THE ANTI-DEPENDENCE STRATEGY OF DEVELOPMENT:

AN EVALUATION OF THE THEORIES AND THE STRATEGY WITH REFERENCE TO TANZANIA 1961-1981

BY

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OCTOBER, 1991

A THESIS SUBMITTED FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY
OF THE AUSTRALIAN NATIONAL UNIVERSITY

DECLARATION

I, DAUDI RIVELO MUKANGARA, declare that this thesis is my own work and does not incorporate any material previously submitted for a degree in any tertiary institution; and, to the best of my knowledge, it does not contain any material previously published or written without due acknowledgement by normal academic reference.

Signed:

Mukangara

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OCTOBER, 1991

DEDICATION

To my fallen heroes:

Jakisoni Misana Mukangara

and

Mukangara Gerfasi Mukangara

ACKNOWLEDGEMENTS

To my principal supervisor, Professor Jim L. Richardson, of the Australian National University (A.N.U.), who was invaluable in helping me put some order into my thoughts. To my other supervisors, Dr. John Ballard and Dr. Frances Perkins, also at the A.N.U., for valuable advice and guidance in the preparation of my thesis. My friend, Randal Stewart, for a constant source of stimulating discussions.

To the University of Dar es Salaam community, where my mind was opened to social science inquiry, and to the Australian National University, where I think I began to mature. To the staff of the Department of Political Science, A.N.U. - Dr. Hugh Collins, Dr. Len Hume, Mr Ian Wilson, Dr. Tom Smith, Dr. Amin Saikal, Dr. John Hart, Mrs Bari Hall, Mrs Kerry Foran and the others - for inquiring about my progress, encouraging me and providing excellent departmental facilities. To fellow students in Political Science, International Relations and Development Studies at the A.N.U., for being such worthy educational colleagues and good mates.

To the people of Australia and their government, for providing me with a scholarship; and to the Canberra community, for creating an excellent atmosphere in which to study.

Special thanks to past and present staff of the Australian Development Assistance Bureau - Bill Shipley, Mary-Ann O'Sullivan, Peter Nichols, Anne Wilkinson, Beverly Dunstan, Cherie Christensen, Dawn Beresford-Wylie, Alice Thorman and Linda Trigg - for taking very good care of the financial and social side of things, and for being understanding when I needed that.

To my mother, Raheli Nya-Chiruma Mukangara, who dedicated her life and energy to getting us, her children, a good education. To

my brother Amoni and my sisters Debora and Miriamu for believing me and offering the necessary support. To everybody else that I have not mentioned by name, for being there with me.

And, finally, to my family: my wife, Fenella Efuraimu, for believing in me and sacrificing her time and happiness to look after me; and my daughters Cleopatra Nya-Tole and Natasha Maria, for continuing to laugh with me even though I had very little time for them.

ABSTRACT

This thesis first discusses the views of dependence theorists, focusing on Frank, Amin, Cardoso and dos Santos. Frank asserts that relations of production in Latin America and the rest of the Third World are capitalist, and that capitalism does not generate development in those countries, since it has not done so during the long time it has structurally dominated them. Therefore reforms within this dependence structure will bring neither autonomy nor development. Only a socialist revolution may effect any real change.

Understanding the problems of underdevelopment and dependence in terms of the logic of the worldwide accumulation process, Amin concedes that capitalism can be a source of development in the 'centre' and in the 'periphery', but in reality only a limited and skewed form of development occurs in the latter. This is because of the Third World's limited control over the accumulation process. Only a significant disengagement from current global arrangements of production and distribution can bring permanent benefits. Industrial production of essential goods, as opposed to the export of primary goods, will help greatly but will not be enough. Cardoso argues that although the structure of dependence is primarily economic, it can be changed qualitatively by social forces and political actions. In addition the structure is continually modified according to time and place, and therefore there is no reason to think that it can never change. Though skeptical of current Third World industrialization, he believes that real changes are possible through industrialization. dos Santos sees the inflexibility of social and political, rather than economic forces at both the local and global level as the major obstacles to change, and

thus his solution, like that of Frank, focuses on a socio-political revolution.

Critics of dependence are also discussed, showing in particular that empiricist critiques of dependence fail to conceptualize the problem, and that others, such as Warren, paint an erroneously rosy picture of capitalist development in the Third World. A particularly interesting critique of dependence through the "merchant capital" thesis of Kay is also rejected, mainly for blaming the problems of Third World development on a form of capital which ceased to operate globally a long time ago, and for ascribing to capitalism only a faultless progressive mission. Some of the critics of dependence, however, remind us all in the process that the vital ingredients required for development are capital and industrialization. This is acknowledged, and it is combined with the awareness within the dependence framework, of global structural constraints which also manifest themselves locally, to map out what anti-dependence programmes may look like.

Programs of an anti-dependence strategy may differ from each other, and must be expected to be modified by the circumstances of each country. But they must focus on industrialization, and on a capital goods sector as the vital ingredient in a process of development which undermines dependence. The general measure of achievement for a country pursuing an anti-dependence strategy is whether that country has set in train a process that is reducing dependence and is more likely than not to eliminate it altogether.

The pre-independence situation in Tanzania fits the theoretical thesis of the global incorporation and subordination of a Third World country, as well as demonstrating a case of original underdevelopment, which the incorporation did not change and

even maintained. In 1961-1966 the Tanzanian leadership and others in society had begun to accumulate some knowledge of the incorporation and subordination. They then took some nationalist economic measures, later perceived as important but inadequate in confronting the unsatisfactory relationship with external economic interests. In 1967 the Tanzanian leadership, which had also been questioning the internal make-up of social relations and the way they were likely to develop in the future, was finally able to translate its ***ad hoc*** pre-1967 nationalist economic measures into a coherent statement of intent for changing its relations with external interests, and for confronting the internal social relations. The statement was the Arusha Declaration of February, 1967.

Both the statement and the subsidiary or complementary policies subsequent to it reflected not much more than a reaction to years of economic neglect, a frustration with the slow pace of development, and the limitation of decolonization. By being reactive, the policies (the strategy, collectively) could not produce a document covering all important areas of dependence. In time, its ideological accompaniment, Socialism, became the more prominent and acquired a life of its own, thereby affecting the ability to produce a better formulation of some important aspects of the strategy.

In later years the strategy was defined in more specific terms in relation to industry, identifying the type of industrialization best suited to the struggle against dependence and underdevelopment, and even following it up with a significant level of implementation. Other aspects of the strategy were not adhered to due to constraints of an economic nature, some predictable from the point of view of theorists of dependence, and some not so predictable. Some constraints merely modified the strategy in its practical application

in Tanzania; others proved to be total barriers to aspects of the strategy. Programmes of an anti-dependence nature are difficult to implement, and, at the end of the period under study, there was reason to doubt that the Tanzanian version would continue.

CONTENTS

INTRODUCTION

OBJECTIVE

Recent trends in development literature have generally placed less emphasis on the importance of industrialization in the future development of Third World countries. This thesis tries to bring back its centrality into focus. At the same time the now widespread attempts by various theorists of development to transcend the limitations of the original expressions of dependence theorists have not done justice to the essential thrust of their thinking. Both conventional and radical critics of recent times have tended to misrepresent it. This thesis attempts to provide a corrective.

In their attempts to argue that there is a strong connection between the spread of capitalism worldwide and the present, unsatisfactory development conditions in the Third World, dependence theorists in general did not fully appraise the problem of development, and some made excessive assertions about it, for example that development can not take place in the Third World as long as dependence exists. It is hoped that this thesis will become an additional criticism of that view. Many of the theorists of dependence have also tended to argue, in connection with their assertion about the relation between dependence and development, that no programme intended to eliminate dependence is viable unless it is part of a socialist programme. Consequently few works exist that examine the viability of an anti-dependence strategy on its own.

In relation to the country study of Tanzania, the attempt to transcend the limitations of dependence theorisation has led to a

trend which restates the argument that the spread of capitalism was not responsible in any way for the problems of development in that country. This thesis should be one of the responses to that recent trend of argument.

Similar to the gap at the level of theory, few works on Tanzania have examined the viability of the anti-dependence strategy on its own, or stressed the centrality of industrialization in that strategy and in development in general, which this thesis tries to do.

OUTLINE

In this work the aim has been to interrogate the assumptions of dependence theorisation as well as those strategies or policies which have been prescribed or instituted in order to curb dependence. This task can be divided into three parts.

The first part is an evaluation at the level of general theory, which entails at first an examination of existing formulations on dependence. This is done mostly by a review of literature. Out of this a specific conceptualization is in turn used to form the parameters in which the Tanzanian anti-dependence strategy is discussed. In Chapter One we examine first the evolution of an anti-dependence literature (which is often termed dependence theory, and is referred to as the dependence framework or outlook in this thesis). We then examine the conceptualization of dependence by each major author in that outlook (Frank, Cardoso, dos Santos and Amin), noting the differences in perception and 'policy' prescription among them. At the end of the chapter the major strands of the dependence framework are drawn out. In Chapter Two we examine the objections to the dependence outlook, in terms of major classifications (such as empirical and conceptual refutations), and in terms of prominent authors such as Warren and Kay. In Chapter

Three we set ourselves two tasks. The first one seeks to move away from the focus on theorists, prevalent in the first two chapters, to empirical material in terms of growth experiences of a number of countries around the world. In this task we try to relate the theorization of the first two chapters to the 'evidence' in the third. In the second task of this chapter we try to draw out the usefulness of the dependence framework, that of the framework's critiques, and of the empirical evidence in some countries. The points we draw out here make it possible for us to identify the characteristics of an anti-dependence strategy, which guide our examination of Tanzania.

In the second part we find it necessary to show the background to Tanzania's anti-dependence strategy, in order to at least show whether the features of Tanzanian society are similar to those described by formulations on dependence. This is done in Chapter Four, which describes Tanganyika from colonial times to independence, with some pre-colonial background also shown. The whole of Chapter Four in turn forms a background to the nationalist anti-dependence reactions of the Tanzanian leadership in the post-colonial period. These reactions and the major policies constituting an anti-dependence strategy are then identified, using the theoretical conceptualization outlined in Chapter Three as the main guide. Later in this part we try to look at the implementation of the Tanzanian anti-dependence strategy. It is judged on the basis of the general framework outlined in Chapter Three, and on whether subsequent or complementary policies and actual projects carried out are consistent with the declared Tanzanian strategy. The policies on industrialization form our case study in this respect. In addition, the performance of industry is evaluated in order to have a

comment on this type of the anti-dependence strategy of development.

The last part consists of the concluding chapter in which we summarize the arguments of each of the previous chapters, showing what they say for the anti-dependence strategy in general, and its Tanzanian version in particular. We also try to look at the overall impact of the Tanzanian anti-dependence strategy on the economy, and the possibility of its continuation, especially in terms of its industrialization programme.

RESEARCH

Library research was conducted at the Australian National University and, to a lesser extent, at the University of Dar es Salaam in Tanzania. A six month field work was done in Tanzania, and this involved various methods of obtaining information. Open-ended questionnaires were administered to selected individuals at several industrial establishments, including Urafiki Textile Mill, Mwanza Textile Company (MWATEX), Mara Dairy Company, The Tanzania Fertilizer Company (TFC) and The Steel Rolling Mill. These questionnaires were also administered at some of the bigger 'holding' companies, such as the National Development Corporation (NDC) and the National Textile Corporation (TEXICO). Personal interviews were conducted at all these establishments, as well as at various ministries. Information from official and other unpublished documents was obtained largely from the NDC, TEXICO, the Ministry of Development Planning and Economic Affairs (DevPlan) the Ministry of Industry and Commerce (MinCom) the Bank of Tanzania's Department of Research, the Bureau of Statistics and the Marketing Development Bureau (MDB).

USAGE

Discussion of Tanzania in this thesis refers to the mainland part of the United Republic of Tanzania. The name Tanganyika has been used when reference is to the period before 1964, or when it is part of the name of a corporate entity.

Unless stated, all values are in current prices. The main reference currencies used are the Tanzanian shilling (Sh.), the British Pound (£) and the American dollar ($). Values have been expressed in, or converted to, Tanzanian shillings wherever possible. A few have been expressed in the currency in which they were originally designated, due to the uncertainly of the information on the prevailing exchange rate then.

Academic reference is by normal Harvard type. For example, reference to page 27 of a work by John James in 1964 is written in the text as James (1964: 27). Footnotes are at the end of each chapter. Smaller tables are in the text while bigger tables are at the end of the thesis as appendices. Only the references actually cited in the text appear at the end of the thesis as bibliography.

CHAPTER ONE: THE CONCEPT AND THE THEORISTS OF DEPENDENCE.

1.1 Introduction: The sources of dependence theories.

To understand the theories of dependence it is first necessary to understand two factors. One of these is the nature of the economic philosophy which was dominant and was largely unchallenged in the period between the classical era of economics and the first half of this century. This philosophy was the basis for the prevailing views on development, and soon after the Second World War it became the source of what was to be known as the conventional development framework.

The second factor to be understood is a particular set of concerns of Latin American policy makers and theoreticians of the 1940s and 1950s, which were born out of the actual development experience of Latin America particularly since the 1930s. The concerns came to form the major part of what was to be known as the ECLA-Prebisch thesis. This thesis was named after Raul Prebisch, the Argentine official and academician who originated it, and the Economic Commission for Latin America (ECLA), the United Nations regional organisation which popularized the thesis. In its evolution, the ECLA-Prebisch thesis generated a profound critique of the traditional philosophy of development.

Theories of dependence are related to these two factors in that they became the successors to the ECLA-Prebisch tradition and continued the critique of the traditional philosophy of development.

1.1.1. The traditional philosophy of development.

The most enduring precept of the traditional philosophy of development was the principle of comparative advantage, which dates from Adam Smith. The principle proposes that as long as one selects and specializes in conducting production in those areas in which one is best endowed, and as long as one carries out trade with others, economic benefits and thus development automatically accrue. One of the assumptions on which the principle rests is that monopoly power in the market is absent and there is no hindrance to the spread of technological progress to all parts of the trading system (Love, 1980: 48). In its post-classical version these assumptions in turn presuppose equilibrium extended to the international system, and it is interesting to note that Prebisch came to attack these assumptions at the international level in the same ways as Keynes did with respect to the national economy.

1.1.2. The evolution of the ECLA-Prebisch critique:The experience of Argentina.

One source of information for the ECLA-Prebisch thesis was the development experience of Argentina. Historians agree that Argentina experienced spectacular economic growth in the fifty years or so to the late 1920s (Street, 1981; Love, 1980). The main characteristic of the growth was that while Argentina's agriculture benefitted from the spread of mechanization and the introduction of better varieties in crop and animal husbandry in the period, it was almost wholly built on **the export of primary products**

Another important characteristic of the growth was that an unusually high percentage of Argentina's exports (up to 40% at the end of the period) went to a single trading partner, which was

Britain at that time. In turn Britain provided a much smaller percentage, about 20%, of Argentina's imports (Love, 1980: 49). Argentina's trade relationship with another major trading partner was similar. The major source of imports for Argentina was the United States, but the latter did not buy any significant amounts of goods from it. The (foreign exchange) payments gap created by the imbalance in trade was only reduced by a heavy reliance on **US capital inflows.**

The significance of these factors was highlighted for Argentina by the two world depressions of 1929 and 1937-38. In the 1929 depression, Argentina, like other primary produce exporters, experienced falling export prices, rising unsold stocks and external debt repayment difficulties. It also experienced capital divestment and outflow, mainly back to the United States, which tended to increase Argentina's debt burden.

A major initiative for a remedy undertaken by both the Argentine government and Britain - in which Prebisch participated - provided for a guaranteed quota of Argentinian beef sales in the U.K. market in return for a favourable tariff treatment of British manufactures and Argentina's commitment to regular debt repayments at a time when many other countries were defaulting (Love, 1980: 49). Following the 1937-38 depressions, Argentina reached an agreement with Britain in which payment for its sales to the latter would be **only in sterling,** to be used **exclusively to pay for imports from Britain.** In addition the sterling was to be **non-convertible,** and would be held in a **non-interest bearing** blocked account (whereas interest on Argentina's debt to Britain was charged). The rationale for this 'unfair' agreement was that the world price for the export cereals in which Argentina had an interest

was falling drastically, and the European market was uncertain due to the escalating Second World War. Thus it was only out of British goodwill that some level of Argentinian export sales could be guaranteed (Love, 1980: 67). Prebisch was a participant in the preparation of this agreement too.

Both the reverse flow of capital (back to the United States), and the two agreements that came in the wake of the two depressions, demonstrated the vulnerability of Argentina to unfavourable economic changes. This generated the thinking that the vulnerability was a result of the country's status as an exporter of primary products, and its heavy reliance on a single trading partner. It is worth noting that Argentina's vulnerability in relation to Britain should have been somewhat reduced by the fact that the latter was a 'specialist' industrial nation whose economy depended on large volumes of agricultural imports, especially from Argentina, in a way in which the United States was not. The fact that England's bargaining position remained much stronger despite this generated the thought that the more important type of vulnerability was not the heavy reliance on a single trading partner, but that of being an exporter of primary products.

Other measures taken by Argentina between 1929 and 1943 - the period in which Prebisch was an important participant in the decisions - included the creation of a Central Bank and the introduction of exchange control to stem capital outflow; the introduction of a plan, in agreement with other major cereal exporters, to reduce production levels in order to get better world prices; and governmental support for industrialization programmes. Conceived first as a short term response to the reduction in purchasing power, and then as a long term solution to

the vulnerability that had become evident, industrialization became the critical element of the attempts to generate 'independent development' which came to be popularly referred to as inward-directed or inward-looking.

It was industrialization that became a common response of most of the major primary produce exporters, notably Brazil and Chile, but also Eastern Europe. Not surprisingly, parallels have sometimes been drawn between the ECLA-Prebisch thesis and the Rumanian advocacy of an 'industrial and closed development' in 1929 (Love, 1980: 61). Although not yet fully elaborated, the strategy called for a faster pace of industrialization as well as some measures of a re-orientation of the economy away from a heavy reliance on an external partner.

1.1.3. The ECLA-Prebisch thesis.

Prebisch's reflections on the plight of Argentina became noteworthy internationally in the 1930s and continued to draw attention in the 1940s. The propositions which became the basis for the ECLA-Prebisch thesis were particularly evident in the arguments he advanced in 1934 and 1948. Prebisch attacked the assumptions of equilibrium and automatic (price) adjustment in the economic system, the received wisdom until then, arguing that it did not take account of the possibility of a prolonged depression (Love, 1980: 50). He also noted that in practice the principle of comparative advantage was regularly violated by industrialized nations.

In relation to the emergence of the United States as a major source of industrial goods to South America but still with a low propensity to import, he noted that this produced a tendency for the

fruits of technical progress to remain in the United States, as well as creating a 'centre' and a 'periphery' in the economic system (the first usage of the centre-periphery terminology). According to him the centre could successfully institute policies that eliminated the effects of a prolonged depression while the periphery - Latin America - could not. He concluded that all this was likely to lead to a retardation in the growth of the periphery.

Prebisch brought together, and elaborated on, his ideas on trade and development in a work prepared for the ECLA in 1949. That work (Prebisch, 1950) became the basis of the official view of ECLA on those issues. The main argument in it was that the terms of trade for agricultural produce exporters had deteriorated between the end of the 19th century and the beginning of the 2nd World War. A major explanation for this offered by ECLA-Prebisch was that in that period **productivity gains were greater in industrial than in primary products**. This was further elaborated in the following way. During the upswing of the trade cycle, the price of primary goods rose more sharply than those of industrial goods, but they fell more steeply during the downswing. In the upswing the working class of the centre absorbed real economic gains, but wages did not fall proportionately during the downswing. Because workers were not well organized in the periphery (least of all in agriculture), the periphery absorbed more of the system's income contraction than did the centre (Love, 1980: 58). That the centre had a rigid wage bill was a proposition that directly challenged the accepted trade theory, according to which there should have been (automatic) adjustments. ECLA-Prebisch also pointed out that there was monopolistic pricing at the centre, but that the periphery did not have monopolies on the goods they offered in the world market,

except in rare and temporary situations. The work reiterated Prebisch's view that the United States, the main centre, exported more than it imported both generally and in regard to its South American trade. This led to an exhaustion of Latin American reserves and created a tendency towards a permanent disequilibrium, which had not been the case when Britain was the main centre (Love, 1980: 58).

Prebisch's work formed the first half of what was to be referred to as the Prebisch-Singer thesis. The other half was provided independently by Hans Singer. Singer (1950) advanced two explanations for the apparently different effects of technical progress. Firstly, he argued that the income elasticity of demand for primary products differed from that of industrial goods (the proportion of income spent on the purchase of primary products fell as incomes rose). He then noted that consumers of industrial products, who did not press for higher incomes, tended to live in underdeveloped countries whereas the opposite was true for consumers of raw materials.

It can been seen that Singer generalized the income inelasticity of demand for primary products to cover the whole industrialized world. Without abandoning the explanation that pointed out the rigidity of the centre's wage bill, ECLA adopted Singer's terms, seeing that 'differences in demand' was a more plausible complimentary explanation on the world scale than 'the centre's low import propensity', a peculiarity of the United States in that period.

In addition to rejecting the existing trade theory and its assessment of the benefits of technical progress, other tenets of the ECLA-Prebisch thesis included a commitment to rapid

industrialization, and an acceptance of state intervention in the accumulation process as well as in pricing (including the international catellisation of major commodities).

1.1.4.The ECLA-Prebisch thesis and the conventional development framework

After the Second World War there was a greater interest in the development of the Third World. Both this and the Prebisch impact produced a rethinking of the traditional philosophy of development. As this mainstream development thinking accepted that the Third World had special needs, it also became possible for some within it to see the intervention of the state in the Third World as acceptable, and to look at rapid industrialization and planning as necessary. Goals to be achieved by these commitments and the envisaged actions were now defined, the major ones being to put labour to a more productive use, to raise incomes (which subsequently evolved into a concern with raising the GDP and growth rates, the income distribution implicitly being left to the 'trickle-down' market mechanism), and to spread technical progress (Arndt, 1983; Sen, 1983).

The tools to be used to achieve these goals were the diffusion of capital, which invariably had to be foreign (Higgins, 1968: 567-571; Meier, 1970: 297-299), and other modernizing factors, including the appropriate political institutions and processes (Almond and Verba, 1965; Almond and Powell, 1965; Apter, 1965).

Proof of the effectiveness of the diffusion of capital in achieving modernization was often alluded to by pointing out that where the diffusion had taken place the economy was modern, vibrant and growing, while it was traditional and virtually stagnant in the

sector where it had not occurred. This was the basis of the description of Third World national economies as dual societies. The characterization soon implied that the perceived traditionalism of the other sector in society was the explanation for underdevelopment.

It should be pointed out that although the advocates of the diffusion of capital and modernization carried with them ideological preferences and often relied on empirical observations of Western and capitalist experiences (Lipset, 1963, Deutsch, 1969), many did not doubt the ability of the Third World to modernize and were characteristically optimistic about the prospects of development there (Almond, 1970). Those who doubted this did so on the grounds that Third World nations were less achieving, either due to ethnic traits (McClelland, 1961; Hagen, 1962; Pye, 1962), or to cultural characteristics (Riggs, 1964; Bauer, 1972: 75-80; 1981: 118, 194-195). But these were the exceptions who were sometimes considered not part of the modernizing development framework. An underlying assumption for the optimism was the perception of underdevelopment as merely a lower stage of development through which every society passes, the classic formulation for which Rostow became famous.

The ground that this development framework shared with ECLA was the centrality of (foreign) capital in bringing about transformation and development. The ECLA-Prebisch thesis did not explore other possible consequences of this, for example in terms of social costs and new types of vulnerability, just as the modernizing development framework did not. The notable difference between the two approaches was that whereas the ECLA-Prebisch thesis had put into train a substantial questioning of the

existing arrangements of the international economic system, pointing to them as the cause of the low rate of growth, reduced incomes, and eventually low levels of development in the Third World, the modernizing development framework generally eschewed this questioning, and implicitly denied that the arrangements were the cause of underdevelopment.

The direct successors of the ECLA-Prebisch trend developed their propositions mainly as an attack on what was by now the conventional development framework. But in addition, these new-generation writers of an emerging outlook generally felt that their ECLA-Prebisch predecessors had not fully exposed the shortcoming of the existing world economic arrangements, and the philosophical assumptions accompanying them. Also, as we shall see, some of them introduced into the emerging outlook a critical assessment of socio-political arrangements in Latin America, highlighting for example the integration and alliance of some social groupings in the 'periphery' with 'imperialist' centres of control, and generally advocated a more radical solution to the problem.

Below we examine a selected group of post-ECLA theorists, who have come to be known as dependence writers. These are not all Latin American, of course, since, although Latin America provided the initial setting, there have been similar experiences elsewhere, and writers from other parts of the world have increased their interest in the subject. In our presentation we seek to focus on the ideas of each writer individually. We consider this to be better than the presentation of 'tenets' of dependence theory for the following reasons. Firstly, although there are many similarities in the conceptualization of certain issues between the writers, as we shall see, their ideas are not the same. Moreover, there are philosophical

and methodological differences between them which can influence their account of dependence, bearing in mind that for most of them dependence is only a part of a wider theorization on such topics as accumulation, capitalism, imperialism, development and change. A general presentation tends to give approximations of stands, often losing sight of important points of difference or disagreement, although it has its use when a less detailed summary is called for. The theorists considered here are those best known to English-language readers. These are also generally regarded as the leading dependence theorists.

1.2 Dependence theorists

1.2.1 Andre Gunder Frank

The theorist who has popularized dependence thinking and attracted most criticism is Frank. His views are built on several basic assumptions. The first one is that development does not take place by going through the same stages in every country, that the underdeveloped nations at present are not at a universal lower stage through which all countries must pass, and that although developed capitalist countries may have been undeveloped at some point, they were certainly not underdeveloped (Frank: 1969: 4). This at once takes issue with advocates of historically given stages of growth, among them Rostow. It has been suggested that it also takes issue with the historical materialist idea of a definite sequence in human development (Halperin-Donghi, 1982: 125; Booth, 1979: 64-66).

Frank's second basic assumption is that underdevelopment is not merely a consequence of the economic, political, social and cultural structures of the underdeveloped countries, but it is mainly a result

of relations between developed and underdeveloped countries. These relations have been essential to the development and organisation of capitalism as a world-wide system. The development of capitalism creates on the one hand the metropoles, and on the other the satellites, with the former dominating the latter, but both maintaining the structure. In the course of the relationship, metropoles develop while satellites underdevelop.

> "... the metropolis destroyed and/or totally transformed the earlier viable social and economic systems of these societies, incorporated them into the metropolitan dominated world wide capitalist system, and converted them into sources for its own metropolitan capital accumulation and development. The resulting fate for these conquered, transformed, or newly acquired established societies was and remains their de-capitalization, structurally generated unproductiveness, ever-increasing misery for the masses - in a word, their underdevelopment." (Frank, 1969: 225)

It has sometimes been suggested that dependence theorists, and Frank in particular, did not pay attention to the internal structures of underdeveloped countries (Brenner, 1977: 33, 83). However, Frank's conceptualization of the metropole-satellite relationship does not seem to bear this out. He argues that not only is the relationship continuing today, but more importantly it is not limited to the imperial or international level. It penetrates and structures the economic, political and social life of underdeveloped countries, thus establishing lesser metropoles and more satellites in them (Frank, 1967: 10). Each of the satellites serves as an instrument to suck capital or economic surplus out of its own satellites and to channel part of this surplus to the world metropolis

of which all are satellites (Frank, 1969: 6-7). Neither does Frank assume that the process is purely one of sucking out 'economic surplus', or one that is totally dictated by 'external' forces, as implied by dos Santos (1973: 76) and others. A substantial part of Frank's writing is in fact devoted to the 'internal' social structures which he sees as giving life to the process of underdevelopment (Frank, 1972), though this seems to have come out as an afterthought, following criticism of the earlier publication.

