of industrial economy protectionism against Third World manufactured exports from garments through instant coffee to steel gives ground for doubt. But for SSA in the 1980's it is not practicable.

The main successful exporters of manufacturers to break into the world market in the 1970's did so either on the basis of cheap labour tied to a commercial tradition, cheap capital and first rate infrastructure, or on the basis of a 30 or 40 year inward looking development of a broad manufacturing sector backed and guided by detailed state intervention which then shifted to selective export promotion. As no SSA economies have low labour costs, cheap capital, first rate infrastructure (except perhaps Mauritius) the first route is a non starter. The second - that of Brazil, of the Republic of Korea and of the Peoples Democratic Republic of Korea is more interesting, more relevant and more like what some African industrial strategies have sought to achieve. But, however well or ill designed and implemented these strategies, none is over fifteen years old versus the 30 to 40 years historical experience suggests is required to build a strong enough, broad enough industrial sector. In the 1990's perhaps for a few economies (e.g. Zimbabwe, Nigeria, even Tanzania) not in 1980's.

National Political Economic Integration

The past record of limited bursts of growth turning to stagnation - and in the present crisis decline - demonstrate the desirability (or even in most cases necessity) of national political economic integration (or self reliance, or delinking or economic liberation - the terms overlap and the
variants within each are numerous) strategies. They further increase the case for attempting them in a regional context.

If rapid domestic growth pulled along by still more rapid export growth is not possible what alternative is there to domestic (internal) oriented production and market expansion as the leading force? If the balance of payments constraint chokes off growth and export increases are hard to come by, is there any option other than increasing domestic production and use linkages to allow higher levels of national production at any achieved level of exports? If radical instability (or prolonged decline) of export markets and terms of trade imposes major shock and start/stop costs, is it not critical to reduce the degree of dependence on exports and imports as insurance and as a means to broaden alternative practicable economic choices?

But the crisis not only makes NEI* strategies seem more desirable - it also makes them much harder to begin or where begun in the late 1960's to sustain. Real national purchasing power per person (physical output per person corrected for loss of export purchasing power in terms of imports) is declining for a majority of SSA economies; a poor market base for internally oriented expansion. Import constraints block use of existing and building of new capacity; a far from ideal resource availability position for building up intermediate and capital goods production and developing new agricultural and natural resource based primary production as inputs into domestic production.

The first thing an NEI strategy based on genuine economic structure transformation requires is an absolute increase in imports. In small economies it often requires an increase in the ratio of imports to national production (e.g. People's Democratic Republic of Korea but not Brazil). Certainly this is likely for economies needing to import most of their fuel and capital goods - the condition of most SSA economies throughout the 1980's (no matter how hard they explore for oil or how rapidly they expand their very small construction materials and machinery/engineering goods production).

*) NEI = National Economic Integration
In brutal face the crises has hit those economies with moderately well advanced NEI strategies particularly hard. If an economy by 1977 produced 90% of consumer manufactured goods, 50% of intermediate goods and construction inputs and 10% of capital goods - spares - engineering products, and had reduced the operating input (raw materials, parts, spares) proportion of imports to 25% (low in African, moderate in global terms) it had gone a long way from the colonial toward the NEI structure. It imported basically fuel, capital goods, intermediate goods, and more marginally food and consumer durables.

If - as is more likely than not - it has since suffered a sharp terms of trade deterioration, a rise in debt service burden and a deterioration in domestic food availability relative to demand, the results are catastrophic. Import cuts have reduced domestic manufactured goods availability by four times the foreign exchange cost "saved", fuel-food-debt service take up over 75% of exports earnings, the erosion of the manufactures tax base has hurled the recurrent budget into deficit fuelling unprecedented inflation, parallel markets grow rapidly and lack of the goods that used to be produced domestically cripples incentives and prevents even maintaining real peasant or minimum wage earner incomes'. Precisely because the economy had gone further in domestic economic integration - but still had very critical import requirements - the multiplier effect from lost import capacity is greater than for the pure export economy.

None of this invalidates NEI as a strategy nor as one criterion for picking out what to consolidate. It does suggest that consolidation is the first step toward resuming or adopting a NEI strategy and that in their initial years such strategies are very vulnerable to external shocks.

Notes Toward Identifying Priority Themes

In SSA the contexts (of history, of state governing coalition composition, of economic structure, of exact relationship with the world economy, of present state of morale and of dilapidation, of weather, of opportunities) of states and their territorial economies and of major sub-units
(geographic, ecological and social) within countries differ widely. No general strategy for consolidation can be drawn up except with a specified objective correlative of a particular economy at a particular point in time. Nor can such a strategy be prepared in any meaningful sense by a single intellectual or bureaucrat (or even a large mixed committee of them!) nor presented in a half hour talk (especially in a talk outside any specific African context and, indeed, outside SSA as a whole!).

What can usefully be done - analysis, reflection and identification of general themes by intellectuals and bureaucrats are important - is to indicate priorities. This is important for the following reasons:

1. under conditions of extreme resource scarcity (foreign exchange, high and middle level personpower, fiscal revenues, investible surpluses, food, petroleum, products, etc.) priority setting, coordination and enforcement is in itself the first priority. "To plan is to choose" and to choose is to exclude the secondary or postponeable to include and be able to include and act on the essential and urgent.

