

The Political Economy of Tanzania

From Liberalization to Growth with
Transformation

By Prof. Samuel Wangwe

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Outline

- Background and context
- Conceptual and analytical framework
- Growth and Development Experience , 1961-2008
- Evolution of Development thought
- Policy reforms: evolution and interpretation
- Growth with socioeconomic transformation
- Conclusion and way forward

Background and Context-1

- Changes in the political of Tanzania have been dramatic: mixed economy>socialism/admin controls>market and private sector led development.
- This study attempts to analyse these developments in the growth process with two main objectives that are associated with the mandate of REPOA:
 - Contribute to intellectual debate
 - Inform policy

Background and Context -2

- Main objective is to address the knowledge gap in understanding the growth process and the resulting socioeconomic process
 - Supply and demand factors driving the growth process
 - participation in the process
 - Implications on poverty reduction and socioeconomic transformation (diversification, productivity and competitiveness)

Background and Context -3

- Three considerations driving the analysis:
 - The historical context
 - The competing development ideas
 - Major areas of development concern for socioeconomic transformation.

The Conceptual and Analytical Framework -1

- Political economy approach is adopted:
 - addressing structural relationships of production and consumption in society
 - analysing the fundamental political issues which arise from the processes of accumulation and distribution
- Understanding the process of accumulation and transformation.

The Conceptual and Analytical Framework -2

- Growth concerns: quantitative and qualitative changes (structural and institutional)
- The process of growth as transformation
- Growth as a process of transformation
 - depicts the manner in which the different players participate in the accumulation process and the institutional arrangements for influencing opportunities, access to productive assets and the manner in which the produce is distributed and redistributed in society.
- Implication> Conceptualizing policy making as a process

The Growth and Development Experience -1

- Since independence Tanzania has gone through distinct phases of socioeconomic development
 - In the first two decades of the post-independence period Tanzania made deliberate efforts to build national unity, achieve human development and pursued.
 - The second policy episode from 1981 to 1995 was essentially a period in which Tanzania adopted adjustment and reforms which were aimed at restoring stabilization and growth with no clear socioeconomic transformation objective.
 - the third period (1996-) Tanzania embarked on more comprehensive economic and social policies in which the development agenda is returning. An opportunity for socioeconomic transformation in a new context of the market economy, competition and globalization.

The Evolution of Development Thought-1

- Goals of development: from GDP>HDI>Poverty ,entitlements and capabilities> social and political freedoms.
- Growth: from H-D models> growth accounting> new growth theory (Human capital and knowledge)
- Recognition that Growth is necessary for poverty reduction, distribution matters and qualitative concerns of growth.

The Evolution of Development Thought-2

- Poverty: income > human development > risk and vulnerability > power and voice dimensions
- State and market: shifting balance
- Policy reforms from the Washington consensus > accommodating social dimensions of adjustment > Post-Washington consensus > Policy reforms and socio-economic transformation

Policy Reforms: Evolution and interpretation-1

- The pre-reform situation:
 - In the absence of the indigenous Tanzanian bourgeoisie, the economy was dominated by three alien groups of capitalists:
 - the Asian traders who were beginning to expand into industry;
 - the plantation owners and commercial farmers (Europeans and Asians) and
 - subsidiaries of multinationals

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Policy Reforms: Evolution and interpretation-2

- This dominance was to be curtailed through nationalization of the major means of production and distribution.
- However, the state adopted a framework of cooperation between local parastatal management and the foreign corporations (joint ventures, management agreements and aid).

Policy Reforms: Evolution and interpretation-3

- The kind of state economy that emerged fell short in three main aspects.
 - workers' power in decision making
 - planning and coordination
 - operation in a competitive environment

Policy Reforms: Evolution and interpretation-4

- Collectively the social groups that dominated the state and the party were in favour of the expansion of economic and political power of the state- state led investment model
- The parastatal managers developed a special kind of relationship with the political leadership in which decision making were shared and the surpluses were shared in various forms.
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Policy Reforms: Evolution and interpretation-5

- The transfer of profits of foreign partners and the import bills as well as the infrastructure were met through mainly agricultural exports and international finance mainly in the form of foreign aid.
- the peasants who carried the burden of financing imports and remittances were not treated kindly by the policies of the time hence agriculture was depressed.