Frank's third basic assumption is a rejection of the thesis which interpreted underdeveloped societies or economies as being 'dual' (Frank, 1967: 4). He understands the 'dual' society thesis to revolve around the argument that each of two parts of the economy has a structure and dynamic of its own quite independent of the other. One part is intimately related to the 'outside' capitalist world, is affected by it, and therefore becomes modern and relatively developed. The other part is feudal or pre- capitalist, subsistence-based and isolated, and therefore underdeveloped (Frank, 1969: 223-224). Frank argues that all this is false, and if the policy recommendations which it engenders are practised the underdeveloped situation would only be perpetuated and intensified (Frank, 1969: 4-5). From these basic assumptions Frank derives several conclusions.

The first conclusion is that in contrast to the development of the world metropolis which is no one's satellite, the development of national and other subordinate metropoles is limited by their satellite status. The examples Frank gives are the metropolitan regions of Brazil, including Sao Paulo, which built up a large industrial establishment in a relatively autonomous way, especially

during the 1st World War, the Great Depression and the 2nd World War, only to be increasingly taken over by outside metropoles:

> "... although Sao Paulo's industry was relatively autonomous it is being satellized and its future development restricted. This development appears destined to limited or underdeveloped development." (Frank, 1969: 8-9)

He gives many other Latin American examples similar to that of Sao Paulo and draws a further conclusion that satellites experience their greatest economic development and their most classically capitalist industrial development if and when their ties to their metropolis are weakest. (Frank, 1969: 9-10).1

Frank also observes that the regions which are the most underdeveloped and feudal-seeming today had the closest ties to the metropolis in the past, were the greatest exporters of primary products, and were also the biggest sources of capital for the world metropolis. But these were abandoned when business fell off (Frank, 1969: 13). According to Frank, this observation refutes the thesis that the source of a region's underdevelopment is its isolation and its pre-capitalist institutions.

Another observation which Frank makes is that the latifundium, as a plantation or a hacienda, was typically born as a commercial enterprise which developed for itself mechanisms to respond to demand (Frank, 1969: 235-239). Thus the latifundia which appear isolated, subsistence-based, and semi-feudal today are those which suffered a decline in demand for their products. Their location is chiefly in the former agricultural and mining regions whose economic activities experienced a general decline (Frank, 1969: 14).

In Frank's view, 'all of these hypotheses and studies suggest that the global extension and unity of the capitalist system, its monopoly

structure and uneven development throughout its history, and the resulting commercial rather than industrial capitalism in the underdeveloped world (including its most industrially advanced countries) deserve much more attention in the study of economic development and cultural change than they have hitherto received' (Frank, 1969: 15).

1.2.1.1. An elaboration and evaluation of Frank's views:

a) Dualism

Frank's critique of the 'dual' society thesis (that it underestimates the degree of commercialization in the rural areas, as it does the complex nature of the relationship between the two major parts of the economy), and his alternative description of the situation (that Latin American societies were fully integrated into the market economy), have been accepted by many writers on the subject as convincing and correct (Laclau, 1971: 22; Kay, 1975: 2-9). This appears to be the case whether Frank's critique is applied to the simple dualist thesis that there is no commercialization of any kind in the part of society referred to as traditional, or to that which employs the concept, as does Lewis (1958) and Furtado (1964), to refer to the non-prevalence of a commodity economy in the so-called traditional part.

Laclau (1971:24) for example suggests that a predominance of the market economy in a society (in the general sense of commoditization, rather than the ideological one of 'free' enterprise) is adequate indication that no dualism between the modern and the traditional exists in that society.

In the 1960's Frank's rejection of the 'dual' society thesis at the level of theory was already being supported by some of the concrete

and sectoral studies of rural Latin America.2 All confirmed Frank's argument that the commodity economy prevails in seemingly subsistence-based and isolated rural areas. This erodes the basis for disassociating capitalism as a worldwide system from the problems of development in the Third World, and for implying as the dualists did, that all that needs to be done to effect development is to introduce capitalism.

b) Capitalism

Frank's views on dualism are important to his understanding of capitalism. It was part of his argument against the 'dual society' thesis to state that capitalism is not confined to certain enclaves in Latin America but exists everywhere. He extends his belief that capitalism is widespread in Latin America by stating that it has existed on the South American continent since the 16th century. In the process of formulating these statements he displays an understanding of capitalism which has been controversial, including the suggestion that the prevalence of a commodity economy in society is a decisive proof of the existence of capitalism, and that **nations are exploited** by other nations in the same way as people of the same nation are by others (Frank, 1969: 227; Laclau, 1971: 24-25). Brenner (1977) has suggested that Frank shares the understanding of capitalism as the existence of a commodity economy with Wallerstein (1974) and Sweezy (1976).

The important questions that Frank's understanding of capitalism generates are, in the main, whether commodity production can be considered part and parcel of the process towards capitalist production, whether mercantile production (i.e. the involvement of trade-based merchants in production) lies outside the era of capitalist production, and, empirically, what type or form

of production has existed in Latin America from the 16th century. In spite of arguments to the contrary (Brenner, 1977: 66-67; Laclau, 1971: 27-31), we find Frank convincing - and he is supported by some theoretical studies (Marx, 1976a: 7-10; Kay, 1975: 56-66) - in arguing that commodity production for an overseas market is an element of the process towards capitalist production, and that mercantile production lies in the era of capitalist production. Though not completely generalised, both these factors existed in colonial Latin America.

There are other preconditions for the emergence of capitalism, of course, such as the freeing of labour from servitude and from land. As Laclau (1971) has pointed out, Latin American labour remained in feudal servitude, and was not fully landless (or dispossessed) during colonialism.

This, of course, does not by itself invalidate Frank's claim that capitalism bears responsibility for underdevelopment in that part of the world, unless one assumes that such a relationship exists only if pure capitalist relations of production are found to exist in Latin America to the exclusion of all other relations. Both Laclau (1971) and Brenner (1977) assume the latter to be the terms of the debate, following a formulation by Frank (1967, 1969) which gave this impression. It appears that the impression given by Frank is a consequence of not paying attention to the need to distinguish the capitalist **mode** of production from the capitalist **system.** In a mode of production the characteristics (of capitalism) are sharply defined, especially in terms of the nature of property ownership and social relations. Also, a mode of production by definition works to the exclusion of the characteristics of another mode. An economic system on the other hand is not usually as well spelt out as a mode

of production. Its characteristics are not wholly attributable to one mode, and, although there is always one mode of production which is dominant enough to reduce other modes to being merely its own **forms** of production, it is possible to speak of several modes of production within the system. Frank talks a great deal about capitalism, but nowhere does he examine seriously the differences in characteristics between the mode and the system. This has led Laclau (1971: 33-37) to concede the possibility that in talking about the existence of capitalism in Latin America, Frank may have been referring to the system. It would appear, even to those who have given him a comparatively more positive appraisal such as Booth (1979: 68-69, 76-79), that Frank has a tendency to employ analogies, seldom specifies his concepts, and is inclined to write about 'everything'. The consequences of these, it seems, are a blurring of focus and a breeding of avoidable controversies.

c) Development

Frank's view of development is not only debatable but is illustrative of the above-mentioned problems in his writings. Let us look at his claim that satellites experience their fastest growth, especially industrial growth, when their links with metropoles are weakest, such as during the 17th century Spanish Depression, the 19th century Napoleonic Wars, the 1930s Depression and the two World Wars. This undoubtedly was the case in Latin America and other Third World countries. But it does not justify generalization for all times and places - the impression that Frank gives. Similarly the statement that satellite growth was stopped when the metropoles recovered and re-established the links may well be supported by historical data for all the relevant cases, but there is no reason to expect this experience to occur everywhere at all times.

Furthermore, for each concrete study, such as the development of Sao Paulo which Frank mentions, it must be shown that the satellite relationship was so dominant that it was the only factor which could have been responsible for the deterioration in its development. In other words the empirical examples that Frank provides are in the strict sense only indicators which illustrate the theses; they do not prove them. At the same time the theses should only be the beginning of concrete studies; they should not pre-empty them.

Frank has argued that regions which had the closest ties to metropoles in the past 'degenerated' into ultra underdevelopment when their wealth ran out (Frank, 1969: 13). This is generally true of past mining and plantation centres. It can not be disputed that when business was good the said regions became famous and attracted large populations of 'fortune- makers' in the form of merchants and labourers. But perhaps also they were merely temporary sources of wealth and regarded as such by everybody all along. The fact that the importance of the regions disappeared soon after the depletion of the resources for which they were famous should indicate that there had not been much development. This should support the thesis that contact with capitalism does not necessarily produce development, and should go some way towards supporting Frank on this particular point. The problem comes with Frank's insistence that development occurred in these regions during the period of capitalist activities but stopped when the metropoles pulled out; strangely, this is precisely the thesis of the dualists he opposes. As Booth (1979: 76) has also pointed out, logically Frank should be arguing exactly the opposite.

Finally, let us look at Frank's use of the term underdevelopment. It is fair to suggest that in spite of its frequent use, the exact meaning of the term is not spelt out. It appears to refer to a wide range of phenomena, including dependence (Frank, 1969), a constantly deteriorating rate of industrial growth (Frank, 1969: 378-393), the subservience of the economic and class structure to external forces (Frank, 1972: 92-137), and unemployment, poverty and immiseration (Frank, 1972). A more enduring interpretation of Frank's usage of the term has been a combination of all these meanings, generally assumed to refer collectively to a lack of development. Frank would of course be wrong if to him 'underdevelopment' really meant absolute stagnation. His thesis would then state that Latin America is dependent and, therefore, stagnant. There are enough references to some concept of 'dependent development' in his texts to argue that he does not refer to absolute stagnation (Frank, 1972; Booth, 1979: 75-76), but the looseness in usage provides some justification for critics to associate him with the stagnation thesis.

d) The level of generalization in Frank's view and its consequence regarding empirical work

We have already noted in passing the tendency for Frank to take generalizations beyond what could possibly be supported by available evidence. One of the notable things about his theorization is the reluctance to divide the process of dependence and the reality of underdevelopment into historical phases. For example, despite being aware that some changes have taken place in terms of development in general and the growth of industry in particular (Frank, 1969: 378-393: 1972: 92-137), Frank is keen to stress that:

"Contemporary underdevelopment is simply a continuation of the same fundamental processes of dependence, transformation of economic and class structure, and lumpenbourgeois policies of underdevelopment which have been in operation throughout our history". (Frank, 1972: 92)

Booth (1979: 78) observes that the failure to specify historical phases and types of dependence often leads to a suppression of useful comparison, while Laclau (1971) sees the omission as being detrimental to analyses of concrete situations. Later studies by Frank appear to have responded to these criticisms, and have gone some way towards showing a concrete manifestation of dependence (Frank, 1969) and identifying phases of accumulation and dependence (Frank, 1978a; 1978b; 1980; 1981).

e) Frank's policy conclusions:

Frank's characterization of Latin America as having been fully capitalist for centuries, and his suggestion that capitalist-led growth has outlived its usefulness in the Third World in every way, has led to what others regard as erroneous political conclusions. As he has himself pointed out (Frank, 1972: 1-12; Frank, 1977), it has also led to major controversies with activists of both a socialist and nationalist standpoint. Some of his better known political conclusions, arising from discussion on such subjects as imperialism, social classes, who the enemy of Third World peasants and workers is, and the role of Third World national bourgeoisies (Frank, 1969: Chs 23-25), have a common thread running through them. They all make the point that since Latin America is capitalist and must be changed, the only correct change is a socialist one.

Frank is notable for denouncing local bourgeois classes, whom he finds sycophantic to imperialism, and for disparaging present

industrialization policies - which he believes are only capable of intensifying the dependence problem (Frank, 1969: 350-408; Frank, 1972). Much of Frank's disillusionment was a direct result of the failure of the ECLA-Prebisch 'inward-looking' development strategy to effect rapid progress, and of the increasing reliance of that strategy's industrialization efforts on external capital (Frank, 1969; 1972; Horowitz, 1964).

Frank does not seek to show how the structure of dependence can be changed within the existing international economic and political order. This appears to be induced by his own pre-determined ideological rejection of anything reformist (Frank, 1972: Ch.8).

It is notable that despite an analysis which identifies and conceptually locates (exploiting) industrialized capitalist countries on one side of the fence, and (oppressed) Third World countries on the other, Frank does not adopt a purely Third Worldist nationalist **political** position, and any claim that he does (Brenner, 1977: 92) is clearly erroneous.

It is Frank's characterization of Latin America as being fully capitalist, and his view that capitalism has outlived its usefulness, that makes him regard a socialist revolution as the only viable solution to dependence and underdevelopment. We attribute this, in the first place, to the fact that Frank tries too hard to prove that current problems of development in the Third World are associated with the global spread of capitalism. In our view, to establish this association Frank need not have pronounced Latin America fully capitalist. In a similar way, that current developmental problems in the Third World have arisen while capitalism was dominant over all other modes of production need not lead to the conclusion that it has outlived its usefulness in every aspect, and for every concrete

situation. The fact that Frank does not have these considerations prevents him from seeing the legitimacy, possibility and long-term viability of reforms in present arrangements that may free some countries from dependence while allowing for a greater rate and a more acceptable form of development.

1.2.2. Fernando Henrique Cardoso

Cardoso's main ideas can be found in his other works (Cardoso, 1972; 1973; 1977), but it is his book with Enzo Faletto (Cardoso and Faletto, 1979) that we refer to in the discussion here.

1.2.2.1. Cardoso's dependence framework.

Cardoso describes the ECLA literature as having been critical of conventional development literature while falling short of analyzing social processes. He therefore he states that in the end the ECLA literature did not emphasize the domination of countries by others, and could not highlight the absence of harmony between social classes. He characterizes the post-ECLA analyses of society as radical and 'critical of the narrowness of the ECLA approach', and he describes himself as belonging to that radical heritage. It is clear that the radical heritage he refers to is the dependence approach. Like others in the heritage, his analysis aims at a more comprehensive social science than that which normally analyses society in terms of separate, unrelated dimensions (Cardoso and Faletto, 1979, ix). Cardoso also shares the basic assumption of the dependence approach, that there are relatively stable structures governing the world economic system in the present epoch. But he adds:

> "For us it is necessary to recognize from the beginning that social structures are the product of man's collective behaviour. Therefore, although enduring, social structures can be, and in

fact are, continuously transformed by social movements". (Cardoso and Faletto, 1979: x)

Thus Cardoso avoids giving the impression left by others, that situations of dependence are stable and permanent:

> "This impression can also suggest that situations of dependency are continuously and necessarily generating more underdevelopment and dependency". (Cardoso and Faletto, 1979: x)

He rejects studies which assume that there is a general, abstract form of dependence permeating all types of situations. He is against studies which do not delineate moments of significant structural change, and those which portray imperialism as an active, all-conquering force over passive dependent countries (Cardoso and Faletto, 1979: xii-xvi).

It can be seen that these remarks are directed against the general impression that is sometimes left by Frank's writings (Frank, 1967; 1969), and are regarded by some to be a profound counter-critique of Frank (Halperin-Donghi, 1982; Palma, 1981: 62-64) while others see them as an elaboration and a logical development of the dependence approach (Booth, 1979).

This is the framework which governs Cardoso's writings. Some writers have found the framework to be clearly spelt out, and have observed that Cardoso's subsequent historical study of Latin America keeps to this framework (Halperin-Donghi, 1982: 115-116).

The concern of Cardoso' framework, or to put it another way, the dependence framework as elaborated by Cardoso, is to bring out the diversity of concrete situations of dependence, as well as the fact that such situations continually change, not only in form but also in substance (Cardoso and Faletto, 1979: xviii-xxii).

1.2.2.2. Cardoso's characterization of dependence

It is in this context that Cardoso upholds the characterization of forms of dependence hitherto presented by what he calls structural dependence, while at the same time recognizing that where industrialization has taken place some development and new forms of dependence have emerged. In agreement with Amin (1974a), he states that peripheral industrialization is based on products which in the centre are **mass consumed**, but which are typically **luxurious consumption** in dependent societies (Cardoso and Faletto, 1979: xxii). Also in agreement with Quijano (1974), he states that such industrialization enhances income concentration as it increases sharp differences in productivity without generalizing this trend to the whole of the economy, i.e., accentuating income disparities. However, although these symptoms are traceable to the economic drive of the 'centre' (Frank, 1972); Amin, 1974a), there are dependent societies in which some have been overcome, and where the structure of production has been altered.

The characterization of dependence outlined here, in combination with existing definitions of underdevelopment and dependence, according to Cardoso, assists him in working out his own definition of dependence.

Firstly there is the concept of underdevelopment, which he understands to mean:

> "A type of economic system with a predominant primary sector, a high concentration of income, little diversification in its production system, and above all, an external market far outweighing the internal". (Cardoso and Faletto, 1979: 17).

He finds this description correct but inadequate for the definition of dependence in so far as:

"The idea refers to the degree of diversification without emphasizing the patterns of control of decisions of production and consumption". (Cardoso and Faletto, 1979: 18)

Secondly there is the concept of periphery, which he considers to be more useful than that of underdevelopment in so far as it immediately incorporates the idea of unequal positions and functions within the same structure of overall production, for example by recognizing that for most of the history of certain peripheral economies:

"Decisions affecting production or consumption are taken in terms of the growth and interests of the developed economies". (Cardoso and Faletto, 1979: 18)

From all these considerations, Cardoso develops his definition of dependence. At first he talks about what he considers to be an economic definition of dependence, which is:

"When the accumulation and expansion of capital cannot find its essential dynamic component inside the system". (Cardoso and Faletto, 1979: xx)

What is implied by this is the lack of capacity to create new technologies, the inability to continuously expand the production of capital goods, and the lack of capacity for building a solid financial system to support this expansion (Cardoso and Faletto, 1979: xx-xxi).

But Cardoso warns that a structuralist definition like this one should not overlook the socio-political factors involved in situations of dependence - for example the social classes, both external and internal, which generally sustain dependence. It may be adequate for formal purposes to define dependence by reference to a structure of production lacking **diversification** and **autonomy**,

he argues, but it should be kept in mind that such a structure is held in place, or can be modified, by social forces.

1.2.2.3. The possibility of reform within a structure of dependence

Cardoso argues that modifications in dependence have occurred in Latin America. According to him a great deal of industrialization has taken place, making production highly diversified, developing a capital goods sector, using skilled labour, reducing income disparities in the urban industrial sector, and ensuring a much lower outflow in order to safeguard investment (Cardoso and Faletto, 1979: 160-161). He argues as an example that Brazil's industrialization resulted in a capital goods sector whose greater dynamism relative to the consumer goods sector ensures that the technological level attained can not falter even in crisis (Cardoso and Faletto, 1979: 5).

The recognition of these developments appears to be the result of the awareness in his framework of the **dynamism** of the accumulation process and the role of **active social forces**, especially the internal ones (Cardoso and Faletto, 1979: xvi, xx, 20). It is dynamic accumulation and active social forces that have produced the new situation: on the one hand the emergence of a kind of 'progressive' capitalism of the transnational corporations, the increasing availability of their technology, and their production of capital goods for the local Latin American markets; on the other, the industrializing local social forces, including those based in the state (Cardoso and Faletto, 1979: 177-216).

1.2.2.4. Cardoso's views on the relation between dependence and development

The modifications of dependence that accumulation and social forces have produced make it possible for Cardoso to conclude that development is not precluded by dependence. His use of phrases like 'associated-dependent capitalist economy' (Cardoso and Faletto, 1979: 194) and 'dependent development' (Cardoso and Faletto, 1979: 213) demonstrate his view that **development** is taking place in dependent countries (Cardoso and Faletto, 1979: xxiii). Notice, however, that his definition of development is, by excluding the humanitarian aspects, different from that of other dependence theorists. In one place he says that development means **capitalist development** (Cardoso and Faletto, 1979: xxiii), while in another it means the **progress of productive forces,** mainly through the import of technology, capital accumulation, penetration of local economies by foreign enterprises, increasing numbers of wage-earning groups, and the intensification of the social division of labour (Cardoso and Faletto, 1979: xxiv).

But Cardoso is careful not to say that dependence has been broken, because although some dependent countries have achieved a high degree of diversity, neither has attained production autonomy and appropriate income levels to sustain the autonomy (Cardoso and Faletto, 1979: 5-6, 18, 160-161).

1.2.2.5. An evaluation of Cardoso's writings

Although Cardoso is credited with placing a greater emphasis on analyses of concrete situations (Palma, 1981: 43), he has also been criticized by others (Bienfeld, 1980: 7; Rodriguez, 1980: 11) for a disparaging of theory. In our view it would be wrong to argue that

only concrete studies are valid, implying that general frameworks, such as dependence, are not important merely because they are general. But it appears to us that Cardoso's advice is merely that a study becomes comprehensive and more fruitful if it is pursued beyond generalization (Cardoso and Faletto, 1979: xviii, xx, xxiii). The reason for this is that although a generalization is itself usually drawn from concrete situations, it can only be a model, not a replica. For this reason Cardoso's point is correct: no general framework can substitute for a concrete analysis.

In a comparative sense it should be said that although Cardoso's historical treatment of dependent industrialization in Latin America is similar to that of Frank, the emphasis he places on periodisation and the specificity of concrete situations of dependence provides an additional refinement to the framework. Similarly, to stress the possibility of development, and the importance of socio-political forces in the dependence structure and not just its rigidity, is an important theoretical intervention which elaborates on the more general schema presented by Frank.

1.2.2.6. The way out of dependence and Cardoso's implied political position

Clearly Cardoso rates investment and the production of capital goods in a dependent country as the most significant factors likely to lead to an enduring process of development and, eventually, to the elimination of dependence (Cardoso and Faletto, 1979: xx-xxi, 5, 175). He adds, of course, that the identification of the **appropriate social forces**, and the possession of a **political will** are important in the struggle against dependence. But, while ideologically he does not support the internal classes that are dominant in Latin

America, his (measured) approval of 'dependent development' (which has occurred under the rule of these classes) shows that he regards reforms within the system as being useful.

1.2.3. Theotonio dos Santos

Dos Santos (1973: 60-71) criticizes the conventional development framework, and points out the shortcoming of ECLA, in terms similar to those of Frank and Cardoso. But he spells out the relationship between dependence and **the theory of imperialism** more than they do.

Dos Santos argues that dependence is an approach which integrates the **capitalist expansion** of the developed countries and the consequences of that expansion into a single historical account. It is for this reason that he sees dependence theorisation as a subset of the general framework of the theory of imperialism, serving to specify the expansion in dependent countries, which the theory of imperialism in its classical formulation could not have done (dos Santos, 1973: 73-74). The expansion, itself a function of the accumulation process which breeds inequality among people, results in a 'combined inequality' among countries (dos Santos, 1973: 77). The major feature of this inequality is that dependent countries are 'assigned' the production and export of primary commodities (export-based capitalism) while lacking capital and technology, and being socio- politically dominated (dos Santos, 1973: 76). According to dos Santos, these are the general considerations that the concept of dependence embodies.

The notions of 'the capitalist expansion of the developed countries' and 'the inequality among countries' are central in the

construction of a formal definition of dependence, which according to dos Santos is:

> "A ***conditioning situation*** in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between such economies and the world trading system becomes a dependent relationship when some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the dominant countries, which may have positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backward and exploited". (dos Santos, 1973: 76. Emphasis original.)

What does the definition imply regarding the characterization of dependence as an external factor in Third World development processes? Dos Santos considers an answer to this question an important part of his clarification of dependence. Like Quijano (1974: 398), dos Santos maintains and stresses that dependence should not be understood as an external factor. At present there are local components which play roles as important, sometimes greater than, those played by **externally-based** factors in constituting dependence (dos Santos, 1973: 72).

For comparative purposes it is important to note that dos Santos is as explicit as Frank and Cardoso are, that the dependence situation is responsible for problems of development in Latin America (and the rest of the Third World) by establishing the 'limits and forms' of that development (dos Santos, 1973: 76, 78). Nevertheless, like Cardoso, he is keen to stress what Frank does

not, namely the possibility of development within dependence. In his scheme this possibility is theorised as follows:

> "Firstly, concrete development situations arise as much from the specific characteristics of the conditioned situation which re- define and specify the general conditioning situation, as from the general conditioning factors of dependence themselves. Secondly, the very situation of dependence can be and is susceptible to change as the hegemonic and the dependent structures themselves change". (dos Santos, 1973: 78).

But it appears that dos Santos sees the possibility of development under dependence conditions only in the short term. There is a strong impression left by his writings that he is pessimistic about the long-term sustenance of such development within the dependence structure. It is this implied pessimism that has led others (Godfrey, 1980: 2) to place him closer to Frank than to Cardoso. Also, like Frank (1969: 372-373), dos Santos stresses that there is a coincidence of interests between local and international dominators which not only accounts for the socio-political sustenance of dependence, but also implies that a struggle against the 'dominated (local) dominators' is the one most likely to create conditions for 'self-impulsion' and the long term development of Third World countries (dos Santos, 1973: 79). But he is against breaking off the international economic relations, since he believes that solutions to the problem lie within, not outside, the system.

1.2.4 Samir Amin:

Many reviewers of the works of Samir Amin have pointed to his eclecticism which, they believe, has produced numerous positive

contributions as well as numerous errors (Gerstein, 1977; Bernstein, 1979; Dore and Weeks, 1979; Barone, 1982). According to these reviewers, Amin's most important contribution is in displaying a theoretical awareness of certain problems which are ignored by the underdevelopment theorists (Bernstein, 1979: 100), and in refining dependence theorisation by tying it more explicitly to the process of capital accumulation (Barone, 1982: 10). Amin's work is certainly massive, and for our purposes it is an appropriate starting point to review his work with these claims as a general guide.

As indicated by Barone (1982) an evaluation of Amin's contribution to the dependence approach is usually also an examination of his conceptualization of capital accumulation. In general it can be said that dependence theorisation has always sought to refute conventional development thinking as well as reformulate certain aspects of historical materialism, in particular the conceptualization of the accumulation process and the development of capitalism. But while in its infancy the approach emphasized the inadequacy of conventional development thinking (Frank, 1967; 1969), later it turned more to the implications for historical materialism. Even Frank (1978a; 1978b) began to pay more attention to this. Since Amin's is the epitome of the later trend, his explanation of dependence carries more of this specialized debate, and so the dependence aspects which we are considering here must include a considerable portion of it.

1.2.4.1. The focus and methodology of the accumulation study

Amin argues that in order to understand the capitalist system and the development of the Third World in this epoch, it is essential to study not merely the laws of the capitalist mode of

production but to focus on the nature and results of the **expansion** of that mode into a worldwide system. Thus, like dos Santos, Amin regards his explanation of dependence as part of the theory of imperialism (Amin, 1977a; 1978: 57-58).

Arguing that it is possible to construct in purely economic terms a model of the development, or the type of accumulation, of a particular socio-economic situation, Amin nevertheless warns that although the model would provide a correct illustration, it would not alone explain the reality. It is necessary therefore to go beyond the model. This entails considering the historical origins of the situation, as well as keeping in mind that no economic laws are independent of the actions of social forces (Amin, 1978: 64). But since the subject under examination is the worldwide capitalist system, an analysis of the model, its history and the struggle among social forces must be carried out **at the world level.** Thus, social forces modify the strictly economic accumulation model on the world scale, their actions influencing the rate of surplus value on that scale and the respective (differing) rates at the centre and in the periphery. They affect the price structure of world commodities as well as real wages at the world level, at the centre and in the periphery (Amin, 1978: 67; 1980: 149-166). In the struggles of the social forces, one social force - imperialist/international capital - remains dominant (Amin, 1978: 65-66).

This statement of a methodology is a double-edged response, on the one hand to economists who assume that economic laws explain all of reality, and on the other to those (Disney 1977; Bernstein, 1979: 99; Barone, 1982: 10-11) who have taken Amin's accumulation model to be an example of (neo-Ricardian) economism which does not take into account exploitation and class

forces. But the more important aspect of Amin's statement is that the action of social forces be understood **at the level of the world,** and that a certain amount of hierarchy exists among social forces. This is a clear contrast in emphasis from other post-Frank theorisations of 'class struggle' which, in speaking of the participation of 'internal classes' in dependence, have either ended up not assigning a dominant status to any social force (Cardoso and Faletto, 1979), or have argued as if the character of 'internal classes' is all that mattered (Brenner, 1977).

1.2.4.2. Amin's argument

Amin's ideas on dependence can be found in each of his major works, but they are best spelt out in two books (Amin, 1974a; 1976), and well summarized in a few pages in another (Amin, 1980: Ch. 6). There is an article (Amin, 1974b) which condenses one of the books (Amin, 1974a) and remains an accurate summary of the ideas. In these works Amin rarely mentions the term dependence, preferring to use the contrasting terms centre and periphery. But he makes it quite clear that his theoretical model of accumulation and development can be referred to as dependence (Amin, 1977a: Part IV).