2. there are a number of common priority areas which do apply to most - indeed perhaps all - SSA economies and struggles to reconstruct them today.

a. increasing the capacity utilisation and growth rates of goods producing sectors (including transport and energy);

b. defining the goals and scope of the public sector (and acting on that definition) in terms of the necessary and of the possible;

c. creating and maintaining practicable incentive patterns which serve social, economic and political economic goals including raising production at acceptable real resource costs;

d. serious attention to coordinated prices policies at macro (e.g. wages, salaries, bank credit, exchange and interest rates, grower prices) as well as micro (e.g. relative grower prices, particular wage and salary differentials, producer-distributor-consumer
prices for critical goods, rates of indirect taxation on particular items) level and to testing proposed or actual price patterns in terms of realism (do real resource availabilities balance demand at these levels) and of implied incentives (to produce, to shift production, to smuggle...);

e. efficiency defined in terms of stated goals and progress toward them achieved at as low a real resource cost as practicable;

f. the uses and limits of external commercial borrowing;

g. the possible improvements in quantity and quality (i.e. relevance to priorities) of external concessional transfers (aid);

h. increasing exports not to have export led growth but to reduce dependence (on begging and borrowing) and to finance those imports necessary for consolidation and national economic integration.

Producing More Goods

**SSA** economics must produce more goods (especially food, agricultural inputs into manufacturing, basic manufactured goods for consumption and construction, transport, energy) absolutely and relative to services. This priority is not an alternative to sustaining or expanding or creating basic education, preventative and curative health, pure water or crop failure relief services; rather it is the necessary condition for sustaining or achieving them. To pose the question primarily in terms of alternatives (as some proponents either of production or of basic services do) is to mystify. The advocacy of expanded textile production out of existing capacity in Tanzania, for example, is not advocacy of reducing availability of pure water - it is, by its incentive and government revenue impact, a necessary condition for maintaining and expanding access to pure water.

The two basic arguments for increased goods production are balance and revenue base. Balance is needed in respect of specific goods: for example, energy, good, housing and of physical goods in general vis a vis services. The need for basic goods and services **is** for a balanced package - adequate
health, education and water with inadequate food, clothing and fuel is as unsatisfactory as the reverse combination.

The second argument is that physical goods (including for this purpose energy, construction and perhaps transport) provide the basic surplus (public or private, fiscal or household) to finance the purchase of services. The government revenue base for health, education and water depends primarily on industry and agriculture as does the household cash income available to pay for marketed services.

None of this is to argue that basic services are not productive. Health, education and water are among the most productive investments/operations in Africa. The retrospective evaluation of IDA shows high rates of return on projects in these categories and IDA integrated rural development programmes have often "failed" because the production technology package was unsound not because the infrastructure and basic services components failed to achieve their targets. Common sense also tells us that healthy, literate workers and women freed from spending half their time fetching wood and water will be more able and more motivated to produce. By that same logic, however, more food is needed (literate, healthy but weak from hunger is not a productive combination) for balance and more production of goods in general to restore the government revenue base to finance primary education, health, pure water and woodlot development and/or operation.

Public Sector: Priorities and Problems In Sub-Saharan Africa

The public sector has played and will continue to play a leading role. This was true in the colonial period - detailed state interventionism not laissez faire was the order of the day - and is true in South Africa; it is more a matter of contextual necessity than ideological preference. Both historical analysis of Western and Central Europe - for example by Professor Gerschenkron - and examination of how Japan, both Koreas and Brazil broke through to possessing major domestic industrial sectors and competitiveness internationally in selected lines indicate that late starting economic development has required detailed state economic intervention, extended protectionism and, usually, as substantial public sector role in production/finance/external trade. Given the very late start, weak
private domestic sector capacity, poor domestic savings mobilisation capacity and extreme openness to trade, African economic development (whether capitalist or socialist) will require large public sectors - both governmental and public enterprise. The exact forms, sizes and emphases will (and should) vary but, without public sector leadership African economic development (or even emergence out of recession) will not take place.

There is no general case that African public sectors do too much, in most cases they probably do too little. (Globally, excluding consumption transfer payments, recurrent government expenditure is typically near 25% of national product - SSA levels are in that range as much as West European or South Asian. On transfer payments, i.e. "welfare" as normally defined they are below any other region.) Nor is there any general case that the private sector could or would do better - especially in terms of providing services to poor peasants and workers at prices they could afford. E.g. private sector agricultural marketing does not in general provide a higher share of retail (or export or factory) price to peasants. It may well substitute "efficient" capitalist profits for sluggish employee wages but one must doubt whether that does much good for the peasant or the national economy.

The case for change rests on the demonstrable fact that many African republic sectors do what they do very badly and do not seem to have clear priorities or sequences. To seek to do now what can be postponed (e.g. international airport upgrading) or what is better done by private or co-operative/local public enterprise units (e.g. retail shops, rural short distance lorry and bus transport) is disastrously expensive. This is true not simply because these activities themselves are hardly priority but even more because it means that urgent priorities (e.g. in macro economic policy and/or in national storage facilities) and key sectors in which a public enterprise role is critical (e.g. banking, external trade) are left vacant or done very badly.