Policy Reforms: Evolution and interpretation-6

- The process of adopting reforms
 - NESP 1981-82>homegrown reform
 - SAP 1982-85>blended local and foreign experts
 - Policy reform debates- resistance and attempt to retain autonomy and sovereignty.
 - ERP 1986-89> Washington consensus> getting prices right> Reaganism and Thatcherism neoliberal policy framework

Policy Reforms: Evolution and interpretation-7

- ESAP 1989-92> social dimensions of adjustment grafted
- Institutional and transformational reforms
 - Capacity to manage a market economy vs minimal state, strategizing for local private sector development and managing broad participation in development.
 - Institutions matter but many questions remain unanswered: system of property rights, managing inequalities, problem of corruption changed character (changes in distribution of political and class power, growth enhancing or impoverishing?), trust and social cooperation etc.

Policy Reforms: Evolution and interpretation-8

- Privatization as public enterprise reform- reversal of nationalization, short of regulation and support to local private sector development
- Public service reform- technocratic but lagging in accountability and strategic planning for transformation
- Political reforms- driven by political conditionality and election politics. What domestic constituencies are pushing for reforms ?
- Reforms for socioeconomic transformation- long term view, govern markets in a direction

Policy Reforms: Evolution and interpretation-9

- production and distribution (empowerment), managing conflicts in the functioning of markets and promoting participation in decision making processes associated with distributive outcomes and functioning of markets, social protection. What ideological and social values are guiding the transformation process?
- Policy space- generally limited (prices, SDA, PRSP, growth in MKUKUTA).

Growth with socioeconomic transformation-1

- Process of return to the development agenda
 - Development vision 2025
 - Evolution of poverty concerns
 - Building on strengths of the past?

Growth with socioeconomic transformation-2

- Integrating social and economic policies
 - Transformation for growth and poverty reduction
 - Empowerment
 - Transforming agriculture (productivity, linkages and value addition)
 - Transforming informal economic activities > dynamic competitive SMEs
 - Transforming public spending (priorities and targeting approaches)
 - Promoting community development
 - Knowledge based transformation?

Growth with socioeconomic transformation-3

- Private sector and enterprise development
 - History and context
 - SMEs, informal economy, in the context of growth with transformation, local private sector development and its interaction with FDI in the context of growth with transformation?

Growth with socioeconomic transformation-4

- Community, market and the state
 - Recognizing presence of state failures, market failures and community failures
 - towards optimum combination of community, market and state
 - Communities as a principle of organization can be critical in correcting failures associated with markets and state
 - Trust as social capital
 - Supply of local public goods.

Growth with socioeconomic transformation-5

- Weakest link: initiatives to develop mutual trust as social capital and to developing the practice of supplying local public goods at community level.
- Understanding of community structures and mechanisms and how they are functioning as a basis for designing education and training programmes and appropriate forms of technical assistance.

Growth with socioeconomic transformation-6

- Relevance of the Global financial crisis: Growth with transformation to be reinforced by recognition and deeper analysis of the global financial crisis
 - Origin- raises questions of the global system of governance
 - Impacts raise questions of understanding the the transmission channels
 - Responses- what must be done differently, what did we always intend to do but needs more urgent action now- transformation

Growth with socioeconomic transformation-7

- The political economy of policy making
 - Understanding the policy making process
 - Policy implications in most studies has been one of the weakest points.
 - Policy making as an essentially political process- a process of managing and balancing interests of various groups in society.
 - Need to enhance our understanding of the interaction between policies and politics.

Growth with socioeconomic transformation-8

- Politics is not separable from policy making as it is a central means through which societies seek to resolve conflict over issues of distribution and values.
- Need for further understanding of choices about policy and the factors that influence policy adoption, implementation and consolidation of policy reform initiatives.

Growth with socioeconomic transformation-9

- Success of policies in realizing economic transformation will be influenced by approaches to political and social transformations.
- The policy process in this context has two implications:
 - On adopting a diagnostic approach figuring what to do in specific contexts as these are associated with different constraints as well as opportunities
 - on mechanisms and institutional arrangements that must be put in place.

Conclusion and way forward-1

In conclusion, the study makes a case for complementarity

- growth and social concerns (economic policies and social policies)
- growth and development with emphasis on growth with socioeconomic transformation.
- State, Markets and community
- Knowledge based development
- Ideology and class nature will determine the character of socioeconomic transformation

Conclusion and way forward-2

The way forward emphasizes four main issues

1. Integrating social and economic policies
2. Community, markets and state
3. Centrality of technology and innovations
4. The politics of policy making for transformation (national, regional and global dimensions).

Thank you for your
attention

Comments are welcome