One of the major ways in which Amin distinguishes the centre from the periphery is the characterization of what he calls determining relationships between (production) sectors, which he sketches out as follows:

Centre's determining relationship

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1 2 3 4

Main peripheral relationship

Key: 1. export, 2.'mass' consumption, 3. luxury goods, 4. capital goods.

The relationship between sectors 2 and 4 is the determining relationship in the centre, i.e., Europe, North America and Japan (Amin, 1980: 132), and, to a great extent, the USSR and China as well (Amin, 1974b: 11). This relationship corresponds to the history of industrial capital.

In the centre , there is an objective relation between the rate of surplus value (the theoretical value of unpaid labour, central to determining capitalist profits) and the level of the development of productive forces (the improvement of the technical and human conditions of production). But it is the rate of surplus value which essentially determines the structure of the social distribution of the national income, allocating thereby the share of wages and profits, and ultimately shaping demand (Amin, 1980: 132). In less abstract terms, this objective correspondence between the rate of surplus value and the level of the development of productive forces can be expressed as follows: Demand based on wages increases with the improvement of productive forces. In the history of capitalism, the sequence of this demand was as follows. At first it consisted exclusively of necessities such as food, clothing and shelter. Then that type of demand stimulated the agricultural revolution (or the capitalisation of agriculture) by providing a market for food products. It also stimulated the textile and urban development

industries. Later it increasingly turned to the consumption of 'consumer durables' whose highly capital-intensive production appears very late on the market (Amin, 1974b: 11).

This outline enables Amin to determine that in the centres capitalism flowed from an internal process of disintegration from previous modes of production, and that the development of the centres was shaped by the logic and needs of internal accumulation (Amin, 1980: 132-133). This model of 'autocentred accumulation' further demonstrates the fact that the contradiction between the system's productive capacity and its consumption capacity is being constantly overcome, a mechanism of self-adjustment as it were. Although historically this adjustment occurs at both the internal and external levels, it is possible for it to occur exclusively at the internal level.

a) The internal level.

Amin distinguishes three historical stages of the accumulation process:

(i) The period up to about 1880. In that era of 'competitive capitalism' an increase in the rate of surplus value over and above its 'objectively necessary' level tended to lead to a depression. This can be explained as follows. In the long run a rate of surplus value that is consistently 'above normal' leads to an insufficient effective demand, itself kept low partly by the insufficient bargaining strength of labour (Amin, 1976). A logical consequence of this is a reduction of the rate of surplus value, triggering a tendency for the rate of profit to fall, in turn slowing down economic growth. But this slowing down of economic growth begins a new cycle since it creates labour market conditions which favour capital (including the creation of an industrial reserve army

of labour), a cycle tending towards 'full employment' again and economic growth (Amin, 1974b; 1976).

ii) The period 1880 to 1939. This period is characterized by, among others, the rise of monopoly. Monopoly made it possible for capital to resist the tendency of prices to come down, and Amin notes that in the formative decade of monopolies (1880-1890) there was a steady rise in prices. But the rise of monopolies was also accompanied by the strengthening of labour, which now organized itself into unions. As a result the rise in prices raised incomes not only for capitalists but also for labour (Amin, 1976: 170). The rise in real wages in turn depressed the rate of surplus value. This induced capital to seek, create and utilize newer and better techniques of production, thus establishing favourable labour market conditions once again.

iii) The period after 1945. In this period both labour unions and monopoly capital consolidated themselves. This consolidation in a way erodes the self-adjustment mechanism by making it possible to 'plan' in order to reduce the cyclical fluctuations. Capital and labour accept under the aegis of the state, **a social contract** which relates increases in real wages to increases in productivity (Amin, 1974b; 1976: 102-104). In this way a state of permanent quasi-full employment can be assured. The widespread social democratic ideology in the centre corresponds to this social pact (Amin, 1974b: 12). The social pact brings into practice what is theoretically predictable, namely that the continuation of accumulation (or equilibrium) is possible internally provided real wages increase with productivity (Amin, 1977a: 110). But this, together with the external factor that we shall examine below, brings into being the ever-increasing problem of the absorption of excess capital or

'surplus'. Part of the solution to this problem involves the inclusion of 'selling costs' in the price of the product, 'personal' consumption by capitalism such as in the increase of services, and, above all, the direct intervention by the state in the absorption at the centre through public and military expenditure (Amin, 1976: 77; 1977a: 206-208).

The value of distinguishing the **internal form** of adjustment of capitalist accumulation from the **external form** is to show that it is possible for capitalism to tackle the production-consumption 'contradiction' within itself, i.e., without the foreign market. The differentiation of the stages is important in order to acknowledge the significant changes in the development of capitalism in general, and the role of dependence as indicated by the external level of self adjustment which we examine below.

b) The external level. Whereas the history of capitalism shows its capacity for internal self-adjustment on the one hand, it also demonstrates three other things. The first is that, as indicated by the the recurrence of the cyclical fluctuation of the economy, the internal form of adjustment was not adequate, and thus the external form came into being. Secondly, even the addition of the external form does not solve the problem permanently and, according to Amin, ultimately worsens it by helping raise the rate of surplus value which in turn raises the organic composition of capital. The latter largely translates itself into the problem of 'surplus' absorption. Thirdly, the fact that ultimately it is not only the search for markets (the production-consumption contradiction) that is involved, but also the problem of the absorption of 'surplus', shows that the the more important function of the adjustment

mechanism is the attempt to counteract the tendency of the rate of profit to fall, in which the external factor played a role as follows.

i) The period up to about 1880. Amin argues that even in that early period the tendency of the rate of profit to fall, caused by underconsumptionism, was counteracted with the help of the external expansion of the market (Amin, 1976: 76). The external market not only made possible the sale of goods abroad but also the provision of cheaper goods for general consumption in the centre, thus reducing the cost of labour. It also provided cheaper raw materials, making it possible to reduce the value of 'consumption capital' employed in production (Amin, 1976: 184).

ii) The period 1880 to 1939. Due to the strength of labour unions in this period, real wages rose steadily, and despite improved internal productivity, this soon put a check on the rate of profit at the centre. An additional measure to counteract the tendency of the rate of profit to fall was required. This came in the form of export of capital (for investment in search of higher returns (Amin, 1974b; 1980: 134). The major part of the exported capital flowed to the new centres of autocentric accumulation. The returns here were higher not because of lower wages but due to improved productivity resulting from the use of better technical processes. A part of the exported capital went to peripheral countries, where the higher return to capital was due to lower wages for equivalent products (Amin, 1976: 178). The return to capital exported to the periphery, seen in a technical sense and on its own, is significant to the extent that it promotes the **equalization of the rate of profit** for capital as a whole (Amin, 1974b: 13), and **higher profits** for individual capitals (Amin, 1976: 144). The favourable return to capital is established and maintained due to certain conditions. At first facilitated by the use

of force through colonialism, henceforth the periphery is structurally 'assigned' particular tasks in world production, which is propelled by the needs of accumulation at the centre. In addition, its labour power is paid below value. It is the particular role of the periphery in the general accumulation process, and the lower return to labour power, which laid the basis for underdevelopment. The importance of the period 1880 to 1939 is that it was the time when this basis was laid and consolidated.

iii) The period after 1945. In this period, export of capital continues to be an important feature. But rapid progress towards the centralization of capital and production (and the emergence of transnational companies) is the most significant feature of the period. It is significant because the period is one of the dominance of ultra-modern industries and the use of more highly skilled labour, while technological knowledge itself gets concentrated in the transnational firms (Amin, 1976: 189). What this means for peripheral countries is that control over technology, which the centre-based transnational firms have, provides enough overall control to permit a relinquishing of a proportion of direct control over production. As in the second period, the export of capital facilitates higher returns, and as in all of the duration when the external form of adjustment of capital accumulation exists, this counteracts the tendency of the rate of profit to fall. The significance of the role of the periphery in the accumulation process, the role established in the second period, is more clearly seen in this period. For this is the period in which labour strength in the centre is consolidated and the social contract which guarantees wage rises in conformity with increased productivity is struck between labour and capital. The overall structure established

'allows salaries and productivity (in the centre) to grow in tandem over a long period, bringing about a relative loss which capital makes up for by continually raising the rate of extraction of surplus labour in the periphery' (Amin, 1980: 164). According to Amin, politically this means that the structure gives the workers in the centre the possibility of carrying on their economic class struggles under more favourable conditions. They thus take an interest in the continued role of the periphery to the extent that the role gives life to the pact, participating in an ideology of interclass national solidarity which is the essence of present social democracy (Amin, 1980: 164). This view, it can be noted in passing, makes some writers associate Amin with an anti-working class nationalist stance, wrongly so since his total perspective is not (Amin, 1978: 65-67; 1980: 163-164). More important to our presentation, however, is to look closely at how Amin relates the process of accumulation, the external aspect of autocentric accumulation in particular, to the problems of development in the Third World.

1.2.4.3. Dependence and Unequal Exchange

We have already stated Amin's argument that the basis for 'under-development' was laid in the second period of the expansion of capitalism, the colonial period of 1880 to 1939 (which began earlier in Latin America and continued beyond the 1950s in Africa). The basis itself, according to Amin, appears to consist of lower returns to labour in the periphery and a 'dependent' structural role for the periphery determined and maintained by the needs of accumulation in the centre.

a) Dependence and its reproduction. Amin argues that in the periphery the specific mechanism of accumulation known as

dependence, which characterizes it, began when under an impulse from the centre an 'export sector' was created (Amin, 1974b: 12). This 'export sector' still characterizes the periphery despite important changes. It consists chiefly of the export of mineral and primary agricultural products in which the periphery or a part of it has a natural advantage. According to Amin, this is is easy to see. But the important point that is not often mentioned is that the establishment of that sector was a direct result of the expansion of capitalism, and that the driving force for its establishment was the expectation that 'emigrating' capital would get a better return (Amin, 1974b: 13).

Amin argues that the beginning of this new 'export' role of the traditional (i.e., pre-capitalist) society, making it in that sense **dependent,** is also the end of its 'traditionalism'. Thus references to 'dualism' or to a so-called juxtaposition of an autonomous traditional society with an expanding modern society can only mislead (Amin, 1974b: 13). In this way he rejects the dual-society theory, in which he includes the newer marxist version of it, better known as 'the 'articulation of modes of production' school (Amin, 1977a; 1978: 121).

Also, from the time of the establishment of the 'export sector' the dependent society is bound to supply cheap labour to the 'sector', and the wage rate there will be as low as economic and extra-economic conditions allow (Amin, 1974b; 1980: 134-135). Thus the objective relation between the returns to labour and the level of development of the productive forces, which exists in the centre, is not found here.

Amin maintains that whereas productive forces at the centre grow more or less homogeneously, at the periphery they grow

heterogeneously - advanced (and sometimes very advanced) in the 'export sector', and backward in the rest of the economy. The backwardness has an important function in the system - ensuring that the 'export sector' gets cheap labour power (Amin, 1974b; 1980: 135).

At a certain point in its life, the 'export sector' (sector 1) generates a significant internal market. This market has two significant characteristics. The first is that the lower returns to labour limits the expansion of the market. This is the major reason for the fact that the periphery attracts only a limited amount of capital from the centre, even though it offers a higher return on it (Amin, 1974a; 1980: 135). The second is that this market is distorted, since it is biased against the demand for mass consumer goods (sector 2) in favour of luxury goods (sector 3). If all the capital in the 'export sector' continued to be external, and if all its products were re-exported to the centre, the limited internal market in the periphery would be restricted to the demand for mass consumer goods. But in the course of the expansion of the 'export sector' a part of the capital in this area becomes locally- owned, and this situation produces and strengthens internal social forces (latifundists, kulaks, comprador commercial bourgeoisies, state bureaucracies) which keep the system going. It is the luxury demand of these social forces that the internal market serves (Amin, 1974b; 1980: 135). When (import substituting) industrialization takes place therefore it begins from the end; manufactured products correspond to later historical stages of industrialization. Resources are poured into the import-substituting production of luxury goods, which handicaps the mass consumption sector. Even when, in the larger peripheral economies, a capital goods sector (sector 4) is developed, it will be for

the purpose of serving sectors 1 and 3, and not sector 2 (Amin, 1974b: 16).

Amin further argues that once the above-mentioned structure is established, and precisely because of it, any **development strategy based on profitability** will necessarily reinforce this structure, since each new activity would be patterned on the existing structure of income distribution, the structure of relative prices, and the existing demand pattern. Industries set up in this way do not become growth centres; instead they help impoverish the major part of the population while further integrating the minority in the system (Amin, 1974b; 1980: 138-144). This is what Amin refers to sociologically as the marginalisation of the masses (Amin, 1976: 351; 1977a: 219, 223; 1980: 138).

b) Unequal Exchange. The term unequal exchange is simply the technical reference that Amin employs to describe one of the factors responsible for the problems of development, namely the lower returns to labour in the periphery. To have an understanding that lower wages in the periphery ultimately constitute unequal exchange, and that capitalism is directly responsible for it, requires several assumptions. That capitalism has expanded and become a worldwide system. That an export sector producing primarily for the needs of accumulation of the capitalist mode of production at the centre has been established at the periphery. That techniques of production are everywhere nearly the same, and that products can be produced anywhere in the world (i.e., they are not specific to any area of the globe). And, finally, that the above notwithstanding, real wages are lower at the periphery. Unequal exchange is therefore the exchange of products whose production involves

wage differentials greater than those of productivity (Amin, 1977a: 211; 1980: 134).

Since the concept of unequal exchange has generated its own debate on the question of development, it is useful to have a detailed look at how Amin uses it. Also, contrary to the evaluation by others (Evans, 1984), Amin's use of the concept differs substantially from that of Emmanuel (1972), and it is useful to examine it in this respect.

In the debate on unequal exchange, Amin seeks to respond to neo- classical economists (whom he calls marginalists) on the one hand, and to some marxists on the other. At the same time, while acknowledging the value of the work by Emmanuel (1972) on unequal exchange, he differs with him on several important points.

Amin makes several observations which relate to the debate in a general way. He notes that the theory of unequal exchange is based on an understanding of the labour theory of value and the theory of international trade, both of which originated in classical economic theory (equated with Ricardianism by Amin). He states that although marginalists rejected Ricardianism on account of the latter's association with the labour theory of value, they embraced the theory of international trade. He suggests that they did this for ideological reasons. According to him, the theory of international trade does not challenge the status quo of the structure of international trade, whereas the labour theory of value potentially does. This, he argues, makes it possible to justify the international order, the insertion of a new (Third World) state into this order and the exercise of paternalism towards the periphery.

Amin accepts the assumptions of the benefits of trade, on which the 'Ricardian' theory of international trade is based, but observes

that on the international scene there is a reversal of the labour theory of value. The reversal, according to him, consists in the fact that it is no longer the production conditions which determine trade, but trade which determines production. He observes that some theorists of historical materialism are not prepared to accept that there's a reversal of the labour theory of value at the international level, since it implies a refutation of that theory in general.

Amin's point of departure is the unequal exchange thesis advanced by Emmanuel (1972). The thesis revolves around the international mobility of commodities and capital, and the immobility of labour. Amin reacts favourably to the thesis because Emmanuel is the first to clearly formulate the problem of international values. But he is critical of the conclusions that Emmanuel derives from this formulation. The shortcoming of the latter is the inability to analyse the theoretical status of the value of labour power in the capitalist mode of production, consequently failing to pose the question of international values as merely that of the domination of the capitalist mode over the others - or that of the specific nature of the peripheral capitalist mode with respect to the central one.

As far as Amin is concerned, the inability to conceptualize the value of labour power theoretically leads Emmanuel to answer this question in marginalist empiricist terms, calling the wage an independent variable. Maintaining that there are no truly independent variables in the capitalist mode of production, Amin argues that it is **the whole**, i.e., the reproduction of the conditions of the mode of production, that determines the parts, i.e., the variables.

However, Amin argues, Emmanuel's historical materialist critics, such as Kay (1975: 116), themselves do not go beyond this lacuna; they merely repeat the same marginalist formulation in reverse, that the wage is not independent, that it is dependent on productivity or the level of development of productive forces (Amin, 1977a: 186).

It is only partly correct to say that the wage depends on the level of the development of productive forces. For the level of the wage is determined by both objective and subjective factors, by the level of productive forces and the deliberate actions of social forces (Amin, 1977a: 195, 206, 208). Moreover, an important question remains, namely at what level should one view the development of productive forces as taking place: the enterprise, the branch, the nation, or the world. Amin argues that the only relevant values are world values since practically all commodities are produced for the world capitalist market, and they are either similar or can substitute each other (Amin, 1977a: 217). It is on this account that Amin supports Emmanuel on the latter's retort to critics:

> "How does one compare an hour of African labour with that of a Detroit worker? Well, in the same way that one labour-hour of a Detroit worker is compared with the labour-hour of a New York barber." (Quoted by Amin, 1977a: 187)

As this quotation indicates, it can be noted that for both Amin and Emmanuel the assumption which is important here is the unity of the world capitalist system, but Amin stresses that this unity does not presuppose that the entire world operates as a capitalist mode of production. It requires only that the capitalist mode is dominant over others (Amin, 1977a: 126). And, although at places he argues that in industry technical conditions of

production are often comparable in the centre and periphery (Amin, 1980: 152, 160), it is not essential to his point about products being world commodities.

Amin differs significantly from Emmanuel firstly on the question of wage determination. With Emmanuel the determination becomes almost purely subjective. This is a result of tending to generalize 'the reversal' beyond its limit of operation, with the aim of totally disproving the labour theory of value. With Amin the reversal operates only at the international level, and in relation to the periphery of the system, beginning at the second historical stage of capitalist expansion. The second major difference is that Amin views the products of the Third World as being non-specific (Amin, 1977a; 217,210-211), as being identical or close substitutes to those of the centre (Amin, 1977a: 126). This conceptualization becomes a basis for a different policy conclusion from that of Emmanuel. For example it might be suggested that a raising of wages in the periphery would be a workable effort towards resolving the development problem in the periphery, a suggestion put forward by Emmanuel as we shall see in Chapter Two. But Amin would argue that the subjective aspect of the determination of wages would then replay its role in the form of an attempt by external and internal dominant classes to keep the returns to labour low (Amin, 1977a: 206). And if such a policy was truly carried out, inevitably leading to a reduced rate of profit, there may not be a logical enough reason to stop international capital from moving out of Third World production, and to initiate other products in order to obtain a higher rate of profit (Amin, 1977a: Part IV).

1.2.4.4. Unequal Exchange and the Transfer of value

The transfer of value is an important concept which Amin uses in relation to unequal exchange. Where the capital engaged in production in the periphery is external, the returns to it, if repatriated, constitute a transfer of value from the point of view of the periphery. This would be so especially considering that a great deal of development engendered by accumulation depends on the continuous reploughing of capital back into production. To hypothesise this is easy enough, and perhaps not controversial. The problem however has often been the empirical documentation of the transfer, including its statistical calculation. Amin considers two points related to this question. The first one is the statistical evidence of the transfer of value. In collaboration with Andre Gunder Frank, who provides evidence for the pre-colonial and colonial period, Amin presents figures which appear to be proof of the transfer of value (Amin, 1980: 149-163,170-171). The second point that Amin considers is the significance of the transfer. Again with Frank, he argues that the visible part of the transferred value, often in the form of a consistent surplus in the balance of trade with Britain and Europe in the colonial period, enabled the financing of investment in the new centres (Amin, 1980: 171). Elsewhere he estimates that the hidden transfer of value in the period amounted to 15% of the product of peripheral countries. According to him this alone is enough basis for the blocking of growth, and for increasing the gap between the periphery and the centre (Amin, 1976: 1944). However, as we saw earlier, Amin argues that it is not the transfer of value which accounts for the problems of development, i.e., underdevelopment. It is the 'export' structure

(the dependent nature of accumulation in the periphery), and its persistent reproduction, which is the primary cause.

1.2.4.5. The significant areas of Amin's theorisation

If we were to summarise Amin's intervention in the debate, there are several things we would consider. The first is that he firmly anchors dependence not just in the accumulation process, but in a specific stage of that accumulation, namely the imperialist stage. This imperialist stage is defined by him not in terms of the entire period of expansion of capitalism, which included 'mercantilist' expansion before 1880, but in terms of the period (1880 to the present) when capital from the 'centre' went into production in the 'periphery'. This at once distances him from Frank, who in effect associates dependence with capitalism in general. Another point that is well brought out by Amin is that the association of dependence with capitalism need not suggest that development in the 'centre' would have been impossible without the 'underdevelopment' of the 'periphery', as can sometimes be inferred from Frank. If anything should be said about the effect of the dependence of the periphery on accumulation in the centre, it is that at some stage the periphery's role helped it along. Finally, Amin's concept of unequal exchange is noteworthy. He is aware of the 'classic' understanding of this concept, the paying of low prices for goods bought by 'monopolistic' merchants from independent producers in the period before the dominance of the capitalist mode of production, a mechanism which in its own way involved a transfer of value (Amin, 1974a, II: 382-383). But by stressing that it now exists in the form of a relation between international capital and labour in the periphery, he provides an effective challenge to

those who confine it to the prehistory of capitalism, and to those who refuse to associate the development problems of the Third World in any way with modern 'productive' capital - the position of Kay (1975) as we shall see in Chapter Two. Amin's argument that unequal exchange is significant but not crucial in generating problems of underdevelopment makes him differ importantly from Emmanuel and others, especially in regard to potential policies to be advocated.

1.2.4.6. Amin's views on development

Like Cardoso and dos Santos, Amin acknowledges the importance of industrialization, especially the establishment of the capital goods sector, in the creation of an 'autoncentric' economy. His theorisation acknowledges the possibility of some positive development of Third World countries within the structure of dependence. One must not rule out the possibility of a positive contribution by the modifying actions of social forces. Such development may also occur independently of the voluntary, reformist actions of Third World governments. It can occur through the logic of the global accumulation process itself by transferring the larger part of international capital to the Third World if conditions of production permitting a higher rate of surplus value, such as labour conditions, become and remain favourable. To an extent the new phenomenon of 'runaway industries' in South East Asia and elsewhere mirrors this possibility, he argues. But he is in no doubt that every trend favourable to development in the 'periphery' must be part of a strategy to reverse the dependent nature of accumulation for it to be effective (Amin, 1980: 143-148).

It can be seen that Cardoso gives this possibility of development a better chance than Amin does. This is due to the fact that Cardoso accords more importance than Amin to voluntary actions for change in dependence. Nowhere is this emphasis better demonstrated than on the concept of **autonomy**. Whereas Cardoso laments that despite industrial diversification (including the establishment of the capital goods sector) in several Latin American countries decisions are still in the hands of outsiders, Amin continually sees the lack of autonomy in terms of the function objectively 'assigned' by the accumulation process to the 'periphery'. The implied message is that no matter what people do, whatever positive changes they try to introduce, no long-term development and autonomy are likely to occur unless a fundamental change at the international level and to the accumulation process itself takes place.

This is the context in which Amin's solution to the problem, socialism and collective self-reliance, can be understood. By this he means a strategy of development which strives to create an 'independent' industrialization (in turn requiring greater state participation), to re- orientate production to match the requirements of the majority of the people in the country, to reduce trade-based vulnerability through the diversification of production and markets, to create a Third World economic bloc by encouraging intra-Third World trade and joint economic ventures (the kernel of collective self-reliance), and to influence international economic decisions by acting as a bloc in relevant fora (Amin, 1974a; 1977a; 1977b). The solution is one of the logical derivations that can result from Amin's theorisation, and is therefore, to that extent, theoretically consistent with the assumptions.

1.3 Conclusion

We have tried to extract the essential points in the arguments of each of the major dependence writer reviewed here. It can be seen that there are important differences among them in the way they express their views on the origin and the constitution of dependence, its relation with development and the possibility of overcoming it. The differences are partly a result of the importance that each author attaches to subjects such as capitalism, the capital accumulation process, imperialism, social classes, industrialization, and many other issues that are related to dependence and development. Thus it can be seen that, in a general way, Frank's preoccupation with the assertion that relations of production in Latin America (and by extension the Third World) are capitalist, and that capitalism is not a source of development, become important sources for his view that reforms of the dependence structure short of a (socialist) revolution brings neither autonomy nor development. Amin's focus on the accumulation process is one of the reasons he reaches conclusions on dependence and development that differ from those of Frank. That the accumulation process has expanded worldwide, and is to a great extent unitary, leads Amin to state that although it can be a source of development for both the industrialized capitalist countries and the Third World - the centre and periphery in Amin's terms - in the main it brings about only a limited and 'skewed' form of development in the latter. This is because of the Third World's limited control of the accumulation process, or, to put it another way, the lack of autonomy in Third World accumulation, which ensures that the periphery in general performs particular tasks that benefit the centre more than the periphery. A greater rate of

development which is also more in tune with Third World needs is possible if the periphery eschews aspects of the role it has usually played, for example by moving from being merely the producer of raw materials for export and embarking on non-luxurious industrialization. The long-term sustenance of such a programme, however, is only possible if the periphery disengages significantly from the existing global production and trading arrangements, and a socialistic strategy of development is undertaken in tandem.

Since Cardoso perceives the (largely economic) dependence structure to be pliable to social and political actions, and because he believes that the structure differs in relation to time and place, he perceives development to have a better chance in the Third World than what is assumed by either Frank or Amin. Thus, although he is also skeptical of current Third World industrialization programmes, he is more willing to predict a positive future for such programmes for some countries.

Dos Santos' **pessimism about long-term development** in a Third World dominated by imperialism (and within the dependence structure) is akin to that of Amin. But in outlining the reason for this he places more emphasis on the nature of the social structure at international and local levels, and, unlike Amin, less on the rigidity of the economic structure (i.e., the accumulation process).

Due to this diversity, we can say that there is no single theory of dependence. The appropriate way to describe dependence theorisation therefore seems to be that there are theorists of dependence who share an outlook, a perspective (Palma, 1981: 20), an approach (Godfrey, 1980: 4), or who belong to the same school of thought (Seers, 1981: 18). The ground that these theorists share is simply that, contrary to conventional development thinking, the

ways to development are not open to the Third World as they were to the now industrialized capitalist countries in the past, and that this is largely due to the Third World's subordinate role in its economic ties to the industrialized capitalist world - brought about by the spread of capitalism worldwide.

Footnotes to Chapter One:

1 He also gives one 'international' example, that of Japan, arguing that 'resource-poor' Japan was able to forge ahead after the Meiji Restoration because it was unsatellised and therefore did not have its development structurally limited (Frank, 1969: 11). Nabudere (1977) and Nafziger (1979: 37) have made a similar observation.

2 Such studies include those of Alejandro Morroquin and of Rudolfo Stavenhagen, Quoted by Laclau (1971: 23).

CHAPTER TWO: CRITIQUES OF THE DEPENDENCE WORLD OUTLOOK

2.1 Introduction

There is now an abundance of literature which offers a critique of the dependence world outlook. We can identify two major groups in that literature. One group has sought to question or refute the validity of the dependence outlook by empirical means alone. The other has attempted to construct an alternative **theorisation** of economic relations and development on a world scale.

2.2. Empirically-based refutations and appraisals of dependence

The empirical critiques can themselves be divided into two sub-groups. The first sub-group tests the validity of the dependence approach by quantitative measurements, but does not provide alternative statements. The other sub-group is made up of critiques which provide empirically-based alternative statements.

2.2.1. Purely empirical refutations

We shall start with the first sub-group of the empirical critiques, for which we take McGowan (1976) to be a significant representative.

McGowan seeks to respond to a proposition he perceives to be part of the dependence outlook, that a dependence relationship has a negative effect on the development of the the dependent country. The first point to note is that McGowan takes dependence to mean **dependence on trade**, and development to mean **economic performance**. He accordingly seeks to test the proposition empirically by working out correlations between certain aspects of trade and a number of economic indicators of performance. The

trade aspects deemed by him to define dependence are the share of a major donor in the total official bilateral aid to a 'dependent country', the percentage of exports going to a major trading partner, the share of the three leading commodities in total exports, and the extent of international trading that a country carries out.[1] McGowan understands the dependence outlook to be proposing that where the ratios are higher, economic performance becomes negative. Having made this assumption, he matches each of the trade aspects in turn with twenty-three **quantifiable** economic indicators of performance in a sample of thirty 'black African' countries.