Precisely because the public sector is vital - in basic services, in macro economic policy and market management, and in production/trade/finance, it must identify priorities, sequences and goals and contrain what is attempted within
the limits of the possible. To fail to do this — as many SSA
governments have failed — is to achieve less than is possible
and to fail to build up a process of increasing public
sector capacity and efficiency.

Because SSA economy and state resources have in many
cases declined since 1977, there may often be a case for spe-
cific cutbacks in public sector activity. But this case is
not an ideological one nor is it grounded on any belief the
private sector will take over. Nor should it be directed
primarily at public enterprises as such, still less at basic
services. General administration, defense (especially in
cases with no real threat of external aggression), retail
trading, fancy infrastructure would seem to be the areas
deserving intensive scrutiny for possible reductions in
coverage and resource allocations.

Incentives — What Motivates Who To Do What?

Of course people respond to incentives. Of course material
incentives are important — especially to poor people. But
to proceed from saying incentives are important to saying
higher real grower prices and wages are everything is
chopped logic and, often, unworkable economics. To try to
follow such a price/wage centered incentive strategy in SSA
today is "throwing money at the problem" often with no
serious examination of whether the money will result in more
goods or merely more inflation.

Many SSA economies have, because of sluggish physical
growth and falls in the purchasing power of exports, less
national purchasing power than in 1979. Raising or even
holding constant real grower prices and minimum wages
requires reducing real salaries, real government expenditure
and real enterprise (public or private) profits. Such radi-
cal, rapid shifts in income distribution may not be possible
and — at least in their impact on basic services and invest-
ment potential — may also not be desirable. Attempts to
carry out this approach in the face of worsening external
constraints and domestic production in Tanzania in 1980–
1981 did not work. Grower prices — as a whole — were held
constant in real terms, minimum wages eroded moderately,
real government spending was cut as were real salaries. But this did not allow regaining external, general internal, or fiscal balance and by 1982 was clearly no longer sustainable.

For export crops it is unclear why higher real prices are desirable on economic logic grounds. If the global purchasing power of raw coffee has fallen by over two thirds since 1977 (as it has), why should (and how can) its domestic purchasing power in an African economy be raised? To do so is to violate the basic principles of market economies. It may, on tactical grounds, be plausible planning economics - albeit managing incentives to encourage more investment in losers is not a planning principle of general, long term validity. Free market economic logic it is not.

There are other incentives than price - and ones which SSA states should be able to deploy at bearable real resource costs within an operation - rehabilitation - consolidation strategy. Examples in respect of peasants include:

a. payment in cash on purchase at buying points accessible to peasants and with buyers present at frequent, known in advance intervals;

b. provision for sale (via shops) of goods peasants want on which to spend their cash income;

c. basic education, health and pure water services.

These are critical incentives - at least if one is to believe what peasants say when asked. They are also incentives which can be provided if priority attention is given to them. The point about peasant statements has wider implications - actually asking open ended questions about priorities to peasants is not a normal part of framing incentive or integrated rural development policies and projects (least of all by donor agencies advocating participation and targeting on the needs of the poorest of the poor). Doing so often demonstrates the practical dangers of speculating abstractly about incentives - in one Tanzania region the top priority in a significant proportion of villages was "vermin control" (i.e. either shotguns and cartridges or government employees with them to reduce baboon damage to crops), not one fancies a result anybody predicted.
(nor, unfortunately, one the Kigoma Integrated Rural Development Project took seriously).

Price Policy: Macro-economic Management

Price policy does not refer solely or even primarily to price control. Rather it relates to macro-economic management: wages and salaries, grower prices, indirect tax levels, foreign exchange price (exchange rate), manufacturer-wholesaler-retailer price structures, interest rates, domestic bank credit formation and their interaction with each other and an overall monetary demand/physical supply balance.

Since no state in the world actually practices true laissez-faire in respect to price management, it is most unlikely SSA states will move in that direction. Nor - even in the case of states arguably engaged in processes of transition to socialism - do they show any tendency to attempt generalized material balances planning. Therefore, the remaining option - market management largely through price management - and the effectiveness of its use is central to the macro economic impact (for better or for worse) of state policy.

Certain general criteria for such market management can be set out:

a. consistency of main prices relative to each other. This consistency need not beat global market price relativities - which apply literally in no country - but if it is very far out of line specific problems of foreign exchange price (exchange rate) and foreign trade management must be faced and managed if either external or internal balance is to be maintained;

b. consistency of total - and key sectoral - monetary demand with real resource supply. Unless the claims on real resources add up to the real resources available overall, by key sector (e.g. construction, government tax revenue and recurrent expenditure) and vis a vis foreign markets/sources (e.g. "basic" external balance) there will be specific or general shortages, inflationary pressures, domestic parallel markets and illicit
external trade/currency transactions. Some such examples are inevitable - no price setting, including "free markets", moves instantly and totally effectively - the question is how general and severe they are. In most SSA economics today the answer to that question is "easy" - very general, very severe;

c. moderately efficient in the sense of avoiding gross shortages and underutilized scarce resources (e.g., textile plant at 30% of capacity and textile supply at 50% of what the domestic market would buy at prices consistent with profits to the mills), rapid (over 20%) and hyper (over 50%) inflation and huge drains in administration and management personnel. The last point is important - very detailed, low level intervention and using management to try to block the results of price policies which do not "add up" are lavish, usually inefficient uses of scarce personnel. They are very cost ineffective - whatever their theoretical or even practical gains, e.g., to urge central governments to collect charges (especially volume related charges) from urban and rural water standpipe users is normally a nearly pure example of inefficiency. The cost in terms of administration (administrators and institutional capacity) is high and the net (collections less collection costs) revenue trivial. Both cross subsidies (high rates on the - richer - piped water too home users to cover urban standpipe costs) and annual local charges levied at village level on all user households (whether literally to cover water system maintenance or other locally determined projects) are likely to be infinitely more efficient as to management cost and to have other side benefits.

Concentration on testing price management for consistency, adding up and cost efficiency has more to offer than theoretical or theological arguments phrased in terms of revealed truth and permanent verities (which in practice often turn out to be obscurantist half truths and highly variable falsehoods). This is true in small (e.g., rural water charges) and in large (e.g., interest rates). It is particularly relevant to exchange rates. The proponents of
50–75% devaluations as low cost, single instrument "cures" and those of no devaluation, now or at any level of domestic/global price imbalance are "like minded" and mutually strengthen each others crude, reductionist theoretical perceptions of what is actually normally a complex, time and space bounded issue in macro-price management whose possible workable answers are actually workable only within a package of other price and real resource availability measures. To approach this type of economic management exercise as one in which there is any universal, revealed truth is to approach it in a way likely to contribute much more to the problems than to their solutions.

Material Balance, Muddled Markets and All That

Markets do clear but whether they do so smoothly, swiftly and in ways efficient either for overall national production levels or for acceptable levels of real income for poor peasants and workers is another matter altogether. How badly they perform in the second set of issues is open to debate and varies from context to context. However it is widely agreed that "free" markets perform relatively badly if:

a. uncertainty is high and information inadequate;

b. physical availability of key goods and services is below levels necessary to sustain recent past levels of economic and social activity;

c. income distribution is relatively unequal and liquid asset distribution even more so;

d. substantial demand for foreign exchange relates to a desire to "expatriate" (export) capital;

e. certain areas or markets (e.g. rural) have high risks and physical access problems and available goods can be sold at a substantial profit in more accessible, low risk (e.g. major city) ones.

All of these conditions apply in most SSA economies today. Therefore, some use of direct ("material balances")
resource management is necessary. Again this is not primarily a matter of ideology or of technical preferences but of contextual necessity. Three critical examples can be cited:

Rural goods supplies (e.g. textiles, hoes, kerosene, cooking oil, salt, sugar, tea, cement, roofing sheet) are unlikely to be supplied by the "free" market. Bad roads, limited transport, lags in distribution and payment, total goods supplies below large city demand at prices guaranteeing high, prompt profits, create a situation in which the rural markets are not worth the risk and bother to dynamic, flexible, efficient (at maximizing risk free profits) entrepreneurs (including public sector national market manufacturers and wholesalers). The need to see that such incentive goods do reach rural areas is evident on production as well as distribution grounds. Therefore, allocations of basic commodities to stores in district centres (whether via public or private wholesale and transport enterprises) are likely to be essential in a substantial number of SSA economies. Experience in Mozambique and Tanzania suggests that for 20-30 basic goods such "rationing by region" can be made to work when given serious priority in product allocation.

Petroleum product allocation must include both geographic and use criteria. Market forces alone would result in a totally disproportionate share going to large city saloon car users and far too little to up country lorry and bus operators, manufacturing and processing units, poor household lighting, and power stations. So long as prices are set in a pattern allowing profits on all products sold to all districts, private (and public) petroleum product wholesale companies will cooperate in geographic and sectoral rationing. Individual private user rationing of gasoline (as opposed to first come first served) is unlikely to save much gasoline but may have some value in terms of equity among saloon car owners or psychological value as a very evident imposition of sacrifices on elites.

Foreign exchange allocation by use - in terms of using and maintaining national productive capacity - cannot be left purely to the market. This is particularly true if luxury and amenity consumer goods (especially durables) are very scarce while a substantial number of households have
cash to spend. Under such circumstances brandy, cigars, Mercedes will yield higher margins and quicker returns than inputs into agriculture, manufacturing, road transport or basic services.

These examples may - to many readers - suggest a more general need for broader backup planning on a material balances basis and/or for altering income and liquid asset distribution. What they do demonstrate is an immediate, non-ideological case for non-price allocation of certain goods under conditions of crisis and uncertainty.

Efficiency: For What and How?

Efficiency must be defined in terms of goals, e.g. rural income levels, urban employment growth, enterprise profit, export expansion. Goals are usually multiple and partially complementary. On the whole academic and aid agency analysts have come to accept both of these not very remarkable conclusions. The problem is what is to be done about them.

Too often the result is either paralysis or an attempt to equate efficiency with enterprise micro profitability on the basis that there should always be a single, overriding, measurable goal. Neither is a necessary or desirable result. That most decisions require taking into account how much is achieved toward several, not fully consistent goals, seems perpetually to surprise acedemicians. Everybody else - from the peasant interplanting a field, through the housewife shopping and the Treasury analysts working out possible tax rate changes, to the Prime Minister selecting a cabinet - knows that such is the nature of decisions and that trying to reduce goals to one falsifies the position rather than simplifying it.