McGowan's project enables him to conclude that there is no significant correlation between ratios of the trade aspects in question and levels of economic performance, except in terms of international trading. However, he argues, in this case the correlation contradicts the prediction of the dependence outlook, since what his results show is that the 'black African' countries where foreign trade was a relatively large factor in the national economy performed better than in those in which it was not (McGowan, 1976: 31). With this argument, McGowan then states that dependence 'theory' is not valid.

Several observations can be made on McGowan's project. Without questioning the ability of his indicators to measure economic performance as others have done (Smith, 1977), it can be seen that McGowan does not exercise adequate caution in his use of economic indicators to make a judgement on development. It will also be seen that his understanding of dependence is not correct.

McGowan observes that dependence theorists have criticized 'export-generated economic growth', and concludes from this that

these authors see large ratios of foreign trade as evidence of dependence (McGowan, 1976: 29). The latter does not necessarily follow from the former, and no dependence theorist has reached that conclusion. It is of course possible to link a dependence theorist with a criticism of 'export-generated economic growth', for example Samir Amin (1974b) with the concept of the 'export sector'. However, a keener examination of the concept of 'export sector', which is only one among a number of **dependence symptoms** considered, shows that the meaning is different from that of 'export-generated economic growth'. Not only does the concept encompass a particular type of social relations, but even in its economic sense its ***specifica differentia*** is not that a country's economic growth is generated by export, but that the 'export sector' is disarticulated from the rest of the dependent economy.

McGowan's understanding of dependence derives from a very general meaning of vulnerability, as pointed out by Smith (1977), and sometimes even from a dictionary meaning of relying on something or someone. Dependence transcends both these meanings.

McGowan's problem with the meaning of dependence is partly due to what he himself considers a lack of a commonly agreed upon definition (McGowan, 1976: 38). Observing generally that much of the critique of the dependence approach is 'misplaced' and 'misconceived', Bienefeld (1980: 5) has had this to say:

> "the theoretical and political diversity of the arguments which have been associated with this [dependence] school of thought is such that it is no great task to find formulations and conclusions with which to disagree. What is more difficult, more rare and more useful is ***to distil the essence of the***

argument out of the stew of the debate and to subject it to scrutiny. As will become obvious, *the way one defines this essence has a direct bearing on how it withstands the subsequent scrutiny.*" (Emphasis added.)

As has been pointed out by Kleemeier (1978: 703-704) and Smith (1977: 116), even in a very general sense dependence refers to a particular historical evolution and the structure of the global social formation which prevents **self-generating** growth from occurring in dependent countries. Two propositions, again of a general nature, can serve as elaborations of this broad description. Firstly that the lack of self-generating growth is chiefly associated with the global spread of capitalism as an economic system. This general proposition is a starting point for investigation, and it hardly expresses a preference for the social system in question. Its validation is possible by the investigation of the history of the global spread of capitalism both generally and for specific geographical entities. The second proposition is that the perpetuation of the lack of self-generating growth is caused by the economic structure whose relative stability is supported by various externally and internally based social forces acting at economic, social and political levels. The emphasis of the propositions on **the system** and the global character of that system shows a recognition of the objective and universalistic tendency of the accumulation process, and it is in this context that associating capitalism with the present state of affairs in the Third World should be understood. McGowan's polemical interpretation of it as a 'psychologically satisfying value standpoint which places the blame on the "devils" in the West' misses the point.

A critique which assigns itself the task of refuting the entire

dependence world outlook is expected to address the entire context of the object of refutation. McGowan's critique revolves around one factor, which is trade, and therefore should be directed towards that factor alone, or, better still, to a specific author who understands dependence purely in terms of trade and economic performance. That McGowan does not identify such an author and yet assigns this meaning to dependence, we suggest, is largely because he sought and made out empirical propositions that would be readily measurable. McGowan (1976: 37) reveals his central concern in one of the passages, where he states that

> "The problem for the social scientist is to describe dependence adequately, ***and to measure it in a reliable and valid fashion.***" (Emphasis added.)

In the process McGowan pushes aside the question of a correct presentation of the material to be evaluated.

Several participants in this debate have observed that the main difficulty of social scientists who are heavily inclined towards quantitative measurements is that they are predisposed towards deriving meaning that is readily measurable (Jackson, et.al., 1979: 20; Seers, 1981: 15). There is then a tendency to push aside the question of a correct presentation of the material to be evaluated, as McGowan does with dependence. This central concern for what is readily measurable ultimately turns into empiricism in the case of McGowan when he declares dependence invalidated on account of his own quantitative empirical project alone.

The points raised by McGowan are similar to those put forward by another purely empirical appraisal of dependence, conducted by Kaufman and others (1975). By using cross-sectional data for various nations, this project examines the effect of certain types of

external factors, including trade, investment and debt, on Third World 'economic development and distribution'. The project has been criticized by Jackson et al (1979: 19- 20), who are themselves involved in quantitative measurements of dependence propositions. The latter argue that such projects have no regard to structure, history and social relations, and that they assign to dependence different kinds of meaning which are only remotely connected with it. These kinds of meaning, they point out, include the notion that external relations cause inequality, and that aggregate economic production equals development. Chase-Dunn (1975), who has conducted another empirical appraisal of dependence, can be criticized in a similar way (Jackson et al, 1979).

The same dissatisfaction can be expressed regarding the work of Vengroff (1975, 1977). By his own account, Vengroff's work ends up 'supporting the propositions of the dependence outlook', after he set out 'to subject dependency theory to a preliminary empirical test'. But, once again, neither does the author seek to identify the central thesis or theses of the dependence outlook nor does he relate any of what he calls 'assertions of dependence' to a writer within that outlook. He lists three of what he regards as elements of dependence. These are accordingly formulated into three hypotheses for testing. The first is that there is a negative correlation between economic dependence and the economic performance of a nation. His figures appear to disprove this hypothesis. The second is that there are positive correlations between economic dependence, political dependence and military dependence, and he finds the hypothesis proven. The third proposition is that there is a positive correlation between economic dependence and the level of inequality within a nation. While

regarding inequality as being the 'most crucial test of dependence theory', he considers that 'the best available measure of this inequality' is 'the ethnic representativeness of the cabinet' (Vengroff, 1977: 615, 620). And this rather rare definition of inequality in the dependence debate helps Vengroff prove the hypothesis correct. What is quite clear is that none of these hypotheses is proposed by the dependence outlook.

One other appraisal of dependence to be considered in this category is that of Lall (1975). Lall argues that there is a close affinity between the words dependence and interdependence, and that it is possible to show empirically the relationship between nation-states as one of interdependence. He agrees that the features of the economy as described by dependence theorists exist, but argues that dependence is the wrong word to describe them. In effect Lall's critique becomes a linguistic one.

There is indeed interdependence between almost all social phenomena. But concepts do not necessarily equal the elementary meaning of words from which they originate. Foster-Carter (1976) and Cardoso and Faletto (1979: xxi) have demonstrated how conceptually mistaken this 'interdependence' view is as a counter-critique of the dependence approach.

Lall raises two further themes for consideration, although they are quite undeveloped in the essay. The first argues that the features of underdevelopment described by dependence theorization are general to capitalist growth, and that these features are present in no greater magnitude in 'underdeveloped' countries than in industrialized countries. Lall does not produce figures, but he insists that his views are based on their empirical demonstrability. What is notable is the impression given, that the significant features

of development observed in the Third World are not peculiar to it. The second theme raised by Lall is that dependence theorization takes a value standpoint, i.e. whether capitalist development is desirable or not. This description of dependence analyses as being influenced by ideological or moral preferences is better formulated than McGowan's attempt in his reference to 'blaming the devil in the West', and can to an extent be demonstrated. Lall also points to features - for example immiseration - which he thinks do not signify dependence but aspects of capitalism that are objectionable to dependence theorists (Lall, 1981). But he merely mentions them, and we think that they are better articulated by those who have attempted to present an alternative statement, as we shall see soon.

Although Lall himself does not produce figures, he works out 'characteristics of dependence' to be measured as factors in a manner similar to others in this category. He too appears to be convinced that the proof or validation of dependence theorization is dependent entirely on the critic's empirical measures of what are thought to be characteristics of dependence. The additional two themes introduced by him and mentioned above indicate an awareness that dependence is not made up of rigid features and mechanical relationships - an attempt to meet the theorization on a conceptual plane. Below we consider the largely empirical refutation of dependence by Warren (1973), who is categorised in a different sub-group because he offers alternative statements to those he criticizes.

2.2.2 Warren's refutation of dependence

In his article, Warren (1973) addresses two conceptual issues, imperialism and dependence. The two issues are not treated as

separate, an omission that is not peculiar to Warren; the material he criticizes also usually presents the two issues as if they were always one and the same. In this section we try to pick out only those aspects of Warren's critique that are relevant to the dependence outlook.

Despite the fact that Warren does not argue out a fully co-ordinated conceptual framework or theory of his own as such, some of the statements he makes are of a conceptual nature. Let us present these first.

In his critique of dependence theorists, Warren addresses them as marxist socialists. According to him these marxist socialists maintain that imperialist domination causes underdevelopment and dependence, and that because of these factors the prospects of independent economic development/independent industrialization in underdeveloped countries are nil or negligible unless they take a socialist option (Warren, 1973: 3).

Warren's response contains the following points:

(a)Empirical observations suggest that the prospects for successful capitalist economic development (implying industrialization) of a significant number of major underdeveloped countries are quite good (Warren, 1973: 3).

(b)Substantial progress in capitalist industrialization has already been achieved.

(c)The period since the second World War has been marked by a major upsurge in capitalist social relations and productive forces (especially in industrialisation) in the Third World.

(d)In so far as there are obstacles to this development, they originate not in current imperialist-Third World relationships, but almost entirely from the internal contradictions of the Third World itself.

(e)The policies of imperialist countries and their overall impact on the Third World actually favour the latter's industrialization.
(f)The ties of dependence binding the Third World to the imperialist countries have been, and are being, markedly loosened, with the consequence that the distribution of power within the capitalist world is becoming less uneven (Warren, 1973: 3).

2.2.2.1. Evaluation of Warren's statements

The first observation we can make is that it is misleading to interpret dependence theorisation in a simple way as a marxist socialist debate. We have already noted in Chapter One that individual dependence theorists draw from different methodological and philosophical sources, a view supported by some of the classifiers of dependence writers such as O'Brien (1979), Higgott (1980) and Chilcote (1981). The main danger of Warren's characterization lies in the possibility of losing the kernel and identity of the dependence debate in either a different or a more general discourse. One of the usual problems which accompanies Warren-like characterisations of dependence writers is the emphasis on the ideological 'spin-offs' of the debate, one which, as Palma (1981) observes, has left an indelible negative mark on the objective aspect of it. As we shall see later, Warren's critique of dependence is full of ideological intervention which should be relevant to marxists or socialists, but which prohibits treatment of the dependence debate in depth.

A second observation which can be made is that at the theoretical level Warren does not appear to pay enough attention to a clear conceptualization of the factors and terms that are fundamental to the debate on dependence and imperialism. For

example, throughout the essay, and as indicated by point (d) above, he treats imperialism as if it was a purely external factor to the Third World. Like those sustaining dependence, the social forces of imperialism are both externally and internally based, at least according to some of the major theorists of dependence. As such it is not accurate to portray imperialism as being exclusive from, or the opposite of, 'internal contradictions' of the Third World. Thus the use that Warren makes of the concept of dependence itself at times seems unclear.2

Warren's statement that the policies of imperialist countries and their overall impact favour Third World industrialization is based on two premises: That intra-imperialist rivalry has increased the latitude for Third World manoeuvre and bargaining, and that imperialist policies are now consciously directed to the development of productive forces in order to stop revolutions in that part of the world (Warren, 1973: 13-16). When these premises are combined with the development, after formal independence, of various domestic groups that are keen to industrialise their countries, then according to Warren the result can only be further industrialization (Warren, 1973: 13-16, 42-43).

There is no doubting the increased bargaining power of the Third World at some levels, especially after the reinforcement of the bloc brought about by decolonisation, although this fact remains only remotely connected to the issue of dependence. There is also no doubting that extensive industrial infrastructure has been constructed in many parts of the Third World since then. However the point about the relationship between dependence and development raised by the theorists still remains, and that is the extent to which these increased chances for industrialization or

development remain only a possibility or become a reality.

In the early 1970s a more substantive type of bargaining power for the Third World was seen to have come into being from the unity of oil-producing Third World Countries, and also, more importantly, from an apparently steady world market price rise for other major Third World-produced commodities. Writing in the same period as Warren, and with 'optimism' for the Third World typical of the time, Hone (1973) was so impressed by this that he interpreted it as a definite and important shift in power relations. Without at the moment questioning the appropriateness of equating the possession of bargaining power with the elimination of dependence which Warren, as Hone and others in the period appeared to do, even here the question remained whether this 'shift' was not exclusively tied to the boom and therefore transitory. While offering qualified support to Hone, and arguing that oil, rather than the commodity boom, offered the possibility of a permanent shift in such power relations, Emmanuel (1974: 79-82) was not convinced that the observed boom of the 1970s would be a permanent feature. In addition, it should be noted that Hone shows the rise of the price index of Third World commodities one-sidedly, without showing the price index of manufactured goods that are commonly imported by the Third World.[3]

In attaching a great deal of significance to the impetus to industrialise in the era following decolonisation, Warren finds the 'participation of imperialism' critical and a factor to be sought by Third World industrialisers. It is this which leads him to argue that what may be termed the organisational form of imperialism, the transnational corporation, is highly beneficial to the Third World, and, he adds, almost a liability to its home country. This, according

to him, is because transnational corporations transfer **capital, technology and employment** to the Third World, thus creating a net loss on these factors in their countries of origin (Warren, 1973: 39). Emmanuel (1976: 754-768) has made the same argument in an article devoted to the study of transnational corporations. But, mindful of the possible charge from some of the 'dependetistas', that this does not lead to 'independent industrialization', and perhaps conceding the point that economic sovereignty in this area might have a value in its own right, Warren states that such a criterion has already been met to a great extent. He recognises four aspects of the criterion of sovereignty, first highlighted by Sutcliffe (1972), in which the achievement has been made. These are: that development should be based on the home market, that development should entail the existence of a wide range of industries locally, that development should not rely on uncontrolled foreign finance and that technological progress should be independent.

Warren uses a lot of statistical data and believes that they are a strong basis for his arguments. Let us now turn to those figures. The figures used are national aggregates as well as totals for major categories of countries such as the 'underdeveloped' countries and the developed countries. They are organized around the common economic indicators in which the categories of GDP and industrial output are central. They show growth or increases in the economy in general, the share of industry in the economy, the number of industrial or manufacturing workers, the countries' terms of trade, their share of world trade, their balance of payments situation, their international reserves, and the local share in companies operating in domestic economies. All figures representing each of these

categories show significant Third World growth rates.

A few preliminary points in relation to Warren's data should be advanced here. First, here as in numerous other studies of this type we have the problem of cross-national data, which tends to falsify the picture when countries with small GDPs or industrial outputs are lumped together with those having large ones. Secondly we have the problem of the tendency to exaggerate the rate of development (or industrialization) when we rely on GDPs since in some countries these may be constituted almost exclusively by extractive economic activities that momentarily raise GDPs without providing much impetus to the further development of the economy, as witness the case of oil-producing Third World economies as well as some which are primarily based on mining.

When the same cross-national data is broken up into individual national data units, and general totals disaggregated into more specific and analytical categories, the extremely positive picture of development in the Third World portrayed by Warren ceases to be dramatic and in places turns negative. This conclusion which Warren is only partly aware of comes out clearly in the critique by Emmanuel (1974), which we examine below.

2.2.3. Emmanuel's critique of Warren

Emmanuel agrees with Warren that development implies industrialization, but he is critical of the claims the latter makes for his empirical material, and for 'jumping to the unwarranted conclusion that industrialization and development are one and the same thing' (Emmanuel, 1974: 63).

"The very fact that manufacturing labour and manufacturing output, as percentages of total labour force and total output, are roughly the same in Argentina as in the USA, 25.1% and 28% as against 26.5% and 28%, and considerably higher than that, 41.4% and 38%, in Hong Kong, proves in my view that industrialization (sic) is by itself not a good gauge of development; for it would logically compel Warren to admit that Argentina is as highly developed as the USA, and Hong Kong 50% more so!" (Emmanuel, 1974: 63).

Emmanuel continues to argue (with figures) and show that where Warren incorrectly saw a robust developing Third World industrialization and the advance of productive forces, there was only 'backward industry' and 'backward agriculture' (Emmanuel, 1974: 66). He uses the same aggregate totals of Third World industrial production over a specified period that Warren uses, but unlike Warren he introduces a labour productivity measure (defined simply as the ratio of total output to the total number of employees). Thus output per person was $592 in 'underdeveloped' countries, $3,760 in OECD countries and $7,180 in USA (Emmanuel, 1974: 66). Furthermore considering that growth per head as an indicator of the development of the productive forces has more importance than Warren is willing to assign it, Emmanuel finds that the gap between 'underdeveloped' countries and the developed ones has been widening. The difference in per capita levels had widened from 1:6 in 1900 to 1:13.2 in 1970 (Emmanuel, 1974: 71).

Warren (1973: 10) tells us that "the most relevant single indicator of the degree to which a large or medium-sized economy is constructing modern productive forces is the proportion of the

active population employed in modern manufacturing as compared to that employed in backward agriculture. He then refers us to a portion of his figures which shows the proportion of manufacturing workers to the total active population. Despite showing a much higher proportion in developed countries across the board, he thinks that the figures are an 'absolutely crucial', positive indication of the progress made in some Third World countries (Warren, 1973: 10). Yet on examining the figures critically one notices that Warren does not indicate the proportion of people still in agriculture. Emmanuel finds this to be an important omission. If included, the gap between developed countries and the 'underdeveloped' ones would be far wider. Thus manufacturing labour force as a percentage of total population for the period that both writers work with would be 28.5 for OECD countries (less Turkey) and 10% for the rest of the world (less Eastern Europe). But agricultural labour force as a percentage of the total active population would be 11.6 and 68.7% respectively (Emmanuel, 1974: 70).

Emmanuel's critique strengthens the argument that Warren's empirical evidence is the wrong source of commentary on whether there has been any significant development in the Third World. It merely shows that the Third World was not stagnant in the period under study. Indeed it is difficult to see how a social phenomenon can experience an absolute standstill for any meaningful length of time. It would therefore be ridiculous for Warren to marshall a mass of figures merely to demonstrate this simple (and therefore tautological) point if it were not for what we suggest is his greater worry - namely that, anti-dependence and anti-imperialist notions contain the 'danger' of an autarkic shut-off from capital. The

keenness on guarding against this 'danger', we suggest, leads him to infer more from his figures than they permit.

At the surface Emmanuel's critique of Warren appears to state only that 'underdeveloped' countries are in fact less developed than the developed countries (which is tautological), that the former's growth is inadequate, and that the gap between the two sets of countries is either as wide as, or is getting wider than, it used to be. What is more, Emmanuel is using similar cross-national data to argue this. It is on the surface a simple difference, built around the interpretation of figures. But in reality they differ on a central conceptual issue of development, and it is this which influences their differing conclusions even if made from the same set of figures.

Warren's concept of development appears to be limited to the notion of the development of 'productive forces', and his understanding of this notion seems to be simply the quantitative increase in material things.[4] For Warren the 'human factor' is not an issue in the present era; it is moral and socialist, perhaps relevant in the future. What matters now is simply the increase in (the technical) productive forces irrespective of, for example, whether there is exploitation or not (Warren, 1973; Warren, 1980).

Emmanuel on the other hand is appreciative of the role played by the technical productive forces without conceding to the tendency to see them as ends in themselves (Emmanuel, 1974: 64). To elaborate, he states that labour productivity is a key to development, and that productivity is achieved through the intensification and spread of mechanization and workers' skills. The increase in mechanization and workers' skills, however, does not come from the production of machines in specified branches as

is often assumed, but from the utilisation of machines and technicians in any branch whatsoever, including that in which machines are produced (Emmanuel, 1974: 64-66). Thus although industrialization is preferable to backward agriculture (Emmanuel, 1974: 70), the appearance of factories alone does not enhance the capacity to meet the goals of development, nor does it become a good indicator of development by itself. the goals of development are stated by Emmanuel in a general way to be the attainment of what industrialized societies have come to regard as standard consumption levels of various goods and services (Emmanuel, 1972: 370; 1974: 62-65).

This view of development provides some affinity between Emmanuel and dependence theorists, as well as with a number of others concerned as it were with 'the quality of life'. There is another aspect to this affinity with dependence theorists, of course. It is the popularly perceived Third Worldism considered portrayed by the theses of his writings, especially that of unequal exchange to which we referred earlier in Chapter One.

Emmanuel's purpose in the book (Emmanuel, 1972) was, among others, to explain why 'underdeveloped' countries were not narrowing 'the gap'. Its message was that they were not narrowing the gap because their workers were paid below the value of their labour-power, leading to lower prices for Third World- produced commodities. This thesis was recounted throughout the book, though Emmanuel did not then see the solution to 'underdevelopment' as being the improvement of the terms of trade (Emmanuel, 1972: 371). In the articles (Emmanuel, 1974; 1976) which came later the explanation was repeated, but in addition, the importance of capital (including technology) was brought to the

fore. The argument of these articles was that lower incomes in the Third World would not attract capital, which is crucial in development, and if the Third World continues to be starved of capital, productivity will not rise and incomes will be kept low. In one of the articles (Emmanuel, 1976) he exhorts the Third World to attract those with capital, identified as the transnational corporations, and attacks those who are anti-capital, perceived to be mainly the dependence theorists.

It can be said that, because Emmanuel retains the unequal exchange explanation of 'underdevelopment', and because he is concerned with the 'quality of life' in the Third World even though in the purely underconsumptionist sense of the magnitude of incomes, he still has some affinity with the dependence outlook in the articles too. However, for those who believe as he now does, that the dependence outlook is **anti- capital,** his articles finally show him abandoning the 'Third Worldist' stance. This may be the more accurate interpretation, particularly since in the articles, Emmanuel himself makes it clear that his real adversaries are dependence theorists. Taking it for the moment that this is the interpretation of his writings that matters, for the purpose of comparison and summary we can note the following. It is the view of both Warren and Emmanuel that capital is crucial to the Third World due to its ability to bring about development there. With Warren it is already doing so. With Emmanuel it remains only a potential force.

Both Warren and Emmanuel use extensively the quantitative empirical approach to make their points. But whereas Warren's attempt to make an alternative statement derives exclusively from his figures, Emmanuel's does not.

Below we examine a fully conceptual critique of dependence with its own alternative framework.

2.3. A conceptual refutation of dependence: The 'merchant capital' thesis of Geoffrey Kay

2.3.1 Kay's appraisal of conventional development theory, and of the dependence response

To an extent, all the major theorists of dependence place the initial responsibility for underdevelopment on merchant capital. The degree of emphasis differs from one writer to another, but we can note that some dependence-oriented historical studies (Rodney, 1972; Amin, 1972) have dwelt on this more than the purely theoretical ones. We also find that Baran (1973), who is sometimes considered to be one of the sources of the dependence framework, placed more emphasis on the role of merchant capital in underdevelopment than was done by dependence theorists. This is not surprising, since he had an entire chapter devoted to tracing 'the roots of backwardness'. However, both Baran and the dependence theorists saw merchant capital as a specific historical stage of capital. Its operation in what is now the Third World occurred when there was a purely commercial contact between the then mercantile Europe and other parts of the world. As we shall see, Kay's understanding of merchant capital differs from this, and he is more explicit about its responsibility for 'underdevelopment'.

Firstly Kay states that the conventional development framework dominated development studies and was its only framework before the advent of the dependence outlook. He also states that the framework saw 'underdevelopment' chiefly as an original condition in which all countries once existed - characterized by such

things as poverty, low labour productivity, inadequate equipment and a heavy dependence on a primitive agrarian sector. The ideological point arising from this conventional development argument, according to Kay, was that in this way the responsibility for underdevelopment could not be attributed to any country or social class, and colonialism was exonerated.5 Kay then shows that just as no single body of knowledge can have a secure existence without a scientific basis, the conventional development framework had its scientific basis too. To demonstrate how wrong a body of knowledge is, it is important to identify and examine its scientific basis. Kay identifies the scientific basis of the conventional development framework as neo-classical economics. The important elements of neo classical economics in a simplified summary include among others the following arguments.

(a)There is a universal problem, scarce means and unlimited ends, and therefore the object of (economic) study is the allocation of scarce means to unlimited ends. Kay argues that this element accounts for the preoccupation of much of economics, by implication conventional development analyses as well, with quantitative data.

(b)The three factors of production, land, labour and capital are socially equivalent to each other and rewarded according to their contribution in production. The ideological position which this element produces, according to Kay, is that there is no exploitation at all.

(c)The property relations of capitalism are universal and desirable. The ideological position in support of capitalism is obvious here, according to Kay. Furthermore, this element, together with the concept of universal scarcity is the basis for the **lack of history**, and

the **dominance of static notions,** in neo-classical economics as well as conventional development analyses (Kay, 1975: 1-12).

Kay goes on to show how it is possible to move from the neo-classical economic categories to the concepts of a dual society in the Third World - one traditional the other modern, the object of development being essentially the diffusion of modernity into the traditional society. The strictly economic variant of this diffusion of modernity is the diffusion of capital. A good part of Kay's work is then devoted to refuting the assumptions of neo-classical economics, which takes him to the **categories** employed by Karl Marx, the most important of which, according to Kay, is the law of value.

It is the law of value, at least Kay's interpretation of it, which leads him to place responsibility for 'underdevelopment' on **merchant capital** while crediting **productive capital** with development. His position is a significant alternative to both conventional development theory and dependence, at least in the realm of theory, allowing Kay to agree with both in one respect, and to disagree with them in another. He agrees with dependence theorists for placing responsibility for 'underdevelopment' on capitalism and disagrees with them for saying or implying that capital is not the source of development. In turn he agrees with conventional development theorists that capitalism is the source of development while disagreeing with them for saying that it is not responsible for 'underdevelopment'. Of greater interest to us here, however, is Kay's basic disagreement with the dependence outlook and the logic of his alternative theory.

Kay commends the dependence theorists for having shown that the phenomenon of 'underdevelopment' is a result of the same

process which accounted for development elsewhere, such as Europe. In this way the dependence outlook countered the ideological and often chauvinistic stance prevalent in the conventional development framework, according to which Europe and capitalism could only carry out a developmental mission to the Third World (Kay, 1975: 1-3). The shortcoming in the dependence outlook, according to Kay, was to respond in ideological terms without attacking the scientific basis of conventional development theory. This inadequacy leaves dependence theorists still preoccupied with quantitative analyses, which must mean that they belong to the same framework that they appear to attack (Kay, 1975: 10). Leys (1977) has taken up Kay's criticism of dependence theorists and said much the same thing about them. The ideological counter-argument by dependence theorists is the reason, according to Kay, they were so eager to prove what conventional development theorists were themselves already beginning to accept - capitalism's responsibility for 'underdevelopment' - that they missed the more important point of capitalism being the source of development (Kay, 1975: 7-10).

Kay is unconvincing in his assertion that dependence theorists were in a sense all part of the conventional development framework, especially when seen in the light of the individual contributions of the theorists we discussed in Chapter One. There is also no supportive evidence, either for arguing that dependence theorists merely presented ideological responses, or for implying as Kay does, that ideological additions to analyses diminish the latter's value. With these preliminary comments, we must now turn to the alternative statement that Kay makes.

The law of value has implications for theories of capitalism,

development and exploitation. Many of these lie outside the scope of this thesis. We therefore do not treat that 'law' in detail here, our emphasis being on the elements that constitute the relationship between the 'law' and merchant capital, even though this may not do justice to Kay's presentation. Let us begin by saying that the law recognizes labour as the only value-creating factor in all societies which carry out commodity exchange, and that merchant capital opens up but does not fully facilitate the development of capitalist commodity production. This is because, being largely restricted to exchange, it does not add value, which takes place only in production.