Operationally efficiency requires:

a. consistency among targets and among instruments for achieving progress toward them;

b. possibility of achieving minimum acceptable progress toward targets and operating programmes and policies specified at least to some minimum plausible level given probable real resource availabilities;
c. sub-targets related to each goal and time period to allow decision takers to select "tradeoff ratios", "minimum acceptable levels" and "preferred packages" which are roughly possible/consistent.

General theoretical discussion about "efficiency has social content" versus "efficiency means profit" often create an unholy alliance against taking action on consistency/possibility/sub-target improvement. Such improvement can frequently be pursued by easily identifiable, non-ideological means which are little affected by the abstruse debates about the ultimate nature or natures of efficiency. These include:

a. better accounting - a precondition either for financial management or accountability;

b. avoiding "uses" of resources which serve no plausible aim, e.g. bad export marketing which looses 20% on average of potential export proceeds;

c. not using two cross cancelling policies, e.g. Treasury dropping 10% export tax to encourage output and local councils - marketing bodies - rural agencies insisting on new charges adding up to the equivalent of 15% additional export tax;

d. actually setting targets of output, unit cost, etc., and testing results against targets;

e. ensuring that all government and public enterprise units are (in name and practice) accountable to a domestic public sector body and ultimately (and if possible directly) to workers, consumers and tax payers. (Accountability of a department or enterprise to an aid agency to the exclusion of a domestic body usually means to accountability at all and certainly prevents and consistency in public sector macro-management.)

Attention to these and similar approaches could raise SSA public sector efficiency markedly. Theoretical debates about multiplicity of goals and technical mathematical programming constraints are a very inefficient way to tackle the problem.
Borrowing, Bridging and Bankruptcy

For SSA as a whole, and for all but two or three SSA economies individually, commercial borrowing cannot be the way out. Had 1979-80 been followed over 1981-82 by a global trade and commodity price recovery like 1976-1977 things might have been different; bridging loans of up to 30 per cent of annual exports at 10-12 per cent repayable over five years might have been prudent for - perhaps - half of SSA economies. But 1976-77 was not repeated, nor will it be.

Long term commercial loans to African states and companies are simply not available. Short term bank loans (also not now in fact available to most SSA states in a volume even vaguely approaching their trade deficits) are under present and recent past situations, like opium: addictive debilitating, deadly. A state which seeks to borrow net equal to a quarter of its imports on 5 year repayment, 18-20 per cent interest terms will find that by year 5 annual debt service exceeds total exports, total debt is about three times annual exports and gross borrowing required one and a half times exports. Collapse may be put off for a few years but at the price of making it more certain and deeper.

Under conditions of extreme external imbalance, the only prudent commercial loans are those for projects which will - on cautious estimates - generate net foreign exchange in excess of interest and repayment over the life of the loans.

Some major export and production gap filling import savina projects can pass that test. Most suppliers credit, however, has been for hotels, airports, capital cities and other projects which cannot. SSA states were unwise to contract it and industrial economy (capitalist and socialist) governments and financial institutions to make it so readily available to back construction and machinery companies. The heritage of these attempts to protect imports and investment on the SSA side and to protect exports and employment in the North is - and for half a decade will be - reduced SSA import capacity, payments delays and, in some cases, default (and as a result reduced North exports and increased financial institution portfolio risk).

Apart from the special problems of external debt servicing, recent past interest rates (16-20 per cent nominal,
6-10 per cent real) are a major deterrent to productive investment. Very high interest charges are acceptable only for investments which are relatively certain to have high early profits and cash flows - a characteristic much more commonly associated with speculative ventures than production. This is especially true since the money of exportables cannot be counted on to rise parallel to inflation so that on borrowings to finance them the nominal rate is, in practice; the real rate as well.

Aid: Quantity, Quality, Usability

A massive increase in aid is highly desirable. It is also highly unlikely. The Brandt programme is not surviving. This does not mean that the SSA governments, the World Bank or the Nordic aid agencies should cease to argue the case for more transfers. It does say that no SSA government should do its calculations on the basis of increased concessional resource inflows until these are negotiated and signed. Nor should anybody promise (except from his own agency's pocket and within its means to pay) more concessional finance in return for policy changes entailing short term costs. Such promises are at present irresponsible.

The government believing them and creating a programme requiring unpleasant policies and additional concessional finance to offset their worst effects and to finance their positive side is only too likely to be stuck with unpleasant, by themselves unsustainable, policies and not get the added concessional finance to make them bearable and workable.

Therefore, the main way of making aid contribute more to reversing SSA economies slide into disintegration is to improve its quality and usability. Bluntly that means less project finance for new capacity which cannot be used and more finance (programme and project) for operating, maintaining and rehabilitating existing core economic and basic service sectors' capacity utilisation and capital stock levels. A checklist of priorities appropriate to most SSA economies is fairly easy:
a. key operating inputs (e.g. pharmaceuticals for health services, dyes and chemicals for textiles, paper for textbooks, phosphate for fertilizer plants, sulphates for plant disease control);

b. critical maintenance items (e.g. spares for lorries and for mechanical workshops, switchgear and fuses for power systems, roadrollers and bitumen for main highways and shovels for feeder roads);

c. fixed asset rehabilitation (e.g. half destroyed roads, derelict lagai and woodmilling operations, broken down port and rail equipment;

d. pap filling projects (e.g. power transmission lines to utilize hydro instead of oil power, production allowing major export increases, discovery and exploitation of oil, training to fill identified middle level person-power gaps such as artisans and accountants).

Whether funding is called project (e.g. "Highway Rehabilitation" or "Teaching Materials Development") or programme, recurrent cost or balance of payments support is of little practical importance. That it be targeted to areas critical to halting production decline and capital stock deterioration and that it be quick disbursing are essential.

Similarly, there are exceptions (some assets are not worth maintaining, some production is not priority, some new projects - especially those with very low foreign exchange costs in construction or operation - are worth having) and qualifications (e.g. not all countries are in the same position, key sectors vary) and limitations (e.g. after consolidation it should resume forward progress - at that point capacity utilisation support should be phased back toward capacity creation). But the main point - fully accepted by few SSA governments or aid agencies and fully acted on by none - is simple. Under present African economic conditions much more external help should go to operating, maintaining and rehabilitating existing - but threatened - capacity and substantially less to creating new capacity which cannot be used because of foreign exchange and fiscal constraints.

Such assistance is not unemployment relief or handouts - it is, in many cases, the only way Africans and African pro-
duction units can employ their existing local resources, capital stock and labour.

Export or Borrow, Beg and Collapse

The bottom line for most SSA economies today is more earned foreign exchange that is more exports. Without more exports it will continue to be impossible to operate or maintain the existing economy, i.e. to sustain, let alone increase, real grower prices and wages.

The need for more exports is greatest in the case of a government pursuing a national economic integration strategy. To launch such a strategy with imports dominated by food, fuel and inputs into agriculture and manufacturing, already so low as to hold material product 25% to 33% below historic capacity utilisation levels and only 40% to 60% covered by exports is to spit into the wind.

A NEI strategy requires structural change. It requires more construction and machinery - i.e. more imports absolutely and usually relative to total uses of resources. Only with a long time lag (20 or 30 years) can it be expected to achieve really sharp reductions of imports to total investment plus consumption ratios.

Thus the precondition for a sustained NEI strategy is a healthy balance of payments including a dynamic earned import capacity (i.e. exports). Unfortunately "delinking" as heard by decision takers - and as often preached - has argued the reverse: import substitute and let exports look out for themselves or (worse) "delink" from exports and national production will look out for itself.

"Delinking" from exports first is the surest way to block - not to implement - a national economic integration strategy. Shifting from exports to grants or loans to pay for imports does not increase self-reliance! The very large body of 1960s and 1970s intellectual advice which, at best, has failed to make this point and, at worst, has argued the reverse has much to answer for. As I warned in 1970: to restructure for economic self reliance requires additional imports, these must be paid for, the most self reliant way of paying is from exports, if exports are allowed to
stagnate the nation - and its self reliance strategy - will be delivered bound hand and foot into the hands of its creditors. Evidently I did not argue hard or convincingly enough to overcome the loud chorus of denunciation of that line of argument as neo-colonial. To argue for raising exports is not necessarily to advocate an export led growth strategy. Nor is it necessarily to argue that investible surplus must come from exports. As it happens, the author doubts the viability of either proposition for a majority of SSA economies now or in the foreseeable future.

The essential purpose of exports is to pay for imports. Any strategy - especially in a small economy or sub-region (e.g. Botswana or even Tanzania, SADCC) - will require imports to sustain capacity utilisation, maintenance and rehabilitation, new investment in capacity augmentation and structural change. These must be financed by loans, grants, foreign investment and exports. Availability, debt servicing burden and maintaining control over political economic decisions limit how much investment, grants and loans can or should be used. The remaining figure is the level of exports required for the viability of the national development strategy. Its rise over time is the necessary rate of growth of export value. Especially if the initial economic structure is very fragmented and terms of trade evolve badly, export growth at least as rapid as that of national product is likely to be necessary. With positively evolving terms of trade, high rates of real concessionary finance flow growth of industrial sectors where capital as well as operating input requirements has been reduced to 20% of total value, a lower rate would be adequate. But mere will is not adequate - the People's Democratic Republic of Korea over 1955-1975 needed a rate of growth of imports and exports greater than that of gross national product to sustain a national economic transformation strategy which - whatever else it was - was austerely inward looking and placed a high value on self reliance. If that was true for the PDRK few African economies and governments can hope to do better in terms of economising on import needs and export requirements.

Similarly exports need not yield investible surpluses. What they must do is allow investible surpluses to be transformed into operating and investment goods not produced.
locally. For example, what coffee must do in respect to Tanzania is to generate import capacity. It need not pay any export tax, provide any marketing authority surplus or give rise to major savings out of, or taxes or grower incomes. So long as taxes on and savings from all economic sectors are adequate and export proceeds allow their transformation into the specific goods needed, both external and domestic balance are attainable even if the export sector itself generates no surplus at all. (Given the horrendous global purchasing power loss of most of Africa's agricultural exports since 1975-77 it is quite fatuous to suppose that they now generate or could generate substantial fiscal or investible surpluses. The high noon of marketing board surpluses and export taxed was probably in the 1950s and its brief efflorescence in the 1976-77 beverage boom has already faded in all but a few countries.)