2.3.2 The Law of value and the development of unequal exchange

What follows is our attempt to present the history of the operation of the law of value in relation to forms or stages of capital, but especially in relation to merchant capital. Our presentation is roughly similar to that of Kay (1975) up to the period of 'colonial imperialism'.

First let us look at the operation of the law of value in the period of commodity production preceding capitalist production. It is known that at a very low level of production, all products are consumed by the producers themselves. Such a society knows no exchange. At a later time in its development, there begins to appear a surplus product in society. The surplus product then becomes a basis for exchange. Historically, the first act of exchange therefore occurred between two or more self sufficient communities, and what was exchanged was only that product which was practically superfluous to each of them. What is noteworthy at this point is

that **exchange took place between units of production that were independent, and made up of independent producers,** each of whom engaged in, and had knowledge of, many activities. The exchange of products superfluous to their needs therefore was for obtaining what they could not find time to produce. Due to this non-specialization in a peasant 'natural economy' the amount of labour-time required to produce an article or articles could be clearly known or closely estimated. This and the fact that exchange was barter made it possible for goods to exchange at or close to value (what can be regarded as the **pure form** of the operation of the law of value relating to prices).

Even when the division of social labour developed much higher, such as when towns came into being (while exchange was still barter), exchange between town artisans and peasants could only be on the basis of the centrality of labour (Engels, 1976a: 106-125).

Known history shows that as society's 'forces of production' developed further, an enlargement of the surplus product occurred, necessitating a further development of the division of labour. In addition, at a point in this development of the division of labour, there was a discovery of precious metals, and their use as the universal exchange equivalent. Since this money form was a special commodity whose conditions of production was known only to a few people in areas distant to those which did not produce it, and since specialization meant that distant lands could now supply commodities whose conditions of production could not be fully ascertained, independent producers began to lose the ability to exchange at or close to value. Prices now tended to be only reflective of value.

It was out of this increased division of social labour that

merchants appeared. Corresponding to the closed and proscriptive nature of society then, which in Europe was predominantly feudal, merchant trade associations with closed membership were formed. One of the advantages of the associations for merchants was their ability to guarantee equalized rates of profit for members, since they could compel members to sell or buy in accordance with prices fixed by the associations. It appears also that at this time the proportion of the surplus product extracted from independent producers and kept by merchants was very high. The reason for this, of course, is that exchange became a monopoly in many of its aspects. In addition the possession of vast sums of money by merchants made it possible for them to acquire influence and privilege in society. However, this was also the time when the state was being strengthened and centralized, and therefore requiring large sums of money for maintenance. In order to trade in alien estates or monopolies, merchants had to pay taxes and trade duties to ruling princes. Also, some of the merchants were likely to borrow heavily, in conditions of generally high-interest usury. This atmosphere of insecurity regarding their financial future contributed to the maintenance of a high rate of extraction of the surplus product.

The insecurity points to the limit of the power of merchants as a social grouping at that time, but the ability to determine prices almost at will made it a very privileged one indeed. Of particular theoretical interest is the point that, seen as a grouping able to 'subdue' different producers at the level of exchange, merchants can be said to have engaged in **unequal exchange** with them, and that the unequal exchange 'objectively' being established at the economic level due to specialization and the coming into being of rare commodities was soon supported by the extra- economic

organisation of merchants. This is the first instance of unequal exchange that can be said to have modified the pure operation of the law of value regarding prices (Engels, 1976a).

We have seen that the monopoly position of merchants engendered by strong associations or guilds ensured an equalization of the rate of profit for its members. However, a particular rate for each merchant guild or a group of them depended on the particular community or nation (i.e., the market) remaining closed, as it did for a while. This meant that although within the same guild or market merchants had an equal rate of profit, each market area had its own special rate of profit. The logical thing to follow from this situation would be that trade would tend to withdraw from an area with a lower rate of profit to where it is higher, provided the markets opened up and allowed competition, which they did later. The competition among different associations and among different nationalities that followed realized an equalization of profit by economic means alone. This competition inevitably put more money into the hands of single merchants, some of the competitors were squeezed out of action, and the guilds gradually became superfluous.

One type of competition which hastened the deterioration of merchant associations was the inter-continental trade which now came into being. With this trade the associations receded further into the background; to the fore came the protection of single merchants by the state, and in some cases the state itself now actively traded through these single merchants (Engels, 1976a). In 'distant' lands the merchants traded with independent producers who obviously had no knowledge of most of the goods brought to them or of conditions of production elsewhere. They also

overwhelmed the independent producers, since they had powerful states to back them. This made it possible for merchants to have a dominant position in the determination of prices, and, in the historical sense, this is another instance of **unequal exchange.** This too constituted a modification of the law of value since the determination of prices was increasingly less reflective of the labour-time expended in production, and more of the privileged status of the merchant in the market, which was both economic and political.

What we have considered so far is that the development of commodity production necessitated the emergence of the merchant at some point, and with it unequal exchange, and the modification of the law of value. But it is important to emphasize that merchants did not overwhelm independent producers everywhere. This was not possible because the production process and the means of production were still in the hands of producers, thus permitting a large part of the **domestic market** of each merchant's own community or nationality to remain outside the merchant circuit, and for exchange to continue to take place more or less at value in that market. As long as producers remained independent in the merchant's own community, the chief sources of profits for merchants were the foreign buyers of domestic products or the domestic buyers of foreign products.

Engels (1976a: 121) summed up the operation of the law of value in this period in the following terms:

> "And thus we find here that commodities are sold at their values, on the average, in the domestic retail trade, but, for reasons given, not in international trade as a rule."

The suggestion here is that the most significant modification of the

law of value, referred to as a reversal by Amin (1977), and considered a refutation of that law by Emmanuel (1972), occurred outside the domestic markets. The suggestion is also that in the original sense, for instance as understood by Engels, unequal exchange occurred at the 'rudimentary' stage of capital (or during the 'prehistory' of capital), as merchant capital, then the only form of capital, asserted itself over independent producers.

2.3.3 Merchant capital and the beginning of capitalist production

As merchants acquired more capital and specialization intensified, it now became possible for some to employ people from the population of independent producers, a situation no doubt assisted into existence by, among other things, the emerging process of land alienation. It has been suggested by some that wage labour as a form of production first emerged in shipping and mining, controlled by richer merchants. Its characteristic was the payment for the workers in those activities of what we now describe as an amount enough for subsistence, and not necessarily the amount equivalent to the labour-time the labourer expended on the job. In this way a further increase in merchants' profits was possible: there was unequal exchange with distant independent producers, as well as outright plunder; and the merchants were also exploiting labourers on the basis of **unpaid-for surplus labour**, which is the definition of capitalist exploitation. Meanwhile, as production for exchange became generalized, greater amounts of capital as well as stable sources of raw materials were now required to maintain or step up levels of production. This need appears to have been felt especially by the exporting craftsmen. Initially, merchants were

well placed for this task of supplying large amounts of capital. They now bought raw materials which they brought to independent artisans and craftsmen, who worked them for a wage, to be sold as goods by merchants. This guaranteed a stable employment for the artisans, but it also accounted for a high rate of profit for merchants, since they were able to sell the products at an established mercantile rate of profit. The merchants who went into production in this limited way were therefore at an advantage in comparison with the merchants per excellence. This advantage soon afforded the former an opportunity to undersell the other merchants by reducing the price. In time, this forced other mercantile competitors to do the same, i.e., get involved in production to a degree, which tended to equalize the rate of profit, and, more importantly, led to the intensification of the exploitation of the labour of independent producers.

But merchant capital did not put back into production the **surplus value** so acquired; in effect it transferred value otherwise created in (the now increasingly capitalist) production to the sphere of circulation, where it was non-productive. It is true that through unequal exchange, plunder and later the exploitation of labour, the amount of wealth was increased, and these large amounts of wealth further spread and intensified trade, stimulating commodity production in every area they touched in turn. But merchant capital was now a fetter to the development of capitalist production, not only because it continued to draw out and away from production the value necessary for reploughing, but also because, having been brought up in the care of restrictive feudal guilds, it could not open the economy wide enough for capitalist production and exchange.

It was the independent producers, and some merchants, through the investment of large amounts of capital, who began to organize capitalist production away from the control of merchants. When manufacture started, and the technical production process was organized through 'co-operative' labour - the pre-cursor of large-scale industry, more commodities were produced and cheapened (Engels, 1976a: 124).

2.3.4 The defeat of merchant capital

Large-scale industry ultimately conquered the domestic market for capital, which in its long history had created the process of proletarianisation based on the freeing of a section of the producers from their means of production. The maturation of capitalism, and of industry in particular, heralded the demise of not only the feudal system but also merchant capital as the dominant capital. Consequently this set into motion the decline of the economic power of the merchant class, in particular its commercial subjugation of independent producers.

The course and outcome of the struggle between industry and mercantilism is the main point at issue in the debate on the role of merchant capital and 'underdevelopment'. In England this struggle came to a climax in the first half of the 19th century; the parliamentary reforms of 1830 and the repeal of the protectionist corn laws in the 1840s were the immediate political representation of these struggles (Engels, 1976b), as were, in the long term, the Tory party of the time (for landed and mercantile interests) and the Whigs (for the rising 'free-trade' industrialists).

One of the political forms that the struggle took at that time was the India Question, in which the trading (and governing) East India

Company was the centre of the debate (Marx, 1976c). The history of the company is unique to the extent that it spanned the entire mercantilist period, and can easily be seen to epitomize the development of merchant activities abroad, i.e., at first unequal exchange accompanied with plunder, then a tendency towards involvement in production, and, above all, a monopoly of trade which it maintained until its demise. Although most of its activities, including its 'half-hearted' involvement with production, were in India, its privileged relationship with the state (which also spanned the entire mercantilist period) was situated in England. Thus the struggle on the Indian Question, in which the East India Company then occupied centre stage, also clearly represented industrial capital's struggle against merchant capital **abroad and at home**. The defeat of the pro-East India group, and the consequent demise of the company and others of its kind, mirrored the elimination of merchant capital and the start of the dominance of productive capital, led by industrial capital. The ending of the Trans-Atlantic Slave Trade was also largely related to this.

The defeat of merchant capital everywhere was necessary to industrial capital since, to use the words of Kay (1975: 101), "as an independent dominant power, merchant capital trades where it can and what it can without scruple: here slaves; there opium". In this way it leaves behind a devastating effect on the productive powers and consumption capacity of society, one not conducive to supplying raw materials and providing a market for manufactured goods, the role that was being created for the non- industrial areas at that time. Later, these areas took an additional role as new areas of investment (or Lenin's 'export of capital'). Obviously 'productive capital' itself did not everywhere turn producers into wage

labourers, but the process of capital accumulation required, as a minimum condition, the spread of a commodity economy geared to the specific needs of industry, and the guarantee of an 'open' market, which could not be accomplished by merchant capital even in the new areas.

The process culminating in the defeat of merchant capital was worldwide, and the merchants' position as a dominant social grouping in an evolving worldwide system of commodity exchange was now taken by industrial capitalists.

2.3.5 The limitation of Kay's theory of merchant capital

Kay differs from this view at the point of conclusion, for he argues that whereas merchant capital was defeated in Europe, it continued to exist **hegemonically** in the 'underdeveloped world', and that this is what explains 'underdevelopment'. This is elaborated theoretically by Kay in the following manner: that merchant capital entails, from the standpoint of the law of value, unequal exchange and the transfer of value from production, both of which are related to its monopolistic exchange position, and which result in a high profit rate. Kay then attempts to demonstrate this argument with 'four acts of exchange' in which he perceives merchant capital to be engaged: there are two acts of selling, and two of buying. On one side of the transaction with merchant capital are Third World producers, on the other 'productive' capital. The circuit involving merchant capital, therefore, has the following phases.

1.Purchase of raw materials in the underdeveloped countries.

2.Sale of raw materials to productive capital.

3.Purchase of output of productive capital.

4.Sale of output to 'underdeveloped' countries and the completion of the circuit involving merchant capital (Kay, 1975: 120-122).

Kay then puts up several possible cases of **unequal exchange** that can occur between other groups and merchant capital. According to him, unequal exchange occurs on both ends in some cases, and it is these cases that account for merchant profits. It can also occur at one end only (in the Third World) while on the other (with productive capital) merchants exchange either at value or under it.

We suggest that to argue this way involves two assumptions. The first is that exchange is the only relationship between Third World producers and capital. But this is not the only relationship; production is another. As Bernstein has argued in his critique of Kay, the involvement of capital in production in the Third World is not merely a 20th century phenomenon; it goes back to the last century. Secondly, assuming that there is a predominance of commercial activities in the Third World which Kay equates with merchant capital, it would still be necessary to show the independence and equality of all the three actors - Third World producers, commercial capital and 'productive' capital, in particular the independence of both Third World producers and commercial capital from 'productive' capital. But this is not the case. Productive capital has brought under its control all forms of production even if these are still pre-capitalist (Bernstein, 1976). And this 'productive' capital may at certain moments in its circuit appear mercantile (Marx, 1974: Ch.XX), but this does not change its productive characteristic. Thus 'productive' capital has been dominant in commodity production even in the Third World, such that it is possible to refer to producers there as surplus-value-creating labourers who are paid below the minimum requirements

for their reproduction (Amin, 1974C; Bernstein, 1977).

It may seem that Kay merely fails to trace the evolution of the forms of capital, that his is only a problem of ignoring history. But, although he does not place any emphasis on it, at some point he admits that in the 'world economy' the form of capital that he calls merchant capital exists only as a derivative of 'productive' capital, and that since the 1930s merchant capital has been dying out anyway. He also mentions that even though there has been a change since the 1930s, making it possible for the Third World to move towards industrialization, the historical advantages enjoyed by the early industrialisers will not reappear for the Third World. The last point probably represents a conscious effort not to fall into the trap of restating the conventional development thesis that the Third World has been going through a predictable and normal route of development all the while.

2. 4 Summary and conclusion

The empirical critiques of the dependence outlook that we examined here clearly reject the outlook as a basis for explaining current world economic relations and levels of development in the Third World. Among those mentioned here, one sees itself as being supportive of the assumptions made by dependence theorists. However, we observed that this particular appraisal did not conceptualize the concerns of the dependence outlook correctly. This is a shortcoming it shared with all other empirical appraisals, in addition to not offering an alternative conceptualization of the problem.

In our view, one of the most interesting critiques of the dependence outlook came from Warren, who has used empirical

material to make several statements which can be put together as a conceptual challenge to the outlook. The material we selected for this chapter from the substantial body of writings by Emmanuel, also indicated an important attempt at offering an alternative conceptual statement to the dependence outlook. Later we presented Kay's 'merchant capital' thesis as a fully conceptual alternative to the outlook.

We can regard Warren as an important participant in the debate on imperialism, socialism in the Third World and, for our purpose, the theories of dependence and development. The strength of his arguments includes the following.

(a)He pointed out the possibility of capitalist industrialization in the Third World in general, and gave statistical evidence of actual capitalist industrialization in some countries of the Third World in the latter half of this century. It is not that dependence theorists had refuted this; the point is simply that Warren focuses on this possibility and brings it out more sharply.

(b) He emphasized, in probably the way no-one before him had done, the role of political independence in current efforts at Third World industrialization. The point here is that nationalism and political autonomy - to the extent that it permits Third World countries to pursue some important developmental courses of action independently, and widens the range of sources of external capital - is conducive to industrialization, provided that becomes a national goal.

(c)He emphasized in a new way that once nationalists had gained political independence, the security and profits of imperialist corporations in the Third World increased, since not only were most factors of production cheaper, but usually there were also

guarantees against production and market disruptions where nationalist industrialisers invited them. In this way imperialism becomes a partner in Third World industrialization.

But as we saw earlier in the chapter, Warren's contribution had significant weaknesses, which can be summed up as follows.

(a)A simplistic usage of the concept of development inducing exaggerated claims of actual development in the Third World. At times he means by development in the Third World a simple increment in the supply and consumption of goods. This is neither a new point nor a very important one, for there is hardly a country in the world that has not increased its material possessions, especially when such long time-segments as Warren uses are in consideration. At times he means by development an increase in **capitalist industrialization.** This as we know may reflect but is not equal to development in a comprehensive sense.

(b)An uncritical usage of data, and, in this case, cross-country statistics, making him fail to notice important differences in the pace of industrialization, and of development, among Third World countries.

(c)A preoccupation with the idea of a progressive imperialism (and with polemical forms of response to anti-imperialist dependence theorists), making him fail to acknowledge the limits of imperialist contribution to Third World industrialization. One can envisage Third World nationalists wanting to go on industrializing, but there is no guarantee that the imperialist partner in the industrialization venture would continue to participate if, for example, the venture ceased to be profitable. Warren incorrectly appears to assume that imperialist participation is non-selective and will be permanent. Furthermore, Warren assumes that all

imperialist participation is positive, an assumption partly caused by an uncritical look at growth rates, when in fact all that his evidence indicates is an increase in industrial activities in some countries still under a great deal of imperialist influence.

Obviously there are wider implications of Warren's position for political philosophy and activist politics. We think it is fair to conclude in this regard by observing that Warren looks at the present world situation (in which, according to him, the Third World is steadily winning from imperialism the control over its destiny and is closing the development gap) as an objective one which happens to be useful and desirable to the Third World. Nothing radically different should be done to this situation, at least until capitalism runs its full life cycle in the Third World. The undesirable human side effects that this objective situation leaves behind in its process of development is a moral issue, largely unimportant at the moment and best left to a future post-capitalist society.

In his criticism of Warren, Emmanuel does not see development as having taken place in the Third World to any significant degree this century. He arrives at this conclusion even when he uses the same statistical data as Warren's. This is largely due to the fact that he believes cross-national or regional aggregates can be misleading and should therefore normally be broken down for analysis, and because he avoids a simple interpretation of positive increases in growth rates, refusing to rely wholly on such rates to define development, although they are useful in other aspects of the debate. At the same time he appears to be staunchly opposed to a possible suggestion that the Third World might achieve better levels of development by 'breaking away from the

system', which he perceives to be the inclination of dependence theorists. He sees the potential for realizing development in the Third World as lying in the present system, and even, like Warren, with imperialism itself. Unlike Warren, he advocates a reform of the existing 'objective situation', believing that it can be modified by conscious policy actions, especially on wages, incomes and prices, perceived in global terms. These kinds of actions are not opposed by dependence theorists, but they are not regarded by them as crucial in the elimination of underdevelopment and dependence.

The main thrust of Kay's argument is that capitalism is important to the Third World because it inevitably develops the productive forces. He sees it as being responsible for 'underdevelopment', but explains this away as being the nature of capitalism only in its infancy - at the stage of merchant capital. As capitalism develops, it sheds this nature and transforms itself into a productive capital, but the process of transformation is completed only through a struggle with its old nature, which may continue to be one of its various forms of existence for quite a while. Kay believes that the real problem of development (or underdevelopment) is that the victory of productive capital over merchant capital in the Third World came much later than it did in Europe. Thus, during the prolonged reign of merchant capital in the Third World, the development of productive forces could not be expected to occur in any notable way, or in a 'normal' way. Now that merchant capital has been defeated, **some** 'normal' development can be expected to occur under capitalism in the Third World, but this can not happen in the same way it did in Europe in the 19th century. Although the 19th century conditions would have been just as beneficial to those who industrialise today as they

were to those who did then, history can not repeat itself, and this creates an additional problem for Third World development.

The main political implication of Kay's intervention is ultimately that if there is a problem of development to be associated with capitalism, then it is not the present type of capitalism, for this is presented as being completely free of errors of development, even in its Third World form of expansion.

That Kay attributes 'underdevelopment' to a form of capital long superseded is largely a result of taking the popularly perceived classical marxian line that capitalism would everywhere advance and revolutionize productive forces (Avineri, 1969; Kay, 1975: Intro.). Since this appears not to have happened in the Third World, the cause must lie in merchant capital, the form of capital that is incapable of advancing the forces of production. But this line of thought is a limited one; it does not fully capture the arguments involved in this by now old debate. For there is another related proposition by Marx, that capital contains a limitation which contradicts its general tendency to push beyond any barrier to its expansion (Marx, 1975: 318-319). Indeed the prediction of the bourgeois/industrial revolution expected to be repeated in the Third World as a direct result of the spread of commodity production was in its 'classical' formulation couched in tentative and equivocal terms (Marx, 1976b). 1

Footnotes to Chapter Two:

1 McGowan claims authority for this definition from Stallings (1972).

2 Warren's understanding of the concept of dependence is at times quite elementary. For example, he says: "Dependence as a concept becomes extremely tricky in an increasingly integrated world economy. Does for example the US's increasing need for Middle East oil and Algerian natural gas make it dependent on these countries or are these countries dependent on the US market?" (Warren, 1973: 4). Other inaccurate usages of concepts include that of contradictions. In Warren's use this concept yields a meaning equivalent to 'problems' and not 'two opposing sides of a social movement' which is the correct usage in the dependence debate. The following statement reveals this "...Capitalist industrialization faces serious problems. But these are now rooted in the internal contradictions of underdeveloped countries, centred around agricultural stagnation, excessive urbanization, growing unemployment and the premature 'spread' of socialism prior to the development of industrial capitalism." (Warren, 1973: 42).

3 It is not clear why Hone does not show at all the price index of manufactured goods which were the imports of Third World countries, a crucial aspect in portraying the complete picture of trade. Only in this way would he be able to display the export-import price ratio which is the basic definition of (international) terms of trade. Even in his attempt to refute the ECLA-Prebisch thesis of the tendency of the primary producers' terms of trade to deteriorate, Hone still presents a one-sided price index rise. The figures which supported the ECLA-

Prebisch thesis, as we know, did indicate an even higher price index for manufactured imports into the Third World.

4 In its popular usage the concept of 'the development of productive forces' has come to refer simply to aggregate increases in material things, which should be only an aspect of productive forces - the technical aspect as it were. An important component of productive forces not usually incorporated in popular usage is human labour.

5 Kay shows that this was the argument of some prominent economists as late as the 1970s, for example that of Robinson and Eatwell, although they may not have been consciously ideological (Kay, 1975: 2).

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CHAPTER THREE: THE IMPLICATIONS OF THE DEPENDENCE FRAMEWORK AND RECENT EXPERIENCES FOR A STRATEGY OF DEVELOPMENT

3.1. Introduction

We have seen that the dependence framework emphasized the existence of constraints to development that are related to present arrangements of relations between nations. The basis of these arrangements, according to the framework, is economic, but social forces help to maintain them. One of the messages from the outlook is that it is important to be aware of both these largely economic arrangements as well as the social forces that maintain them globally and locally in Third World countries.

By their constant reference to underdevelopment (sometimes equated with immiseration) they helped focus on the fact that modernization programmes, whether well-meaning or not, had not benefited the majority of people in the third World. They also implied that socio-economic programmes to correct this should not wait a gradual transformation of growth into 'growth with equity' through some form of 'trickle-down' effect. With the exception of Cardoso (Cardoso and Faletto, 1979), their belief that this can not be done by present capitalist (and, according to them, imperialist-aligned) Third World regimes, in combination with a belief that the economic system is a rigid structure, led them to prescribe some form of a socialist revolution or transformation. It may also be that ideological positions adopted by them a priori influenced their prescription. Later we shall argue that they were also influenced by the sometimes spectacular growth and development performance of newly-industrializing socialist countries which had insulated

themselves somewhat from the traditional industrialized countries, and which were not often positively appraised by the conventional development framework.

Having generally formed the view that foreign capital (i.e. direct foreign investment) increased dependence and facilitated the flow of capital from the Third World, they either relegated the discussion of the role of capital to the background or could only picture its harmful effects; some economists working within that framework but not strictly theorists of dependence themselves (Griffin, 1970, Stoneman, 1975) could be said to have been the exception. Generally theorists of dependence did not bother to formulate the problem of external sources of capital in a reformist way, which although recognizing the dangers related to the loss of various forms of independence, argues at the same time that external capital is useful to country initiating large development projects, especially if the major part of the the external inflow is aid (Stoneman, 1975). A formulation of this nature emphasizes only that strategies be devised to counter the mechanisms of foreign capital which cause the harm, and that the awareness of the dangers be improved. Once again the disappointing experience of a Latin America whose developmental programmes were largely dependent on direct foreign investment, and which was a constant focus of the outlook, influenced the judgement of dependence theorists.

The attempt by some radical thinkers to bring back the emphasis on the importance of capital to the Third World was not well argued, and, despite intentions, sometimes turned into an apologia for capitalism (Warren, 1973; Kay, 1975) or its modern organizational form, the transnational corporation (Emmanuel, 1976).

3.2 Growth experiences

3.2.1.The Third World and the Traditional industrial countries

In Chapter Two we discussed Warren's attempt to refute dependence with the help of doubtful growth statistics. Let us now revisit a similar set of statistics on other terms. We will start by exploring the extent to which material growth has taken place in most of the Third World, and by making a comparison with other countries. Warren (1973) quoted growth rates that were higher in the Third World than in the industrialized capitalist countries up to the early 1970s, while on a cross-national basis Morawetz (1977: 11-22) confirms that in the 1950-1975 period the Third World grew faster than any group of countries had ever done before. Morawetz also shows separate growth rates of above 4% in a number of these. These growth rates are generally higher than in industrialized capitalist countries, with the exception of Japan (Morawetz, 1977: 80). We have already seen the danger of claiming too much for these figures, for example the ambiguity of cross-national statistics, and the mistake of equating growth with development, as the 'quality of life' argument by Emmanuel (1974: 62-65) shows. However, to the extent that the Third World's starting magnitude of material 'wealth' is much lower, significant development even in the sense of growth entails rates far higher than those obtaining in 'mature' countries, as the logic of 'catching up' or 'closing a very wide gap' in growth levels demands. This argument is consistent with the theories on possible growth rates of new and industrializing countries, as well as with certain previous concrete experiences (Dobb, 1963: Moore, 1980).

It is accepted that at later stages of development the growth rate of industrialized countries tends to fall, the reason for this being that once high levels of accumulation have been attained, and production capacity is large, an even greater total investment is required to maintain a stable growth rate (Moore, 1980) while some of the potential investment shies away for fear of a low return (Dobb, 1963:62). The collorary of this is that a country achieves optimal rates of growth when young in industrialization, or when purposely embarking on a programme of industrialization. Thus while estimates show that the economy of the first country to industrialise, Britain, grew at 3% in the 40 years of 1830-1860, this growth rate had dropped to 2% by 1880, at which it roughly remained right through to the 1960s (Dobb, 1963: 10).1 In the following period, 1913-1958, France's growth rate had tapered off to 2%; Germany's to 2.4% and that of Italy, Sweden and USA to 3%. In the meantime the industrial newcomer, Japan, showed a growth rate of 5.4% but even Japan's relatively high rate pales in the light of the growth rate of a new and purposefully industrializing country in the same period, the USSR. In 1928-1940 its industrial production grew at 14-18% while in 1948-58 it maintained a growth rate of 10% (excepting agriculture, which had a slightly lower rate).2 In the 1950s decade, newly industrializing China and East European countries each averaged a rate of 13% (Dobb, 1963:15).

3.2.2. New Socialist countries

(a) Yugoslavia

An interesting evaluation of Yugoslavia's growth after the war has been made by Moore (1980). Moore starts with the usual skepticism of western scholars about the unreliability of

government-based statistics in East European or Socialist countries. He finds that the government's published growth rates of Yugoslavia have been too positive. Therefore he restructures the data so that non-Yugoslav scholars can have a more objective basis for discussing the growth rates. He finds that the growth rate, estimated by the Yugoslav government to be 10% for 1952-1975, was 'actually' 8.4% - 8.9%. Moore's version of Yugoslavia's growth rates shows that they were still higher than in any other country except Japan and the Republic of Korea. He also notes that Yugoslavia's rates were similar to those of other East European countries, and that they are certainly comparable to historical data on the Soviet Union at the same stage of development (Moore, 1980:56).

(b) North Korea

Another interesting presentation of growth rates has been made by Halliday (1981a, 1981b) regarding the Democratic People's Republic of Korea (DPRK). She too is extremely skeptical of the government statistics on growth rates. The DPRK is the country in which the cult of the personality enjoys wide acceptance and the leaders are used to being praised almost as super-human heroes. For this reason the DPRK's claims should usually attract skepticism. Halliday compares the DPRK government's claims with the few independent statistical compilations on the country, and the impressions of western visitors and other North Korea watchers, including the CIA of America. Even after having substantially discounted the official account on the extent of growth, the impression of an extremely high rate of industrialization after the Korean war is inescapable - over 23% in 1954-65 and over 12% in 1965-76. There is at least very little doubt that since that time the DPRK has become a highly industrialized country.