However, to underline the necessity of export (earned import capacity) growth and the empirical implausibility of a primary export led growth strategy for SSA as a region does not answer the question "What is to be done?" There probably is no general answer for all SSA economies. Several approaches can be identified which - in varying degrees - could break export stagnation for a majority:

a. primary product export rehabilitation, for example cacao in Ghana, cashew in Tanzania including transport, processing, procurement as well as direct production inputs and incentives;

b. new or massively expanded resource based export with plausible future market potential, for example coal in Mozambique, iron and steel in Zimbabwe, paper and amonia/urea (from natural gas) in Tanzania. (Admittedly in the short term market outlook for coal, fertilizer, paper and iron/steel is none too good but the medium term is distinctly better than for, say, coffee, tea, cocoa);

c. processing/manufacturing existing raw material exports to capture additional value added, for example cacao butter-powder-paste in partial replacement of cocoa beans, wood products/lumber from logs, shoes/leather
from hides and skins, paper from pulp, metal from metallic ore concentrates.

How much can be achieved how fast is a question which can only be answered in a particular country context. In the cases in which there is currently quantitative export stagnation and export cover of imports of 40-60%, the most which can be hoped for is to achieve a positive trend increase of, say, 5% a year in export earnings and to reduce the trade gap deficit to, say, 20-30% of imports over the next few years. Development of more coherent medium term export development strategies parallel to implementing more readily identifiable rehabilitation, processing and new natural resource based exports is a priority for the consolidation phase to allow a proper import capacity development element in subsequent renewed development - especially if focused on national/regional political economic integration (or self reliance) lines. In few cases will "more of the same" export mix be a sound strategy by itself, nor will the prudent additions usually all be self evident.

Export promotion is not an alternative to import substitution, nor is there any necessary linkage between it and trade liberalisation. Import substitution in the specific sense of reducing levels of imports needed to operate the existing economies at present or (better) higher capacity utilisation levels are a priority. What items are appropriate depends on national ecology, and acquired comparative advantage in skills, knowledge and plant. Barley may be a good example in much of East and Southern Africa (beer is widely consumed, an incentive good and a major fiscal instrument however much development theorists deride it!) and light engineering (spares, construction inputs) fairly generally. Import substitution in the broader sense of reducing import needs if the plant and economy can be operated at full capacity and the alternative to local production is finished products imports is not a priority during consolidation. It requires more total imports (not less) as well as overall economic buoyancy levels not currently attainable.

Trade liberalisation as a general or universal proportion rests on the assumption of relatively full employment globally and nationally. As a specific argument against
Protectionism it assumes that the growth of industrial sectors behind high tariffs (e.g. USA, Germany, Japan, Korea, Brazil) has been warped or slowed - not made possible or accelerated by protection.

Clearly neither the world economy nor SSA economies in any way approximate to full employment. Protection (including quantitative allocation of import capacity) can therefore lead to higher domestic output than a liberal trade regime if it causes employment of domestic plant, raw materials and labour which would otherwise be unemployed. For example to license the import of sulphur to go with local phosphates, water, power, factory and labour to produce fertilizer both directly (in mining and manufacturing) and indirectly (in agriculture) raises material output relative to what it would be either if the licenses were auctioned and brandy or refrigerators imported or were a smaller volume of finished fertilizer imported. At present in Africa - as would have been the case in Singapore or Korea or Brazil in the early 1960s - wholesale removal of industrial protection would mean wholesale deindustrialisation not selective restructuring of the sector. Under present circumstances the plausible rule of thumb is nearer to "some production is better than no production" than to "any protection is bad protection".

However, trade restriction - like export promotion - should be selective. The aim is to generate external balance consistent with political economic development at as low a real resource cost as possible. Export subsidies and import barriers are likely to be needed both to help counter the dumping of global unemployment into SSA and to follow the historic path of most "late starting" economies of protecting the economy until some sectors become fully competitive. But efficiency in achieving external balance requires far more hardheaded analysis of the true resource costs of subsidised exports (e.g. tea and tobacco in Tanzania) and of very high import protection (e.g. textiles and tins in Kenya, razor blades, detergents and toothpaste in Tanzania). This is not an area in which it is hard to identify "best" and "worst" cases (allowing selective promotion and conversion or excision) so long as one avoids theological revealed truths about the evil of all trade restriction or the justifiability of all industrial protection.
Looking Ahead: Pessimism of the Intellect

What types of SSA economies seem reasonably politically economically viable in the short run? The answer is not none: five categories - of which four have, or recently have had actual examples - seem to be definable.

The first two categories are:

a. economies which have "found" enough petroleum to cover domestic needs and to bolster export earnings (e.g. Cameroon, Ivory Coast) but not enough to produce illusions of unlimited wealth;

b. economies in the well known "initial export opening up boom" in which exports explode from a low base pulling the whole economy along for a decade or two before plateauing out (e.g. Gold Coast 1890-1910, Sudan 1945-1960, Tanzania 1955-1965, Ivory Coast 1960-1975, Malawi 1965-1978, Botswana 1967-1982). This period evidently does not necessarily lay the foundations for longer term development, but it does provide a fairly resilient economy while it lasts.