What the figures indicate is that, in view of the possibilities in new and industrializing countries, rates of growth equal to or only slightly better than those in industrialized countries should in fact be treated as negligibly low.

Here at least is some support **in growth terms** for the conclusion that even after embarking on industrialization and development, not much development **has** occurred in the Third World. This is not to say that it can not in the future, since the figures also show that China and East Europe as late 20th Century examples of countries in a similar position and with a similar goal, were able to attain high growth rates. There are several facts which appear to be related to this, and which we need to examine closely. One of these is that notwithstanding some socialist announcements by some of them, all the Third World countries which in the period under study appear not to have experienced any significant growth rates are firmly within the capitalist socio-economic organization; China, North Korea and East Europe have not been, during the time of their high growths, although they have maintained some links with it.

It may come easily to mind to conclude from this that the existence of socialism explains those high rates in China, North Korea and East Europe. Such countries have abolished private property, redistributed wealth to a great extent, and have re-organized their societies so differently that it is easy to assume that there is a connection between socialism and the high growth rates. We know that the fact has not been lost on dependence theorists either.

Not being firmly within the capitalist socio-economic organization, however, does not necessarily mean being socialist,

and, there are possibly other major policy orientations which have coincided with the socialist objective, and which are the main causes of high growth rates. This line of thought may not have been pursued adequately by those in the dependence outlook who were already committed to a solution that entailed a break with the existing international system, and to a socialist revolution. Also the major part of the theories by the dependence authors were formulated when there was yet to emerge a large, Third World capitalist country with notably high levels of growth (although, of course this may not have mattered much in view of the 'dependence' of such growth, which dependence theorists do not approve). Brazil and South Korea's growth have since come to light, showing that similar growth rates are possible elsewhere, i.e. without socialism.

3.2.3 Late capitalist industrializers in the Third World: The examples of Brazil and South Korea

Having embarked on industrialization from about 1930, the Brazilian economy recorded some remarkable growth in certain years. For the whole period between 1947 and 1977 the growth in the economy and in industry averaged 7% and 8% respectively. In the six years (1967-73) which covered the famous Brazilian 'economic miracle', the economy reached a growth rate of 13.3. Moreover, throughout the critical years of industrialization the capital goods sector was also increasing at a considerable pace, challenging the dominant role of the consumer durables (Andrade, 1982: 182). The growth of industry in Brazil initially had less involvement of imperialism in the form of transnational corporations, but later there was a lot of such involvement (Andrade, 1982). However at

this time there was also an increasing state role in the economy, in both a supervisory and productive role (Trebat, 1983).

South Korea averaged a GNP growth of 9.3 between 1962 and 1979. The industrial sector in particular reached a 17% growth in the same period. A special feature of South Korean growth has been its strength in manufactured exports, whose share in the GNP rose from 5% to 34.1% in the same period. Like Brazil, a particular characteristic of Korea has been the extensive involvement of the state in the economy, despite the fact that both countries are formally market economies.

What seems to have been relevant among the late industrializers who have sustained high growth rates for a considerable length of time is the existence of the process of autonomous accumulation, with different factors helping to facilitate that process. These may have included an abundance of natural resources, as in the Soviet Union, or a large export market for Japan. Both Yugoslavia and North Korea attained high levels of growth while accumulating autonomously, though not by autarky, from the world capitalist system. For those in the Third World who have industrialized without much of this autonomy, there are other accompanying explanations for their consistently high growth rates. These include the special international circumstances favouring them at a crucial time of their development. For example, their notable industrial growth occurred during a worldwide boom, and they had begun to industrialize relatively earlier than other late industrializers.Then they attracted more capital due to the existence of this initial industrial infrastructure, and because of a relatively cheaper labour power. These factors were especially beneficial to them because it was a time when the 'emigration' of industries

from the 'centre' was a more common phenomenon. This special link with business in the 'centre', or what could be referred to as their functional status in the system, as 'offshore production units', in turn helped them export industrial goods. The special market privilege granted to South Korea by the United States and Japan during the growth of its export manufacturing, not to mention the vast market of the surrounding region, is a case in point (Mitchell, 1982). In short, these countries have had a special status in the system that logically is not possible for many Third World Countries (Emmanuel, 1974), and is akin to a kind of sub-imperialism (Marin, 1972; Amin, 1977b). In addition to this, it seems that late capitalist industrializers who have shown success in the Third World involve the state in production (Trebat, 1983), practise industrial planning, and have created an awareness of the importance of curving out a truly national economy (Luedde-Neurath, 1980) and supporting industrialization.

Of course this industrialization still remains closely controlled by transnational corporations, especially in Brazil (Andrade, 1982), and this question remains on the agenda of the dependence framework. But the real test of an anti-dependence **strategy** is not the ideological posture a country adopts *vis-avis* imperialism, but the extent to which it uses circumstances around it to start **an anti-dependence** process. This process involves taking measures to raise capital for building critical economic sectors that will sustain such a process, with the ultimate goal of autonomous accumulation.

3.3 The importance of industrialization in an anti-dependence strategy

The importance of industrialization and, in particular, of the manufacture of capital goods, has been alluded to time and again in this thesis. Most theorists of development support it, but there are conflicting opinions on the type of industrialization to be advocated. The debate raised is complex, and, sometimes, very specialized. What we intend to do here is to introduce it merely to indicate a basis for our judgement on its role in dependence and development.

The examples of countries with high growth rates that we have quoted in this chapter have one thing in common. The high growth rates occurred when those countries embarked purposefully on a programme of industrialization. That the entire process of development in the now developed countries was clearly related to the increasing importance of the industrial sector is accepted wisdom (Clark, 1978: 10; Sutcliffe, 1984: 122-123). In general, a sustained increase of material wealth above basic subsistence ultimately involves the industrial production of goods, and the debate on whether to start a process of industrialization in a country today is relevant only because industrialization exists elsewhere, and can conceivably provide a non-industrial nation with the necessary industrial goods (Sutcliffe, 1984:123). Even then, it is generally agreed, unless a country is extremely small and exceptionally well-endowed with natural resources which can be exchanged for all possible industrial goods indefinitely - some oil states come close to this - the growth of material well-being would be extremely slow. In theory, since industrialization embodies greater and faster technological changes, the development of general human welfare would stagnate in a country without some form of

industrialization. Both this and the tendency of the terms of trade of agricultural exporting countries to deteriorate make it imperative that some industrialization take place in any country.

Known skepticism regarding industrialization have often been objections to subordinating the agricultural sector to the needs of industry, **without introducing technological changes in the latter** to increase the magnitude of its productivity - a legacy of soviet industrialization and of some early theorists of development planning, such as Lewis (1958). Now it is widely recognized that the scientific and technological development of agriculture must go hand in hand with industrialization (Clark, 1978: 11). The **apparent** objection to industrialization by some dependence theorists such as Frank (1972) is, as we have seen, in reality an objection to the dependent nature of industry built in the third World under current economic arrangements.

In recent times some objections have been voiced against import substitution industrialization (represented in economic parlance simply as ISI), which typically characterizes early industrialization in the Third World. Sometimes ISI is paused unfavourably against something else called export orientated industrialization (EOI), which was itself an ISI before it changed its market focus in the South East Asian Countries (South Korea, Taiwan, Singapore, Hong Kong and, more recently, Malaysia and Thailand) in which it is considered a success (Wangwe, 1983).

ISI is often associated with the replacement of imported consumer goods by the domestic industrial production of such goods. This is so because most ISIs in practice are characterized by the production of consumer goods, with almost all capital goods left to importation.

ISI is also often associated with imported intermediate inputs, and even raw materials. This is because in the initial zeal for industrialization, the possible long term results of these are not considered seriously enough. But there is nothing to suggest that in principle ISI should regard such considerations as of little importance, and by now the experience of other ISIs should tell new ISIs that failure to weigh the problem of imported intermediate inputs and raw materials can have severe effects on foreign reserves, the cost of production, competitiveness, and eventually the entire production.

The real distinguishing feature of ISI is its concern with the quantitative increase in industrial activities domestically rather than structural change. The proportions of contribution by the various industrial divisions are not its priority; neither are the inter-linkages of industry. ISI typically determines the establishment of an industry by looking at the level of the existing demand, or if the country will still have a decided advantage by processing instead of remaining a major raw material supplier for that type of industrial activity.

The major areas of the debate on industrialization in which there is more disagreement include the choice of industrial activity (with a view to the structure that it might produce), the choice of production techniques and the nature of ownership (or the extent of state involvement in investment and in the running of industry).

In terms of the choice of activity there have been two major approaches. the first regards the choice of industrial activity to be governed by the extent of the demand for which the industry will produce, whether that demand is domestic or external (Roemer, 1972).

In a newly industrializing country, usually the activities chosen on the basis of this criterion are dominated by consumer industries (such as textiles), since the greatest and most basic demand is for such goods. This is especially true if the target market is a domestic one. The predominance of consumer industries may not occur where the industrializing country has special resources whose use in industry can produce goods in greater demand elsewhere, and where a deliberate decision is taken to produce for such an export market. In both this and the instance in which consumer industries become predominant, usually the industry is considered to have a greater likelihood of profitability, since at least the market aspect of that profitability is guaranteed.

The other major approach does not necessarily ignore questions of profitability and demand, but pays more attention to identifying industries which are critical in any industrial sector - those which provide the greatest benefit to the economy and are central to the maintenance of **growth in industrial activities** in the long run. The original formulation of this approach was as follows. As industrialization proceeds, indeed as advances in modern life are made, there is a grater demand for machines, machine parts, spare parts of machinery, and construction and building materials (including steel and other metal-based construction materials). The growth rate in the future will be higher the larger the capacities of industries which produce these capital goods. As Dobb (1963:50) put it, this is because:

> "...One will have a larger output of steel and machines in future years with which to construct and equip new factories and power plants and steel-mills. To this extent machine

tools to make more machine tools will be more growth inducing than automatic looms or show-toe-laster."

One of the most notable contributions to this approach in recent times has been the work of Clive Thomas (1974). He argues that the requirement for an effective industrial development strategy is the identification and development of 'basic industries'. The concept of 'basic industries' itself was not new when Thomas employed it, having been used before by others to refer to the capital-goods branch of industry. In Thomas' usage, however, the concept encompasses much more than this. There are, according to him, three criteria for preparing a list of basic industries. These are the value-added contribution of an industry, the likelihood of the continuation of demand for the products of an industry given a change in the income of consumers, and the extent of the linkage between a particular industry and others in the economy. By these criteria, the production of iron and steel, as of machines and their parts, **particularly machine tools,** receives one of the highest rankings. The initial list of basic industries is long; it includes textiles, industrial chemicals and many others. The list can only be given practical content and rendered more meaningful if it is reviewed in tandem with one of Thomas' 'Law of transformation', namely that there must be a convergence between the pattern of domestic resources use and domestic demand. This means that, as a general rule, priority should be given to those basic industries which are at that time capable of utilizing domestic resources. Exception to the rule may be granted to basic industries that are at the top of the list, such as iron and steel and machine tools, provided that efforts are made to minimize the external dependence of such industries.

In emphasizing the importance of basic industries, Thomas not only underlines their contribution to the long-term growth of an economy but also their 'strategic' value, since some of them (for example machine tools) are the sources of technological dynamism - the only true guarantee of economic independence in his view. This is the major reason why he advocates a basic industry strategy even for countries with a limited market; some industries are simply too important for national economic independence to be governed by market forces. To put it another way, Thomas marries assumptions of the importance of industrialization, and of basic industries in particular, with not only the objective of long-term growth but also one of the major goals of dependence theorisation-economic independence.

Opinion on the choice of technique, which refers mainly to the capital-labour ratio, has likewise remained divided. The main reason for advocating labour-intensive techniques of production for Third World countries is that they do not have enough capital and skills to invest and maintain productivity in expensive capital-intensive techniques, while they have cheap and abundant labour (Clark, 1978:15). The logical thing to do in these circumstances is to employ the least-cost factors to the greatest effect, thus the choice of labour-intensive techniques. On the other hand there are those who argue that labour-intensive techniques are usually characterized by outdated technology, and this more or less condemns those who choose them to backwardness to the extent that they no longer offer useful technological information from which a newly-industrializing nation can learn (Emmanuel, 1982). In our view the choice of techniques should depend on both their rate of productivity as well as their capacity to generate new information. It

should not be based merely on the need to utilize labour. After all a successful solution to the unemployment/ under employment problem **ultimately** depends more on the extent of the generation of industrial activity than on the labour intensity of a particular industry. Industries which create further industrial activity are usually capital-intensive, and can not be avoided because they are the engine of growth, as we saw earlier. This is further justification for the involvement of the state in industrialization, for it is often the only one able to invest in expensive capital-intensive industries (Tyagunenko, 1973). In practice the peculiarity of each industry may modify policy preferences from one establishment to another; there are areas in which labour-intensive techniques are equal to, or even more productive than, the capital-intensive type (Stewart, 1978; Perkins, 1981).

A question related to that of choice of technique is that of choice of scale. Usually small-scale is posed against large-scale industry. The arguments involved are similar to those in the choice of technique debate. This is because small-scale industry is usually also labour-intensive, while large-scale industry tends to concentrate technology and is therefore capital-intensive as a rule (Perkins, 1981). The main economic argument for large-scale industrial production is that for each type of industrial activity there is a threshold of scale below which production can not be profitable, that this threshold is beyond the capacity of most small-scale industry, and that the threshold gets higher as technology advances. Similarly, in most cases maximum economic benefits and faster industrial growth is derived from the best technology available, which also continually demands a higher threshold of scale of operations for it to be productive (Tyaguneko, 1973: 14-15: Emmanuel, 1982). Once again, only the state can afford to

establish such a scale of operation in small Third World economies. Nevertheless, where industrialization has not spread to the rural areas, and as long as capital remains scarce to small economies, small-scale industrial production complements larger operations, spreads technological know-how countrywide, and keeps some production going, maintaining a level of consumption for rural people (Tyler, 1981; Sutcliffe, 1984).

Finally there is the question of the ownership of industry and whether the state should be involved in its direction. There are those who treat this question in ideological terms, that is, either in defence of the principle of 'free enterprise' or of socialist/public ownership. The experience of South Korea and Brazil - where a pervasive state direction of industry is mixed with a committed espousal of free enterprise - suggests that public ownership or state involvement in industry is a matter of necessity rather than ideology for countries industrializing late. In fact both the ECLA-Prebisch doctrine and the planning approach of the conventional development framework have long treated state involvement in industry in the Third World as a necessity. The need for a greater national control of the economy, which is more pronounced in the dependence framework, is an additional justification of this for some.

3.4 The relevancy of growth with equity

Frank (1969: 350-408) and others had hypothesized that underdevelopment, referring to technological and economic backwardness in the larger part of a country, low income levels, and absolute' poverty (or immiseration), continues despite relatively successful industrialization - in countries closely tied to capitalist

metropoles. In Brazil, underdevelopment seems to have got worse in many parts of the country as such dependent industrialization gathered pace. As Andrade (1982:165) observes:

> "In a metaphorical sense, Brazil is a frontier of the capitalist world. It is the empty lands to be conquered by the gun and turned into profitable business. In a more analytical sense, it is a young industrialized country where capital has spread in a blind rush, without developing the self-consciousness and institutions which could have attenuated its socially unacceptable effects. In any case it is a case of savage capitalism. But is it a success? From the point of view of growth, yes. The GDP grew at an average compound rate of 7 percent a year from 1947 to 1977. From the point of view of the well-being of the Brazilian population, no. The majority of those with relatively stable jobs earn less today than they did twenty years ago".

Clearly no 'trickle-down' has taken place in Brazil after so many years of industrialization, and with a real 'economic miracle' in some years (CIIR, 1978; Tyler, 1981). This is the problem of industrialization without a socially-sensitive goal of distribution.

Most theorists may no longer assume an adjustment mechanism through trickle-down (Arndt, 1983), but many would argue that industrialization entails a significant curtailment of consumption in the early years, so as to the maintain the pace of accumulation. This means lower wages and low prices to peasant producers where the state has made some kind of intervention in the economy. This can be in the form of direct force, as in the USSR in the 1920s and 30s, and in Latin America today. Or it can be in the form of state

compulsion which enlists the population's acquiescence, as is believed to have been the case in Japan (Brofenbrenner, 1982).

On the other hand there are those who argue that current technology, if used efficiently, raises productivity in industry sufficiently to begin tackling the distribution question immediately, and that the betterment of the quality of life is itself a paramount goal (Streeten, 1981; Sutcliffe, 1984). In fact even a purely economic justification for continually raising the level of consumption of the general masses of the people can be found. A more even distribution of income helps create a wider market for certain products, in turn increasing the possibility of the more efficient assembly-line production of such goods (Tyagunenko, 1973). Uneven income distribution narrows the market for such goods and does not help mass production much.

Of course smaller economies face genuine problems getting enough capital to finance their industrialization, but it may be necessary to incorporate into any anti-dependence strategy the acceptance of growth with equity in principle, so that whenever the usually tight economic situation slackens, there is a positive rethinking of wage and commodity price adjustments. In addition it is necessary to maintain a 'minimum' investment in basic human needs, including health and education, and to provide subsidies for the lowest poor (Streeten, 1981).

3.5 Conclusion

The material we have presented in these first three chapters enables us to understand an anti-dependence strategy of development as one which includes the following.

(a) Some level of awareness of the connection between the local economy and the global one, the role that the former objectively plays, and the contribution of that role to the problems of development in the Third World.

(b) The realization that the eradication of constraints to development engendered by the Third World's role in accumulation entails the availability of capital, from the same constraining global system, and from a consumption-curtailing local mobilization of funds, both of which may prove difficult to realize.

(c) A certain form or level of localization of the economy in terms of ownership and management be attained, to facilitate co-ordination and the movement towards greater autonomy in decisions which affect the economy.

(d) The need for planning in order to implement the programme systematically and to avoid a waste of resources.

(e) A diversification of production (for example against reliance on the export of a single crop), and of trading and trade partners, to reduce vulnerability.

(f) A programme of industrialization undertaken because it is the motor of growth and diversification of the entire economy.

(g) The inevitability of state involvement in industrial production because it possesses greater resources for investment in critical but expensive industries, compared to private entrepreneurs in small economies.

(h) The structuring of industry in such a way that it can engineer structural changes in the economy, and induce further structural changes within industry itself, for example by making it possible to move from a predominance of the export of primary products to

that of manufactured exports, and by introducing the capital goods sector to generate other industrial activities.

(i) Paying some attention to small-scale industry whenever possible since it can provide elementary industrial learning, especially in rural areas, and can help to raise the level of industrial culture around, in addition to being cheaper where it matches large-scale industry in efficiency.

(j) The adoption of the principle of growth with equity, since it has an economic function and is politically desirable.

The assessment on a strategy of anti-dependence may seek out these variables, but, at least in the formative years of such a programme, it will not be whether a country has come out of dependence, but whether it has started a process leading to autonomous development.

Footnotes to Chapter Three:

1 Dobb's sources are Patel, S. J., 1961, in Economic Development and Cultural Change, IX, 3; Gerschenkron, A., 1947, in the Journal of Economic History, Supp. VII; and the League of Nations, 1945, Institutionalisation and Foreign Trade.

2 Official estimates of the rate of growth for 1928-1940 given by the USSR was 18%. An American estimate put it at 14-15%, while a British estimate at Oxford had it at 15-16% (Dobb, 1963:15).

CHAPTER FOUR: UNDERDEVELOPMENT AND THE CREATION OF DEPENDENCE IN TANGANYIKA

4.1. Introduction.

At independence in 1961, Tanganyika was one of a group of 25 countries generally referred to as the poorest in the world. According to conventional economic indicators, the country's GDP was a mere 193.5 million pounds, and the annual income per head 18.25 pounds (Stein, 1979). Moreover, 96% of its population of about 9 million still 'lived on the land', and died at the age of 35 on average (Stein, 1979). The 'industrial' sector employed only 22,000 workers (excluding such agricultural processing as sisal decortication and cotton ginning), and its contribution to GDP was only 3.4% (Tanzania Govt, 1969). The picture of an extremely low level of productive forces in the country at that historical point is clear. There are other illustrations that paralleled, and were often a consequence of, the low level of development in the economic sphere. For example, shortly before independence, out of 300 government administrative officers (considered the cream of manpower at that time), only 7 were Tanganyikans (Pratt, 1976: 92).[1] It should be noted that the government was the largest employer, and that relative to the level of education and income in the country, the administrative officers constituted some of the 'cream' of the country's manpower. Also in 1962 there was a professional manpower of 580, comprising architects, engineers, physicians, lawyers, geologists and other scientists, but only 30 people were Tanganyikans (Pratt, 1976: 93).

Due to the extremely low level of industrialization, the demand for manufactured goods could only be catered for through imports,

and the requisite earning of foreign exchange was dependent solely on the export of primary goods. In addition there was not a single instance of Tanzanian ownership or control of capital that could be considered significant in any sector of the economy. This economic vulnerability, itself an important aspect of dependence, was accompanied by a serious weakness in the government's financial position. For example, up to 1964, the Tanzanian government could still expect to get 78% of its Central Government expenditure as well as 52% of its investment expenditure from external sources (Stein, 1979).

One factor that can be considered to have accounted for this situation is quite obviously the history of the country up to independence. Some may argue that Tanganyika's colonial history explains it, while others may say that some resilient pre-colonial factor is responsible for the low level of development at independence. We shall briefly review that history here, emphasizing those factors that have a connection with the nature of development, and the evolution of an anti-dependence strategy in Tanzania.

4.2 The pre-colonial period

4.2.1 The incidence of egalitarianism.

At the time of German colonization in 1885, societies which came to comprise the territory of Tanganyika were largely agricultural.[2] The material forces of production were quite undeveloped, with only the simplest of tools, chiefly the hoe, being used to cultivate land. Production was largely for the immediate consumption needs of each production unit - the family. This does not mean that those societies were self-sufficient, i.e. non-trading. A significant amount

of trade had been going on for many centuries both internally and externally with societies beyond East Africa (Sutton, 1977; Iliffe, 1979: 6-88); the increase in the activities of European traders inland as well as in the exchange of ivory, rubber, salt and iron implements bear witness to this (Henderson, 1965).

The incidence of centralization in the state system and in the social organisation was markedly low (Iliffe, 1979: 21-25). The exception to this was in a few areas where external trade had become a dominant activity and whose leaders had acquired larger amounts of modern weaponry. Examples in this category were Uyao in the south, Unyamwezi in the west, and Tanga and Pangani on the coast. However, even here the tendency towards centralization waned almost as soon as trade and the military capability declined.

Corresponding to the low incidence of state centralization was the absence of land alienation, and, consequently, of classes engendered by this. The exception to this rule was Buhaya in the northwestern corner of the country, where feudalistic structures, including land alienation and serfdom, had appeared (Rweyemamu, 1973: 7-8; Hyden, 1980: 82-85). But feudalistic forms of production did not become dominant in that area either; some have estimated that as much as 90% of all land holdings still remained free of these forms (Mutahaba, 1969; Hyden, 1980: 82).

Slave trade had, of course, altered the situation significantly on the island of Zanzibar, where, with the addition of the race factor, the development of castes and even of classes based on the production of commodities was a firmer trend. Only in one community on the mainland could a similar occurrence be said to exist, and that was around Pangani, which had a noticeable

incidence of the development of capitalist production. In this instance some slave traders amassed wealth and acquired slaves of their own so that they had labour at their disposal, which they then turned to producing sugar on plantations (Iliffe, 1979: 132).

Much has been made of the low incidence of centralized state systems and land alienation. By deduction from these factors it has sometimes been asserted that people did not own property, and that the concept of private property was non-existent. This has sometimes been generalized for the whole of pre-colonial Africa, and in the continent's early days of independence in the 1960's, such characterization became a familiar depiction of society on which to base future policies (Friedland and Rosberg, 1964). The supposed socialist orientation of Africans, and the development philosophy of 'African Socialism' can be said to be a direct result of the characterization of property in this way (Nyerere, 1966: 162-171; Friedland and Rosberg, 1964).

But is is clear that the considerable amount of state centralization, trade and social differentiation that existed in the famous Sudanic empires, as well as the feudal tendencies of the North-East (present-day Ethiopia and Somalia) and East-Central Africa (in the inter-lacustrine region), does not support the theory of a socialistic pre-colonial Africa (Oliver and Fage, 1962: 44-52; Abir, 1968; Omer-Cooper et al, 1968: 276-279). For the rest of Africa (including what was to become Tanganyika), where this was not the case, it is not correct to equate the lack of differentiation, based on land tenure and the non-centralization of the state, with communalism (defined as a community's sharing in the production and distribution of goods). The absence of land alienation in these places simply meant that practically everyone could find a piece of

land for independent cultivation. One study has provided indications that whereas individuals in pre-colonial African communities co-operated in some productive tasks, they did not do so in others. In this way they were not unique. The Russian 'mir' and the German 'mark' had a similar feature during the historical period in which they were supposed to be communal (Kopytoff, 1964). Neither is it clear that the well known 'community ownership' of land in the immediate pre-colonial times in Africa (Gluckman, 1977), or in earlier times anywhere else for that matter, precluded individual possession of usable land (Rweyemamu, 1973: 4; Mandel, 1968: 34-35). Similarly in the institutions and processes of decision-making, the absence of centralization meant only that grass-roots participation was the norm; it did not mean, as in the Rousseaun model, that everyone participated (Rousseau, 1973; Fralin, 1978).

4.2..2 Theoretical explanations of egalitarianism.

Attempts have been made at explaining the continued existence of egalitarianism in pre-colonial Africa, represented in the socio-political and economic spheres by lower levels of centralization and land alienation. Iliffe (1979) notes a coincidence between what he calls 'hoe agriculture' (the form of cultivation in pre-colonial Africa) and low levels of economic differentiation throughout human history, but falls short of an explanation. Rweyemamu seems to attribute the prevalence of egalitarianism in pre-colonial Tanganyika to the nature of the market. He states that the market remained peripheral to Tanganyikan societies; that although they participated in exchange, people did not rely on the market to obtain the major part of their means of subsistence (Rweyemamu, 1973: 7).

For Coquery-Vidrovitch (1976), however, it is not trade itself but the position of the 'ruler' in that trade that is critical in determining change or the persistence of 'egalitarianism'.3 Having downplayed the importance of technology as well as that of social and cultural structures, she argues that not only was long-distance trade vital in pre-colonial Africa, but also it enabled the 'ruler' to obtain a surplus product externally (by exploiting other communities rather than his own). This meant that there could be no pressure on the community to produce more of the surplus product since the ruler had already acquired his surplus (Coquery-Vidrovitch, 1976: 105). She describes this situation as being in some sense that of a dual economy in which two 'modes of production' could be said to co-exist, one community based, the other trade-based (Coquery-Vidrovitch, 1976: 104, 106). The trade-based 'mode of production', with the 'ruler' playing the central role in it, ultimately insulated the community-based one from the external pressures that would have broken it down.

If this indeed was the case, the 'ruler' would have had to possess the kind of unlimited power commensurate only with the most centralized state system to prevent trade from having an effect on society. We know that such was not the case even in the Sudanic empires, let alone those parts of Africa without the experience of centralization. But, more importantly, the theoretical proposition that the breakdown of egalitarianism was primarily dependent on the action of a 'ruler' is untenable.

There are many factors which contribute to the speed of the breakdown of an egalitarian society. Some of the well-known ones include geography - especially the proximity to important soil and water resources, better communication for the transmission of new

knowledge, and the availability of important metals (Mandel, 1968).

In the past these factors no doubt provided the initial impulse towards the disintegration of egalitarianism due to the greater social product that they made possible. With the development of the tools of production and the knowledge to work them - and this is where the metallurgical revolution was probably critical - an even greater social product became available, permitting the freeing from direct production of a section of the population to specialize in crafts and in the exchange of goods. This ability of society to support a section of its population which does not engage in the direct production of the means of livelihood makes it possible to refer to it as having a surplus social product (Mandel, 1968).

It is not easy to ascertain the exact contribution of each factor considered to have provided the impulse towards the disintegration of egalitarianism, but once this had taken place the recurring factor in the actual disintegration seems to have been the type of tools of production used, combined with a deepening of the knowledge to use them; in short, technology. It is this factor that plays a determinant role, for without appropriate improvements in technology the surplus product available to permit specialization is greatly circumscribed. In a corresponding manner, the limited availability of a surplus product holds back a faster development of a privileged group from among the producers on the basis of which social classes are formed (Engels, 1950; Mandel, 1968: 23-71).

On the other hand, the consolidation of the privileged group and its continued expansion, or what others refer to as its reproduction, soon becomes chiefly dependent on exchange. Since exchange also promotes the need for and use of goods, it is in turn likely to lead to a further development in technology - for the purpose of producing

more. In this way it becomes possible for exchange, by now the guarantor of the reproduction of the privileged group and a primary factor in the breakdown of egalitarianism, to dominate other factors, including technology. However, notwithstanding the dominance of the market at some point, technology appears to be the constant factor involved in the changes. In a simple sense, extension of the market depends on the availability of more or better goods. If limited technology persists, this will not happen, and the market will in turn be limited.

Obviously several factors involved in the breakdown of egalitarianism interact and influence each other, but the intention of the discussion here is to focus on the primacy of exchange and technology and the determinant role of the latter. That the technological factor played the determining role in the continuation of egalitarianism in pre-colonial Africa appears to be confirmed by the findings of Goody (1971). The trade-based explanations are not satisfactory - Rweyemamu's for not paying adequate attention to technology, and Coquery-Vidrovitch's for totally discounting it.

4.2.3 Egalitarianism and the rate of change or development

Some writers have concerned themselves not merely with the attempt to explain what they see as the 'reproduction' of egalitarianism before the advent of colonialism, but also with determining the extent of its contribution to what they perceive to have been a lack of development. Some consider it to have had a decisive and lasting role.

Writing about Tanzania to demonstrate a general case for Africa, Hyden (1980) argues that there has not been much development

throughout Africa's known history, and attributes this to the survival of an egalitarianism built on 'household self-sufficient production'. He indicates that this survival is now peculiar to Africa (Hyden, 1980: 9-12). According to him, what renders African 'egalitarianism' almost permanently opposed to development is a collective psychology, or communal attitude, that is apparently inbuilt in each person in Africa - demonstrated by the Tanzanian case. Hyden's perception of the pervasiveness of this 'egalitarianism' includes the present, covering even the non-peasants living in the same country (Hyden, 1980: 9-33, 96- 123). The specific way in which these attitudes relate to the perceived lack of development is that undifferentiated peasants create a production ethic which shuns accumulation, and whose reason for production at all is merely the propagation of life in the basic biological sense (Hyden, 1980: 18-19). In this situation the loyalty of members of the society is towards their own clans with which they have stronger ties, rather than towards a larger rational unit such as the market; and their socio-economic and political decisions are propelled by the considerations of clan patronage rather than impersonal rationalizations. The sum total of these aspects is referred to as the 'economy of affection' (Hyden, 1980: 17-18). These attitudinal aspects that make up the 'economy of affection' are considered to be opposed to development, and are therefore the major causes of 'underdevelopment' (Hyden, 1980: 3-4).

It may be true that in pre-colonial times these were some of the attitudes of the people of Tanganyika and other places in Africa. But as attitudes, in the main they can only be the consequences, not the causes, of egalitarianism. Of course they could have an influence on development, but it is difficult to see how, as consequences

dependent on the existence of egalitarianism, they could be successfully and permanently opposed to development. For they would be bound to change, as would egalitarianism, in correspondence with other changes in society - in the long run if not sooner. Above all, as will be revealed in the course of this chapter and others, it is untenable to argue that these supposedly anti-developmental attitudes have continued to exist beyond the pre-colonial period, and that they overwhelm all tendencies towards development at the economic and politico-institutional levels.[4]

There is a need to emphasize that, in general theoretical terms there appears to be no justification for treating the phenomenon of egalitarianism as a permanent and overwhelming barrier to development. It may be easy to be influenced by appearances; for example, during the time of colonialism egalitarianism existed in Africa, but not in Europe, which had attained a much higher level of development generrally. From here it may be easy to subconsciously draw the conclusion that egalitarianism is the prime factor impeding development. This idea is built into the work of Hyden (1980) and clearly expressed as such, but is to an extent also implied by Rweyemamu (1973) and Coquery-Vidrovitch (1976).

But in Europe, as in parts of Asia, the breakdown of egalitarianism towards greater hierarchy and centralization was not always accompanied by development in the fuller social meaning. When capitalism ultimately rendered the final blow to egalitarianism in Europe, some unprecedented levels of development were also occurring. In considering the internal developments alone there is no doubt that, especially in relation to socio-economic systems, the nature of the organisation of production played a significant role in bringing about the higher

level of development under capitalism. However, in the main this was not caused by the absence of egalitarianism but by the application of science and technology. In other words, the issue of development was substantially separate from that of the presence or absence of egalitarianism.

In the case of Tanganyika it can be argued that the rate of development and the process of the dissolution of egalitarianism were influenced by several factors, including communication, technology and trade, each being dominant in different historical circumstances. More importantly it can be argued that notwithstanding which of these factors was dominant, egalitarianism and development remained separate issues while they were both consequences of the nature of these other factors. In particular we might emphasize that it was these other factors, and not egalitarianism, which shaped development. This is what we try to show briefly below.

We saw earlier that considerable exchange activities took place in pre-colonial Tanganyika. yet the market's inroad into society was still incomplete. In such circumstances the role of the market in weakening egalitarianism was limited. But this limitation in the deepening of the market itself needs to be explained. It seems that for Tanganyika, as it was for much of Africa, communication difficulties played a considerable role in limiting initially the expansion of trade inland as well as the spread of technology (Raum, 1965; Bates, 1965; Iliffe, 1979).

But the technological factor in turn influenced the future characteristic of communication; in fact in the long run it was limited technology that became responsible for the slower improvement in communication.

Interaction among inland regions improved near the beginning of the 19th century, and was accompanied by a surge in trading activities. This would have brought with it a greater possibility of the weakening of egalitarianism. However, the nature of the trade that became dominant at that time was such that it most likely precluded that process. The slave trade generated wars, killings, and unstable conditions of production in addition to the removal of able-bodied persons who would have been prime labour-power in their society. Slaves taken from Tanganyika in the period 1830-1873 were probably as many as 21 million (Silver, 1982). It is generally acknowledged that slave trade was the primary negative factor in the regenerative capacity of the economy at that time and for many subsequent years (Alpers, 1967; Rodney, 1970; Rweyemamu, 1970: 9). We can specify the negative impact in the context of the present discussion as being its failure to stimulate technological improvements for production as well as the inhibition of a faster growth in real trade, since it did not stimulate real production. It did not permit the retention of society's surplus product by an internal privileged group either. Ultimately the series of negative factors generated by the slave trade placed a limit on the rate of development as well as on the weakening of egalitarianism. In fact it is likely that the slave trade increased the notional appeal of egalitarianism; the majority of the people moved towards increased co-operation as a form of defence against capture. One physical manifestation of this - increased villagisation - has been recorded by historians (Iliffe, 1979).

This account shows egalitarianism as being separate from development, and does not show it to be definitely opposed to the latter. It also shows that both were dominated or influenced by

other factors. One more point needs to be mentioned here, although it will again be taken up later in the thesis. It relates to what some perceive to be a close connection between egalitarianism and change or development in present day Tanzania.

We have indicated that if we looked at human society in its entirety there was, particularly in the past, a relationship between egalitarianism and the level of development of the technical aspect of the productive forces, and with the level of exchange. But we have also pointed out that egalitarianism is itself explained by and dependent on these economic factors. Together with other institutions and attitudes, it constitutes what some call the 'superstructural' aspects of society (Engels, 1950). The point about these 'superstructural' aspects is that they are normally influenced by changes in the economic aspects, and that when they appear to live on stubbornly beyond their relevant historical time, they either change their function to correspond to a new 'basis' or they persist only because they are not yet in conflict with the new 'basis' (Plekhanov, 1974). The significance of this last point is that the appearance of egalitarianism in present-day society does not necessarily mean that fundamental changes in the economic activities of its peasant population have not taken place.

4.2.4 Summary

In bringing out the explanations for the persistence of egalitarianism and its relation to change or development we have sought to highlight the following. Firstly, egalitarianism is not a fundamental factor in social change, and its modification or abolition is possible with a change in other factors. This position makes it possible to argue against two views (themselves in conflict

with each other). The first view, held by some Tanzanian and other radical African nationalists at the beginning of the post-colonial era, is that egalitarianism in Africa was wholly progressive in the sense of being democratic and socialist. This view was correlated to another, namely that once a return to egalitarianism was made, development would be greatly enhanced. The second view is that egalitarianism is by definition anti-development. The point we have made in the section is that egalitarianism is neither an outright socialist form of organisation nor a permanent anti-development factor. We have paid greater attention to the second view because, although the first had some influence on development policies in Tanzania it has gradually been more or less abandoned while the second has wide currency at present.

As for the period immediately preceding colonialism, we need to stress only the following. The levels of the tools of production and of exchange in Tanganyika were relatively low. In the main, these factors accounted for the limited availability of a surplus social product, which in turn was the major explanation for the lack of social differentiation. To this lack of social differentiation corresponded various notions and practices of egalitarianism, including decentralised institutions and processes of decision-making, community ownership of land, and co-operation in production in some instances. These features remained in spite of the increasing market activity and the formation of classes in production on the coast at the end of the pre-colonial period, but this suggests neither the prevalence of communalism nor stagnation at the onset of colonialism.

4.3 The colonial period:

Colonization in Tanganyika started with the granting of a protectorate status to a large area bordering the north-east coast which had been acquired through 'treaties' by a group of German entrepreneurs led by Carl Peters. In partnership with German banks, Peters' group formed the German East Africa Company, which, apart from trading, expanded colonial acquisitions in its more important colonial-administrative role. The company's military capacity was, however, inadequate for the suppression of local resistance, which first took the form of a full scale military engagement along the coast in 1888. Therefore in 1891 the German government took direct control of colonization and administration. From 1891 to the end of the Maji Maji War of 1905-1907, German occupation proceeded inland amid many wars of resistance, and this period is customarily treated as a military one with little information on production and exchange.[5]

What is of interest to us is the effect of colonization on socio-economic conditions in Tanganyika, and, in so far as it relates to the issue of development, the effect of colonial political structures and decisions. Two major factors appear to have had an overwhelming influence on socio-economic conditions. The first, which was prevalent in, but not confined to, the early colonial period was land alienation. The other, which was dominant throughout the colonial period, was the development of commodity production.[6] Let us briefly look at these two factors.

4.3.1 Land Alienation

Land alienation started in the Usambara highland region close to the north-east coast, where the German East Africa Company

claimed to have concessionary rights and the land to have been sparsely populated (Iliffe, 1979: 126). The company leased and sold some of its land to settlers, but retained much of it for plantation agriculture. More than 56,819.2 acres of some of the best land in the country was held by the company in Usambara (including parts of present-day Tanga) after the initial selling-off (Iliffe, 1979: 127). Subsequently Usambara became the main area for plantation production.

Not all European-acquired land was in large tracts designed for plantations. Some of the settlers preferred smaller farms on which they could undertake a variety of agricultural activities. But even smaller farms could be obtained only through land alienation. In fact the smaller farms appear to have had a proportionately greater impact on the welfare of the local people than the larger company estates. The reason for this is that whereas estates may have included a large proportion of what their owners considered to be virgin land - it could have been merely fallow - the smaller farms often alienated cultivated land (Iliffe, 1979: 142).

By 1912 there remained very little land in the Usambara region to alienate in favour of Europeans, and the local people were severely hit by land shortage. In addition, since fallow land on which the local agricultural system depended was no longer available, food production declined (Iliffe, 1979: 143).

The other effect of land alienation, of course, was the coming into being of a sizeable group of landless people. Some of these became squatters, but many turned into labourers on both the plantations and the smaller farms. In fact **labourers for Europeans were 'created' simultaneously with the taking of local lands.**

It appears, though, that it required more than the mere economic

compulsion of landlessness in Usambara to guarantee the availability of labour to farms, and it is recorded that labour shortage was one of the reasons settler agriculture moved westwards to the Kilimanjaro, Arusha and Meru areas (Henderson, 1965: 144; Iliffe, 1979: 142).

Land alienation had occurred in Kilimanjaro, Arusha and Meru by 1907. Here the process towards dispossession appears to have been of a more determined kind than in the Usambaras; to the extent that labour shortage was considered to be one of the problems in the Usambaras, the process and planning of land alienation in the newer areas were deliberately designed to cut off the local people from access to farming land beyond the immediate perimeter of their households.[7] It was believed that this hemming-in approach would create an ever increasing labour force to satisfy settler farming needs. About 197,632 acres of good farming land had been alienated in Kilimanjaro by 1913. Out of these, the settlers cultivated only 14,822.4 acres (Iliffe, 1979: 144). Taken in Meru were 93,168.4 acres. This constituted most of the arable land in the area.[8] Again squatting and labouring on settler farms became a feature in these newer areas, as it was in the Usambaras. So did generalized hunger (Iliffe, 1979: 144). However, at about the same time, the colonial government initiated a policy direction that slowed down the process of land dispossession.[9]

The partial restrictions placed in the way of land dispossession emerged out of a debate among colonial policy-makers which has sometimes been inaccurately presented as one between those who favoured a plantation colony and those who wanted a commercial one (Henderson, 1965: 148). In economic terms the needs of settlers at that time can be summed up as having been the creation of an

abundant and cheap African labour force. They thought that this goal could only be fully achieved if, in addition to direct labour compulsion, land alienation was thorough and Africans were prohibited from growing cash crops (Iliffe, 1979: 153-155). On the government side, the new policy direction that was developing could be seen as a short term response to the break-neck speed of land alienation of the initial years and its disastrous consequences. Two related factors were now to be considered from the point of view of German welfare. Firstly, what the settlers had set out to grow on large-scale estates, namely coffee, had not been suited to the Usambaras, and therefore European commercial farming in Tanganyika had not yet become productive.[10] Secondly, those settlers who started mixed farms on which they produced saleable food crops for the plantation population did not know the local conditions well, and they too had failed to take off (Iliffe, 1979: 128, 143). Clearly only the local people could keep production going at acceptable levels, at least in the short run, and that required some protection from severe landlessness.

In addition the colonial government did not want another war with the local people. Both the settlers and the government in Tanganyika were convinced that the local people were about to fight back against land alienation to protect what they perceived as their very existence. Most settlers, and others in Germany itself, thought that only a more resolute form of suppression of local discontent would guarantee them land, cheap labour and freedom from competition by local commodity producers (Henderson, 1965: 149; Iliffe, 1979: 149). Perhaps the government would still have gone along with this, considering the then escalating strength of the settlers in terms of numbers and organisation, as well as the great

amount of support for them within Germany (Iliffe, 1979: 151). But a war about the possession of land could have easily aroused the passions of other local people outside the northern regions, and could have swamped the entire country. Economically and militarily this would have been highly undesirable, especially with the lessons of the Maji Maji War still in memory. In particular, it would not have been immediately foreseeable how the value of production by a settler sector, which at that time consisted of less than a thousand farm owners, might supplant that of the combined Tanganyikan producers who numbered about five million (Henderson, 1965: 155; Iliffe, 1979: 141).

It has also often been reported that one of the reasons for the government to slow down land alienation was a keen commitment to prevent the development of a working class in Tanganyika. Perhaps the government did not make such a clear social cost calculation, but the phrases used by some officials, such as Rechenberg, governor of Tanganyika at that time, appear to lend credence to this theory. In opposing further land alienation in Kilimanjaro, for example, he mentioned that he was guarding against the proletarianisation of the people living there (Henderson, 1965: 148; Iliffe, 1979: 144). We shall see later whether there was a relationship between proletarianisation and the emerging policy on land tenure and commodity production. But we can say that this policy had important consequences reaching far into the future.

4.3.2. Further development of commodity production in the agricultural sector

The new policy has sometimes been described as a compromise, constituted by governmental intervention and assistance to large-

scale planters in securing labour on the one hand, and limited governmental promotion of commodity production by Africans for external markets on the other.11 The impact of the latter onn the future make-up of Tanganyika is now generally considered to be of great importance, and it deserves extended presentation.

A factor that went hand in hand with commodity production was taxation. One of the important consequences of the compulsion of local people to pay tax, which was almost always done in cash, is that it brought most of them into the fold of the wider market, at the same time as it spurred those already incorporated to expend more energy in producing for the external market. Initially, the need to obtain the cash to pay taxes in order not to fall foul of the colonial authorities was probably the most important reason for those less incorporated in the market to adopt cash crop production. But later it was obvious that by devoting further efforts to the activity, personal prosperity could ensue. Concomitantly the refusal of the early colonial government to depend solely on settlers, and the attitude that Germany needed raw materials no matter who produced them (Iliffe, 1979: 154), facilitated the spread and intensification of cash crop production. A new element of petty commodity production was that peasants were not being pushed and induced simply to produce food for an 'external' market, but also to grow for the **overseas** market those crops that were likely to give them a regular and fairly stable income because of the greater demand for them in the new European industrial age.

It can be said that the economic inducement to widen commodity production first appeared in a significant way via the rubber and sisal plantations of the North-East. Many food growers in Tanganyika had long supplied the Caravan Trade routes that ran

through the centre of Tanganyika, as well as the wider overseas market mediated by Zanzibar. Now some of them began to supply the plantations too. Those taking advantage of this opportunity were, of course, the ones living near the plantations themselves, and it is not surprising that the majority of the suppliers were the nearby Bondei. But the stimulation to commodity production was wide and significant enough to win over many Wanyamwezi of Western Tanganyika, 'traditional labourers' throughout the time of the Caravan Trade, to immigration into the northeastern parts in order to produce food for sale to the plantations (Iliffe, 1979: 152).

4.3.3. Contrasting government behaviour towards peasant commodity production

In order to hasten the production of important raw materials, some encouragement was given by the government to local people in certain areas to produce directly for the overseas market. Cotton growing in Tanganyika is the best example of this.

At the turn of the century the demand for cotton by Europe's textile industries was still rising, as was its price in the international market. In addition, at that time Germany apparently sought to free itself from American suppliers, and therefore initiated a great drive to produce the crop in its territories. In Tanganyika, this is demonstrated by at least two massive plantation projects for cotton established by German companies around Ruvu and Kilosa between 1907 and 1912. The projects collapsed and failed. Their failure is generally considered to have convinced the government and other German interests that large-scale farming of cotton was not practical in Tanganyika, and that therefore this all-important crop could only be grown by small-holder producers (Iliffe, 1979: 145). The

mobilization of the latter towards this end in subsequent years was quite phenomenal by the standards of governmental involvement in the economy at that time. Iliffe (1979: 155) has written that between 1909 and 1913 cotton lint exports from Mwanza, the chief small-holder cotton-growing area, rose from 123 bales to 3,735.

Coffee is another crop which the government encouraged the local people to grow for the overseas market. However, in the strict sense of the word, this encouragement appears to have been the case only in Bukoba, the second chief coffee growing area in Tanzania today. In the main coffee-growing area of Kilimanjaro, the government attempt to deepen cash crop production was tempered by the demands of the settler population, who were themselves growing coffee and thus opposed to competition with the local people.[12] Some of the settler-induced laws that the government instituted *vis a vis* the Kilimanjaro people could have completely stopped the latter from growing coffee. For example, the 'card system' obliged a local person to work for a European for one month in every four at a fixed wage.[13] On the other hand, the government fixed the wage on African-owned farms just below the level of inducement to labour. By drawing labour away from the locally-owned holdings to expatriate farms while limiting the wage-rise possibilities, these laws supplemented land shortage and aggravated the problems of commodity production for the local people in the area.

This contrasting approach of the government to the intensification of commodity production - active encouragement on the one hand and covert prohibition on the other - remained a feature for a long time in the colonial era. It seemed to correspond to the nature and location of settler economic activity, and was not

confined to German colonial rule. For example, throughout the British period the people of Kilimanjaro struggled to be accepted as competent coffee growers, and it appears that only the formation of their co-operative movement in 1925 ensured their survival as commodity producers, vis a vis the government and the settlers (U.K. Govt, 1937: 207; Iliffe, 1979: 276-278; McCarthy, 1982: 95).[14] 'Non-encouragement without prohibition' was later followed by the British government in other areas that took an interest in coffee production, but all of them were firmly persuaded not to grow the Arabica type already grown by the settlers and the local Kilimanjaro people, who were by now being accepted as coffee growers.

In later years the British colonial government took steps to prohibit coffee-growing in the newer areas of Arusha, Meru and Pare, which adjoined Kilimanjaro; coffee trees were uprooted and nurseries destroyed in Upare (Iliffe, 1979: 289- 290). In the early 1950s the negative government reaction to the production of certain commodities by local people briefly spread to sisal. In response to a rise in world prices, the peasants of Lake Province, situated at the far end of the country from the sisal plantations, produced significant amounts of the crop, which the government continually discouraged until the local industry itself petered out in response to a later price fall (Ehrlich, 1976: 301-302).

Government's contrasting policies were not confined to the economy. Administrative measures and educational policies also showed the government promoting progress at times, and impeding it at other times, as the following examples indicate.

4.3.4. Indirect Rule and the reduced enthusiasm for economic growth and transformation

In a simple way, indirect rule can be defined in relation to direct rule, which is the governance of an indigenous population by an alien colonial authority in a centralized and assimilationist way. To the extent that the German colonial government in Tanganyika used some indigenous people for local administration and was not assimilationist, though clearly centralized, it practised a limited form of indirect rule (Henderson, 1965: 147; Iliffe, 1979: 319). However, indirect rule as practised by the British administration in Tanganyika since 1925 was markedly different from this model.[15]

To start with, it was not seen as satisfactory merely to decentralise authority and devolve power to local or locally-constituted units of administration. It was important that the indigenous participants were people perceived as having traditional authority or legitimacy - real or 'manufactured' (Iliffe, 1979: 322-334). Above all, Africans were to be left as undisturbed as possible, as long as their activities did not prevent the government from running smoothly.

Obviously there were administrators who believed that indirect rule was an ideal method for the preservation of the identity of Africans, and most presented it officially as such. Other administrators favoured it for reasons of pragmatism and expediency, which, apart from avoiding the greater administrative costs of direct rule, consisted of securing order and stability.

The interpretation of indirect rule as a system of 'divide and rule', based on, among other things, the promotion of tribal differences is well known and correct. Indirect rule achieved order and stability by precluding cross-tribal organization and unification. But there were other consequences. Indirect rule entailed the

reconstruction of chiefly authorities which were new in substance but traditional in form. The colonial government created local governing councils known as Native Authorities. These were made up of traditional rulers and headed by a chief, all of whom were now appointed by the government (Clagget Taylor, 1963: 51). Initially the native authorities had minor legislative roles such as the making of by-laws, and were independent of each other. But soon the British colonial government extended their roles, strengthening them more than in any other phase of colonialism (Clagget Taylor, 1963: 49; Iliffe, 1979: 356-357). As anticipated by the colonial government, the effect of this was not only to confine the participation of the indigenous population in politics and other important issues to local affairs (Iliffe, 1979: 356) but also to deny the educated and traveled Africans any influence in the community (Iliffe, 1979: 322). If fully achievable, a further effect of this in developmental terms would have been the construction of an edifice capable of insulating society from new knowledge. That did not happen, but the contribution to the slowdown in overall development is likely to have been quite significant.[16]

We must recall that the context in which all this took place was one of local resentment to alien rule, as well as **a distrust for much of what was new and modern,** which appeared to be linked with it. Indirect rule as described above created the perception among the chiefs that the colonial authorities were now returning 'their land' and restoring 'their sovereignty'. This perception became the ideological forte of the new traditional authorities. In the meantime the colonial authorities went about discrediting those with ideas of change. It is the atmosphere of change that the system of indirect rule repressed, especially in the inter-war period of the British

administration of Tanganyika.

The decision to leave Africans as 'undisturbed' as possible also had a great impact on the pace of educational development. Both at the level of official thinking and in implementation, the educational direction which became dominant was one that emphasized localism, simple agriculture and the acquisition of only simple literacy tools. It was not unusual for colonial officials to discourage Tanganyikans from enrolling at a school certificate level, lest they become 'political agitators'. The first Tanganyikan to enrol at school certificate level at Makerere, situated in Uganda, did so in 1930. In the next four years only 'a handful' of others joined, having obtained primary education outside the country. Up to the 1950s Tanganyika's enrolment quota at Makerere was frequently not filled. The educational situation was so bad that at some point even the local traditionalists complained that Africans were not being taught beyond a certain standard in order to suit particular colonial ends (Iliffe, 1979: 339-341, 445). But the indirect rule considerations continued to influence government attitude towards African education even when, after the Second World War, there were attempts to plan towards improvement in Tanganyika's development (Iliffe, 1979: 438-439).[17] A description by Iliffe (1979: 326) sums up this period well: "Indirect rule became a means of social control rather than social progress...."

4.3.5. Commodity production, change and differentiation among peasants

While there were many actions by the Tanganyikan colonial government that did not encourage progress, this did not by any means result in a complete lack of change or development.

Obviously the rate of progress was extremely slow, but improvements took place in many aspects of life. In some areas, notably health, the improvement was directly a result of government action. Even in education, improvements on a quantitative scale continued to be made by the government. It can be noted that the expanded acreage and increased agricultural 'productivity' of the late 1940s and early 1950s occurred at a time when, on the basis of the 1940 Colonial Development and Welfare Act, the British government adopted the post-war policy of a 'modernizing imperialism', through which colonial governments became relatively more positive about development (Creech-Jones, 1951, U.K. Govt, 1955).

Some improvements were bound to take place irrespective of the official attitudes and actions. In particular, once the economy's link with the external demand for raw materials was strengthened, as it was in the colonial period, **peasant commodity production** was in general bound to increase. Historical evidence shows a steady (and sometimes spectacular) increase in the production of sale crops introduced in colonial times, as in the case of copra, sesame and groundnuts in the early colonial period, and coffee and cotton in later times (Henderson, 1965: 144, 153; Iliffe, 1979: 274-295, 453). This was largely due to the normal 'economic rationality' of responding to comparatively favourable price regimes, as well as to the more general expectation of the betterment of life through increased participation in the commodity economy.

Other important changes among peasants also took place throughout the colonial period, notably in the organisation of productive activities, and even in the methods of production. For example, the introduction of cash crops that were in great demand

outside the country not only led to the cash crop 'mania' that the colonial authorities at some point were quite uneasy with, but also to the rapid spread of capitalist relations in production. The Tanganyikan case of the initial expansion of commodity production, in fact, demonstrates that the freeing of labour from land, and the long duration of capitalistic gestation are essential to capitalism only in its establishment as a 'self-propelling' mode of production; in new areas, capitalist relations emerge without these preconditions. In the Usambaras and Kilimanjaro, African employers of labour emerged as soon as the production of the new crops was adopted by them. In Ujiji, which was situated in the heartland of the region supplying migrant labour, and historically considered to be the least developed, rice was being produced on farms their owners rarely worked. The local pioneers of cotton growing in the southern and eastern parts of the then Lake Region were all employers of labour who did not work on their farms at all, as indeed was the first indigenous coffee producers on the western side of the region, and some of those around Kilimanjaro. In this example the first growers of the new crops were also the pioneers of capitalist relations in production. This is because they were chiefs and opinion leaders who were exempted from compulsory labour, becoming virtually the local agents of government and settlers for the mobilization of labour, and thus having some labour at their disposal for exploitation. One entrepreneur in the Bukoba District of the Lake Region had in 1907 proposed a joint venture with a settler in which the latter would have provided the monetary capital while he provided the labouring men (Iliffe, 1980: 282). In later years capitalist relations among commercial food producers, notably around Isimani in the then Southern Highlands region,

became common (Awiti, 1975).

Of course capitalist relations among peasants on a wider social scale were not regularized yet, and here the fact that wage labourers were generally less detached from land, and that the extremely short period of capitalistic commodity production had not provided adequate accumulated capital to support it, delayed the regularization. But it is clear that capitalist relations were no longer alien.