The problem with these two categories is that will and resource reallocation alone cannot allow a government to move its economy into one of them. The case for petroleum exploration exists but, even where chances of discovery are fair, the time lag is likely to be long. (e.g. Tanzania 1969-1982 with no actual petroleum finds) counting only the period of the modern state backed exploration effort and not the 1940's and 1950's prehistory). As to an initial export opening up boom this has already happened in most cases. To "repeat" it either requires a major new export (the Nigerian oil boom was perhaps an example of a second "opening up") or a revival of a totally collapsed export sector (e.g. Cacao in Ghana?). For a majority of SSA economies this route to viability does not exist.

The other three categories are - perhaps - more readily "achievable":

c. preserving a significant export enclave and supporting services to it; using enclave revenues to satisfy the "needs" of a cohesive political - TNC - security force elite; abandoning the rest of the polity and economy;
securing external guarantors who (for their economic or security reasons) see a collapse of the economy's government as unacceptable. The classic e.g. is Zaire - Citoyen Mobutu's regime is viable in its own political economic terms and worth sustaining in those of its foreign friends;

d. allowing a creative, flexible, dynamic African capitalists a free hand to organise scarce resources under conditions of scarcity without interference by (and preferably with support from) the state. Uganda magendo in 1979-1980 met this test: 16th century capitalism and very nasty but accumulating, diversifying, beginning to build back from exchange into production. Uganda of the magendo godfathers ("mafutamyingi") was more economically viable than the present death in life deadlock of a state with just enough backing to block a magendo style "medieval" capitalist development but far too little power or foreign exchange to recapture control over or direct economy in any positive sense:

e. a populist or proto-socialist variant of "d" - basic abandoning of urban and industrial structures (90% of townspeople back to the land), a national scarcity economy centred on food and limited inputs into defense forces and health, quasi material balances planning at district level, a long, slow return toward a more complex structure of production and use. This was the basic economic model of the "Khmer Rouge" albeit one badly warped in practice by the irreconcilable factions within that regime.

The problem with these three models is not their unattainability. It is their sheer nastiness. Each requires writing off the welfare of a very substantial majority of the territory's people. Each requires extreme repression to survive. (True, "e" might not if the workers and peasants were "conscious" it would lead to gains for them and/or their grandchildren. But, workers and peasants do not have

*) Magendo = parallel extra-legal economic system (black marketing, smuggling etc.)
any such consciousness so a repressive elite would be vital to operate such a regime.) Even the most ardent supporters of African capitalism hesitate to call for support to or emulation of one of Africa's most dynamic, innovative and strongly based capitalist classes - Uganda magendo! But, on present trends, Africa will be littered with examples of such economies and perhaps also with a less malignant variant of "c" where aid supports a non-functional (but also non-exploitative because it has no power to exploit) elite at the centre and the rest of the people survive (or starve) more or less on their own with only a thin semblance of an organised public or private sector. (The cynical might suggest that Guinea-Bissau and Upper Volta had achieved this type of "stability").

Optimism of the Will

Fairly evidently the types of political economic stability in SSA one can rationally posit or describe are either attainable only for a few (e.g. locate oil, have an export boom) or are unacceptable both in terms of the interests of the territories' own workers and peasants and of the goals of Nordic aid agencies. Therefore, the question "Africa out of recession how?" remains as crucial and the answers to it as unclear in late 1982 as in 1979 when the looming spectre of generalised collapse was first seen.

There are as yet no coherent strategic answers which link to operational measures for implementation. The "Lagos Plan" presents a consistent, arguably correct set of goals for 2000 but gives no clue how to survive to 1985. "Accelerated Development" revives the "private sector, primary export led growth" led strategies of the 1890s or 1930s or 1950s with no very clear long term goals. That might be acceptable as a consolidation out of recession approach except for the inconvenient facts that its export engine of growth as described seems unlikely to be functional in the 1980s and the cumulative impact of its proposals on basic services and income distribution would probably wipe out most of the achievements of the 1960s and 1970s.
The main body of these remarks has not offered a "third way". Rather it has sought to identify themes and approaches that may be useful in constructing national consolidation strategies to lay foundations for resuming dynamic development in the second half of the 1980s. (In broad terms that renewed development could well be along "Lagos Plan" lines.) By the same token, these themes and approaches may assist Nordic aid agencies in selecting projects, programmes and policies to support.

This is hardly a message of great optimism or of great certainty - in a quarter century the author has never been less sure what would be viable in Africa from the point of view of Africans nor less sanquine about the near term course of events. But nor is it a message calling for folded hands and resignation. Much was achieved in the 1960s and 1970s. Several of the weaknesses which threaten that achievement are identifiable. A number of African states and peoples are fighting hard against collapse. The vision of a generalisation of Zairian style enclave elite stability, the creative capitalism of Uganda magendo and the paralysing stagnation of Upper Volta or Guinea-Bissau to all of Sub-Saharan Africa should in itself be an incentive to remain in the company of those Africans who can at least categorize themselves as "undefeated because we have gone on trying".
In September 1982 a number of researchers and representatives of the Nordic development agencies as well as members of several international organizations were invited to discuss the nature and origin of the "recession" in Sub-Saharan Africa. In preparing the seminar a number of scholars were invited to write background papers.