There were other changes. Between the late 1940s and early 1950s increased productivity and expanded acreage became possible on a wide scale through the use of fertilizers and tractors, the pioneers here being Isimani in the south and Arusha-Mbulu in the north. Lorries too, for carrying produce, were bought in relatively large numbers at this time. The enthusiasm of the local people for the new methods of production was high enough for some of them to put funds in pools for the hire or purchase of tractors (Iliffe, 1979: 454-455; Raikes, 1975; Awiti, 1975).

There were times when the local people resisted important modern innovations. We have pointed out earlier that this was often the logical reaction of a conquered people. However, some of the innovations that appear to have been resisted at the level of the economy did in fact clash with other rational (often economic) criteria. For example in the late fifties the enthusiasm for tractors and ploughs began to wane in some areas of Tanganyika because there was evidence that these ultimately brought up the infertile subsoils while making it harder to terrace the farms against erosion - both of which were a threat to future production. This apprehension must be read in the context that there were still many unknowns regarding the entire set of the new methods of

production.

These examples are opposed to the view, prevalent in the colonial years and popular among settlers, of the economic irrationality and unchanging conservatism of the African peasant producers. According to the theory, African peasant producers were neither interested in acquiring more goods, nor in bettering their lives through a disciplined participation in economic activities (Stahl, 1961: 72; Wrigley, 1965: 230; Jones, 1977: 112-113). A variation of the view assumes that peasants always place a higher value on pre-capitalist forms of culture in relation to transformational goals. It therefore perceives peasants as rationally forsaking economic and developmental goals in pursuit of 'superior' egalitarian objectives and leisure (Hyden, 1980: 18-19). That peasants are insensitive to economic progress is taken as a given fact.

Several studies have shown that the 'theory' of an intrinsic economic irrationality peculiar to African peasant producers is untenable (Henderson, 1965: 188; Jones, 1977; Sabot, 1979: 32-33, 57). The Tanganyikan examples given above demonstrate that there was enough enthusiasm for commodity production and change, and that a significant amount of differentiation took place among peasants, even when colonial policies in some instances discouraged this.

4.3.6. Other factors in the 'underdevelopment' of Tanganyika

4.3.6.1 The uncertainty surrounding the status of Tanganyika as a dependency

It has often been stated that in the interwar period the status of Tanganyika, as a trust territory rather than a colony in the formal sense, initially stood in the way of better economic commitment by

British nationals. The deportation of resident German investors and the expropriation of German property which took place at a time of such little commitment also added to the atmosphere of economic neglect. Moreover, in the 1930s a discussion of Tanganyika's status was revived, with Germany apparently interested in regaining it. There are historians who argue that the sense of uncertainty created by this discussion, and the mandate status, prevented a number of important investments from taking place (Ingham, 1965: 579; Iliffe, 1979: 302). That may well have been the case, but there were other factors which also placed difficulties in the way of savings and investment, especially in the long term.

4.3.6.2 The dominance of the economy by non-local interests

The domination of the economy by non-local interests had several aspects. One of these was the absence of an internally-based authority with autonomy to influence the determination of the income of local producers. Others included the dominance of the export sector in the economy, and the domination of this sector by expatriate farmers.[18] These aspects are easily illustrated by the way they manifested themselves in wages and commodity prices.

(a) Low wages in the economy

During the colonial period wages were extremely low. Obviously profit considerations by employers and the cynical repression of colonial conquest accounted for this. It is interesting to note, however, that most settlers and some government officials had found and adopted a view they believed to be an economic justification for low wages, namely that African wage labourers had definite cash goals beyond which they would not offer their labour. Such employers had become convinced that more pay would only make it possible for labourers to achieve the cash target in a shorter

period of time (Sabot, 1979: 33).

Under colonial rule, low wages meant many incidences of half-pay (and sometimes even less) that accompanied the numerous occasions of (forced) labour conscriptions. Notable among such incidences was the system of labour gangs of the 1920s and 30s for the construction of public utilities, and that of the 1940s for the sisal plantations in aid of the war effort and post-war reconstruction (Ingham, 1965: 583; Iliffe, 1979: 371-372).

Where 'full' wages were paid, it is still possible to establish the fact of low wages by closely estimating the shortfall between real cash earnings and presumed fair wages during particular time slots of the colonial period. Iliffe arrives at the conclusion that wages were low for much of the colonial period partly by working out calculations of this kind (Iliffe, 1979: 354, 452, 469).

The fact of low wages is also demonstrated by the continuation of the non-wage sector as a source of the means of livelihood for wage labourers (Sabot, 1979: 63), which remained a feature of the Tanganyikan labour force throughout the colonial period.

The significance of the shortfall in income, resulting from subjective decisions by the government and the settlers to pay low wages, is the fact that the community of employers (including settlers) was largely expatriate.[19] When this expatriate characteristic of the potential investment group is related with the generally negative attitude towards further or long term investment in Tanganyika, it becomes clear that in the long run the shortfall was **income foregone with little hope of it ever being ploughed back.**

The shortfall may also have been negative to the expansion of production. Wages which were consistently low would not have encouraged the increased and varied consumption that is necessary

to ensure that production constantly improves and expands.

(b) Commodity prices and the economy

Similar conclusions can be reached regarding commodity prices. These were often kept below world levels. For instance, coffee prices were below world levels for quite a considerable length of time, a result mainly of a fixed contract with the British Ministry of Food, prompting some leaders of the Kilimanjaro Native Coffee Union (KNCU) to complain in 1951 that they were receiving only 2/3 of the value of their crop (Bowles, 1980: 175). Sisal prices were also constantly below world averages. In the 1941-1948 period, Tanganyikan sisal was sold through a bulk purchase agreement with the British government, which often resold the sisal to the United States at twice the growers' price (Ehrlich, 1976: 300, 304; Iliffe, 1979: 344). The sisal arrangement alone is estimated to have caused an economic loss of 11 million pounds to Tanganyika.[20]

Cotton also suffered a price shortfall. Here the relevant statistics alone show that the magnitude of 'short-changing' cotton growers was greater than in the other commodities. For example, cotton prices paid to the Tanganyikan government were below world levels throughout the 1943-1952 period. This resulted from the long-term contracts with the Raw Cotton Commission of Britain. But also the Tanganyikan government in turn often paid peasant farmers less than 1/2 of the price obtained for Tanganyikan cotton. Bowles has taken a closer look at this aspect and found that in the 1949-50 season the government had paid growers 25 cents per pound while it had itself taken 30 cents per pound. This practice provided the government with 5.2 million pounds from cotton alone in the three years 1949-1952 (Bowles, 1980: 176). Officially, the government intended that these funds be used to develop the

particular crop industry, or agriculture as a whole. In practice, however, most of the funds were simply transferred to Britain for investment (Bowles, 1980: 174, 176).[21] For Tanganyika, a consequence of this was, once again, lost investment.

There was another dimension to this shortfall of income to local producers. Frequently expatriate farmers were paid different prices. For instance, it appears that during the period, the few expatriate farmers engaged in cotton growing received the full unit price paid for Tanganyikan cotton, or twice what the local growers got. In fact there were many ways of providing better prices or income to expatriate growers of the same crop, or for crops chiefly grown by expatriate farmers, such as sisal, and, especially during the 2nd World War, wheat, maize and beans. In the latter category of crops the practice was disguised under schemes such as export tax reductions, guaranteed high prices if large amounts were produced, and planting subsidies if large areas were planted.

In view of the incidence of income shortfalls affecting indigenous producers, it seems inescapable to conclude that local farmers were subsidizing the expatriate ones (Bowles, 1980: 167-168). Barring for the moment consideration of the blatant discrimination that accompanied this 'subsidization' in the colonial era, it may be argued that the practice is common even today in all countries, provided the branch or crop sector being subsidized is critical to the economy and the measure is temporary. Similarly there were those who sought to justify this 'subsidization' by regarding expatriate farmers as being involved in the all too important export sector or closely connected with it. The point though is that, with the assistance of governmental intervention in the exchange arena, more capital went to the expatriate community (including the

government) which, in view of the community's reluctance to commit large or long term investments to Tanganyika, resulted in a capital outflow then and in the future.

4.3.7. The consolidation of dependence in the colonial period

In Tanganyika, as in many other countries, the most important step towards the creation of dependence was the formal subordination of the local population involving in the main the control of major institutions and decision-making processes by a foreign power. For it is this classically **political** act (i.e., formal subordination) which breaks the ground for making decisions and erecting structures of great economic significance. But it was the subsequent decisions and structures that were critical to the pace of development and to the establishment of the crucial aspects of dependence.

So far we have been discussing those specific colonial actions (and omissions) that could be said to have been negatively disposed towards development. In what follows we focus on those directly related to dependence. They too, as we shall see, can be considered to have made a contribution to a poor state of development, but we highlight them here for their role in the consolidation of dependence at the economic level.

4.3.7.1 Monetary institutions and processes

One of the prominent aspects of the monetary system of colonial Tanganyika was the absence of restrictions on the remittance of funds outside. This was facilitated by the lack of exchange control within the territory, and by the completely subordinate status of the country's currency and banking system in relation to British interests (Elkan and Nulty, 1976: 332). Perceived by nationalists as

being a determinant factor in the development of a future Tanganyika, the monetary system was to become a priority area for change after independence, and was initially central to the non-dependence strategy that emerged (Nsekela, 1983).

Understanding 'monetary dependence' in Tanganyika requires an appraisal of the East African Currency Board and the related monetary arrangements.

Established for Kenya and Uganda in 1905, and covering Tanganyika as well from 1920, the Board had control over the issue of currency and, to an extent, over its use for credit purposes. The most significant and controversial aspect of the Board's authority was the rule that it could only issue additional amounts of East African currency if there were equivalent sterling assets held by East Africa in Britain. This emanated from the general British policy in many of its dependencies, that currency be backed pound for pound by sterling assets (Elkan and Nulty, 1976: 332; Loxley, 1979: 76), and thus in a sense the East African Currency Board was only a regional agency for its implementation. The official reasons for the adoption of this 'sterling-exchange standard' included the need to provide a smooth convertibility of the currencies in question, which in turn presumably offered a greater access to cheap borrowing by the dependencies on the London credit market, as well as the stabilization of local economic conditions through the curtailment of monetary expansion (Hazlewood, 1967: 102; Nsekela, 1983: 4; Elkan and Nulty, 1976: 332). In reality credit availability for the dependencies was in no way facilitated by this arrangement. It took only a short time for the demand on the London market to become too great. Moreover, lending to persons or institutions in the dependencies remained dependent on other financial

considerations, such as creditworthiness - a criterion that, for the obvious reasons of low income and comparatively low investment security, was heavily biased against the dependencies (Hazlewood, 1954: 304, 314).

It has been argued for Tanganyika that in fact more capital flowed out of the country than came in (Nsekela, 1983; Iliffe, 1979: 302), and that this was directly related to the nature of the monetary system. In curtailing monetary expansion through the restriction of the issue of currency, the monetary system no doubt helped hold down inflation (Loxley, 1979: 76), while its insistence on a '100% backing' of the local currency by sterling assets ensured an astounding stability in the **balance of payments** situation (Hazlewood, 1954: 298; Nsekela, 1983: 6). In reality this **monetary stability** was never a positive achievement, and we can show this by discussing this factor alongside other effects of the monetary system in terms of long term developmental possibilities.

The debate about the developmental consequences of the monetary system brings out three main questions. These are whether the 100% backing of local currency by sterling significantly restricted the entry of imports and investment funds necessary for greater developmental undertakings; whether the arrangements favoured the 'export enclave' and helped cement the orientation of the entire economy towards (primary) export production; and whether such a monetary system led to currency and credit scarcity to the extent that prices, exchange and production were retarded.

Although it is possible to find writers who have answered all three questions in the negative (Earle, 1954), most of those who have studied the issues theoretically and empirically are drawn towards the affirmative ('Analyst', 1953; Hazlewood, 1954). Among

the latter, only the last question receives a qualified affirmation (Newlyn, 1952; Hazlewood, 1954). The qualification is that although the arrangements led to currency scarcity generally, they did not necessarily lead to credit scarcity in some territories, and as such the **total** money supply was not scarce.

Consideration of these three questions hinges on the fact that further currency issue in the dependencies had to be obtained only through increased exports or a decrease in imports, or both. The currency, to put it another way, had to be paid for in foreign exchange (Hazlewood, 1954: 294).

It was therefore important to forego importation to a great extent merely to avoid the contraction of the currency in circulation in a dependency, and the British authorities, including the Tanganyika government, ensured strict enforcement of this policy. This explains the apparently 'excess' foreign reserves that Tanganyika had throughout the colonial period (Hazlewood, 1967; Nsekela, 1983). The funds were instead used elsewhere, for it was part of the arrangement, strictly enforced by such agencies as the East African Currency Board, that most of the reserves be invested outside the territory which owned them, mainly in Britain (Hazlewood, 1954: 293; Nsekela, 1983: 4). There can be no doubt that these reserves, useful elsewhere, would have been important as investment funds in large developmental undertakings in the territories which owned them.

It is also clear that since further currency issue depended on an increase in the export type of production, the foreign exchange earner, resources were drawn towards this sector. Hazlewood (1954: 303-304) shows that this bias towards the export sector was usually accentuated by the expatriate nature of the other currency-creating

agency, i.e., foreign investment funds, since investing in export production guaranteed profits that were redeemable in sterling pounds in future. With a low long-term investment priority tag placed on it, Tanganyika was not an exception to this trend (Seidman, 1972: 40-41). Later, we shall indicate how helpful the monetary arrangements were to the repatriation of expatriate funds when the nationalist wave of impending changes appeared to threaten them.

In considering whether the monetary arrangements were deflationary, we should keep in mind the assumption that such restriction on the issue of currency makes it scarce, depressing prices and arresting economic activities. We should recall that a similar opposition was voiced against the similarly 100% backed 'gold standard' in the early decades of this century, to which the colonial monetary system was likened (Analyst, 1954). There seems to have been the case in Tanganyika of a stifled exchange when, in addition to the limited issue of currency by the Board, the government prohibited the use of local exchange equivalents. It was aimed, according to official policy, at the elimination of barter trading, and at the unification of the territorial market by the use of a single pan-territorial currency. Of course it would be difficult to gauge the extent of the 'deflationary drag' as a direct result of this, but it seems to have been significant: the local people were acutely aware of the scarcity, and therefore they conducted a great deal of currency hoarding. In a study devoted to money operating in Tanganyika up to 1940, McCarthy (1976) has demonstrated the case of a currency-induced 'deflationary drag', enabling him to conclude that

> "If one can regard the constrained articulation of a comprehensive, flexible transactions universe as a genuine

form of underdevelopment, and if one can accept the notion that undergrowth results, in part, from limiting the vitality of exchange, then the place to begin the emphasis shift ... is the arena of shackled exchange." (McCarthy, 1976: 648).

McCarthy (1976) is right in noting that, at a particular historical point in Tanganyika, exchange was prominent in influencing the process of development (in this case slowing it down). But then he goes on to project this as the major explanation for underdevelopment while understating its benefit to imperial interests (or even discounting it altogether). The final (and in our view erroneous) picture which he produces is that underdevelopment was chiefly the work of a currency-hoarding local population facilitated by a 'job-bungling' Tanganyikan section of the British bureaucracy.

While a slowdown in economic activity is strongly implied, there is another way of looking at the currency scarcity. Even though the Tanganyikan government may appear in the historical record not to have planned for this result, it seems to us that the aggravated scarcity was in fact an additional method of inducing peasants to produce for export. The relationship between currency and export production can not be conceptualized only at the general level: individual peasants could only acquire their medium of exchange (or cash) if they sold more **export crops.** It can be stated then, on the basis of this, that the the most pronounced effect of the 'deflationary drag' was on local markets and home production.

Currency scarcity was supplemented by the extremely low credit levels in Tanganyika, which were also skewed in favour of the export enclave (Seidman, 1972: 41). This was in part due to the expatriate nature of the financial institutions, which made them

reluctant to extend funds to long term undertakings, and to local people (Loxley, 1973; Loxley, 1979). The low credit levels were also due to governmental intervention, through regulations which effectively barred Africans from borrowing (McCarthy, 1982: 37-49).

In the mid-1950s, British monetary policy relaxed from the rigidity of the earlier period, and the East African Currency Board was given authority to effect a fiduciary issue of currency in 1955. This of course meant that for the first time the Board could facilitate government financing of major developmental projects. But it was still a long way away from being responsive to local needs: the prescribed ceiling on the issue, 10 million pounds initially for the whole of East Africa, would yield only a small amount. In any case the maximum was never reached in the actual distribution. The investment by the East African Currency Board in the governments of East Africa was mostly in short term treasury bills, and it has been estimated that for the whole period after the relaxation, only 1/6 of it was in (the long term) securities of these governments. The rest of the investment remained in the London securities (Hazlewood, 1967; Nsekela, 1983; National Bank of Commerce, 1977).

From the above discussion, it seems reasonable to conclude that the colonial monetary arrangements played a significant role in the establishment and consolidation of dependence, as well as the continuation of underdevelopment

4.3.7.2 Trade

If taken alone, trade flow statistics are misleading indicators of the magnitude of dependence, but they contribute significantly to its representation. One of the better documented aspects of trade flow is the volume of trade with the major buyers and sellers. In

Tanganyika each colonial power tried through various mechanisms to become both the principal buyer and the major seller, so that the territory's major trading partner was always the colonial power administering it, save for the transitional interlude after the 1st World War. Thus, despite the 'open-door' commercial policy attached to the territory's mandate status (Ingham, 1965: 550), British imports rose from 27% of the total in 1936 to 47% in 1948. The general multilateralism spearheaded by the United States reduced the British share after 1948, but it was still a high 37% in 1961 (Iliffe, 1979: 470). The percentages of Tanganyika's exports which went to Britain in the same years were 23, 52 and 36 (Stein, 1979; Iliffe, 1979: 470). These high percentages demonstrate the creation of a significant amount of vulnerability to a single powerful country, and of a pattern that would be self-perpetuating and hard to change in times of adversity.

4.3.7.3 Agriculture

During colonialism, the primary export sector was greatly influenced by trends in other economies. Both the volume and the value of export crops fluctuated from time to time depending on the lowering and raising of demand and prices, which in turn were dictated by trends in the consuming countries. This is nowhere better illustrated than by the fortunes of Tanganyika's chief export crop, sisal. Tonnage for this crop rose markedly between the wars following the disasters that struck its major rivals at the time, Mexico-based henequin and Manilla hemp. But prices fell during the depression years, and Iliffe (1979: 343) has made an interesting sketch of how closely sisal price followed foreign economic trends, linking it with capacity utilisation in U.S. industry during those years. Then the demand, and the price, rose between 1947 and 1951

due to post-war industrial recovery, and the rush for the stock-piling of important raw materials (especially in the U.S.) following the Korean War of 1950. As **Appendix 1** indicates, the highest rise was in 1951, when the price for sisal went up by 167% from the previous year. In 1952 the price began to fall, achieving the heaviest fall in 1953 when it came down by 183% from the previous year. It did not recover for the remainder of the colonial period, partly due to new competition from synthetic fibres, as **Appendix 1** shows. In view of the dominance of sisal, and the country's resemblance to a monocultural economy, these fluctuating trends had immediate and significant effects on other internal aspects of the economy. Iliffe (1979:344-345) has documented such effects by examining levels of employment and of food production.

The externally determined behaviour of the agricultural sector, represented by sisal trends and its internal consequences, can be understood better by splitting this external orientation into two aspects. The first one is that production is dominated by exports (high levels of which create vulnerability to a foreign buyer, especially where the latter has a monopolistic position. In Tanganyika's case this may be demonstrated by the fact that in 1954, exports were 46% of monetary GDP, and probably constituted 1/4 of all productive activity (Iliffe, 1979:470). The second aspect is that production is primary and not industrial. Although some studies have usually tended to emphasize the former, it is the latter aspect which is critical, for it is this that makes the external orientation vulnerable to trends in manufacturing economies. As seen earlier, the significance of external orientation is **the weakness of primary production in its relation with manufacturing,** which tends to be the case as specialization advances, first in the national and then in the

world economy. Proof of dependence then rests less on the fact that the export sector is dominant, and more on the fact that what is exported is primary and the country remains non-industrial. This is what gives the problem its structural and resilient character. In the following paragraphs we examine the pace of industrialization in colonial Tanganyika, a subject which sheds additional light on the point made here.

4.3.7.4 Dependence and industrialization in the colonial period

During German colonization, no manufacturing plants were built. There was, of course, a relatively extensive use of machines, and the employment of a more or less specialist and stable labour force in certain sectors, notably in the railway-transport sector. This may have brought into being an embryonic 'industrial' working class, but there was no industrial sector as such at that time.

In many parts of the Third World, significant industrial activity took place in the 1930s, gathered pace through the Second World War, and continued to expand after the war. Often the government, indigenous or colonial, played an important role in promoting industrialization, either as a necessary reaction to the depressed raw material markets in the industrialized countries, or in order to cater locally for a particular war need (Hirschman, 1968). However, it seems that on this aspect the colonial government in Tanganyika fell short of normal expectations. For example, whereas in the new post-war conditions the Imperial government in London now demanded the drawing up of development plans which emphasized modern productive projects such as **industry**, the Tanganyika government ignored the new thinking and continued to rank primary education and elementary agricultural projects ahead of industry. 22 It seems clear also that the establishment of several

important industries was vetoed by the government, either because they were perceived to be threatening the growth of British companies in Kenya, or because they could have destabilized an established industry in Britain itself. Examples of this were the ban placed on the manufacture of sisal twine in Tanganyika, and the refusal to allow the establishment of a textile mill in the mid-1930s (Iliffe, 1979: 301-302, 439; Bowles, 1980: 182-183). The importance and viability of these two industries in Tanganyika were by this time not in question, but, as representatives of the British codage industries expressed it to the Secretary for the Colonies, such undertakings were a menace to their own home market (Rweyemamu, 1973: 128-129).

Nevertheless, in the normal course of the expansion of business, a few factories were established in the late 1930 and in the 1940s. Almost all were subsidiaries of Kenyan-based industries that were themselves in turn subsidiaries of 'metropolitan" industries. The most important industry established in Tanganyika in the 1930s, in terms of capital employed and the scale of operations, was the brewery industry. Among its shareholders were Kenya settlers, but the most important ones were British companies (Seidman, 1972:38). Also established in the 1930s was the milling industry, dominated by the relatively large-sized Unga Ltd, which was based in Kenya but operated throughout East Africa. The 1940s additions were the Metal Box Company, a subsidiary of the British company of the same name; Tanganyika Packers, jointly established by the Tanganyika government and the British company known as Liebig to produce meat extract; a paints factory owned by Robiallac; and a Coca Cola bottling factory. Further expansions in the milling and brewing industries were also undertaken in the same period (Iliffe,

1979: 301, 407). Textile production did not take place in the country until the late 1950s, and even then it was only on a very small scale.

While the subsidiary nature of this 'late industrialization' is obvious, it can also be noted that industrial activities were unintegrated and confined to the consumer goods sector. That there were no capital and intermediate goods industries is clear. As suggested by general theory, to the extent that industry in colonial Tanganyika came late, was extremely small in scale and did not comprise critical industrial activities, it can be said that a structural mechanism for the reproduction of dependence and underdevelopment was already in place. Ultimately, future policy on how to counteract these was likely to be tested by the way in which the question of industrialization was tackled.

4.4. Conclusion

We have generally presented the material in this chapter as evidence that many of the actions of colonial authorities in Tanganyika, and aspects of dependence founded after the formal subordination of the local population, were not conducive to development. But neither in theory, discussed in the previous chapters, nor in this material, have we proposed that dependence excludes growth. Moreover, it is clear that in a general sense there was more progress at the end of colonial rule than at the beginning.

In regard to the colonial government's negative disposition towards development, we have not suggested that it was somehow in its nature to scheme and make sure that development did not occur. It is entirely possible that any colonialism with the same set of considerations at that time would have behaved the same way. It may be that such behaviour was characteristic of a phase of

administration which was overwhelmingly concerned with the stability and control of dependencies. In this way it ensured regular even if not optimal production - the phenomenon that has been referred to as 'the bureaucratic economy' (McCarthy, 1982).

It goes without saying that it is not possible to tell the exact level of development that would have been attained in Tanganyika had colonial behaviour been positively disposed towards development in those aspects in which it was not. The evidence in this chapter simply suggests that greater development than occurred was possible.

The findings of this chapter about colonial actions, and about dependence, can not be said to constitute the entire explanation of underdevelopment in Tanganyika, except when, as in some uses by Frank (1972) underdevelopment is taken to mean the unemployment and 'immiseration' resulting directly from capitalist expansion and colonial expropriation of land from local owners. To the extent that underdevelopment merely refers to a low level of productive forces and implies 'undercapitalisation' (in money and technological terms), colonial actions and dependence are not the only explanations for its existence in Tanganyika, as the beginning of this chapter indicates. What the evidence suggests is that the negative actions contributed greatly to the persistence of underdevelopment in the colonial period through to the independence era. This is especially so in regard to the policy actions and the structural characteristics of the economy that had a potential for long-term effects on development, including the nature of monetary arrangements and the absence of industrialization.

One of the major lines of thought which we think the material in

this chapter has refuted is that which sees the colonial era as not being responsible for underdevelopment in Tanganyika in any way, a thinking represented by, among others, Hyden (1980).

The material in the chapter also provides some of the important reasons why it could be possible in the independence era to argue for change in the anti-dependence direction. It also provides some insights into certain **characteristics** of the change when it occurred, such as the pre-occupation with financial institutions at the beginning of the change, and even its socialistic thrust when the change gained momentum. The change itself is presented and analyzed in the next chapter.

Footnotes to Chapter Four:

1 These are figures for 1959, but the situation had only marginally improved in 1961 (Pratt, 1976: 92).

2 As opposed to pastoralism, for example.

3 Coquery-Vidrovitch's argument is similar to that of Rweyemamu only in saying that African economies were internally unaffected by exchange.

4 A more comprehensive critique of Hyden's idea, which is not possible here, can be found in an article by Mamdani (1985).

5 Except that the Maji Maji War has sometimes been treated as an isolated incident, quite separate from other wars of resistance to German occupation. The reference to it by some writers as a rebellion is an indication of this: it carries the inaccurate message that the war occurred after the local people had accepted colonial rule. Sometimes this is also indicated by the citing of the major causes of the war as the African rejection of cash crops and taxation. Yet available evidence suggests strongly that military resistance was continuous up to the end of Maji Maji, and that cash crops and taxation were only the immediate factors among many causes of the war (Henderson, 1965; Gwassa, 1973).

6 That is, the increase in production for sale. The phrase 'cash crop production' can also be used to mean commodity production, but in Tanzania it has often meant the production of major

export crops.

7 The local settlement pattern in these areas had consisted of homesteads on the plateau surrounding the hills and mountains. The homesteads had some farms around them, but being smaller, they were never relied on to satisfy production needs. Thus larger farms beyond the homesteads in the valleys below had been created.

8 Meru's small remainder of arable land, located close to the households, was much less watered. Thus dispossession almost immediately led to destitution.

9 Usambara, Kilimanjaro and Meru were the nerve-centre of settler farming; conflict connected with land alienation was acute there and related policies tended to reflect that situation. Settlers were also present, and alienated land, in the Southern Highlands, Morogoro and Bukoba, but they were few in these areas throughout the German period. With the increase of European immigration in the 1930s, land was again reopened for alienation. The areas most affected this time were West Kilimanjaro, the Southern Highlands and Mbulu District. Although evidence available must be treated with caution, it appears that land alienated under British administration alone had increased to 1,157,246 hectares by 1937, and to 1,284,647 hectares by 1959, from the base figure of between 660,961 and 882,978,69, assumed to have been the land alienated under German administration.

10 Later, coffee in the Usambaras was abandoned and grown instead in Kilimanjaro and Bukoba. The large Usambara plantations were then used for rubber production. But soon Tanganyika was outcompeted by South-East Asia, and rubber production was abandoned in favour of Sisal, which together with cotton, had been found by the Amani Biological-Agricultural Institute to be ideal to the country.

11 The German colonial government's intervention in the labour market and assistance to settlers in securing labour included direct compulsion in some areas, the enforcement of often unjust contracts heavily weighted against labourers, and a particular application of labour laws (Iliffe, 1979: 151-163).

12 Iliffe (1979: 155) quotes one settler as saying, "We don't need black capitalists, we need black workers."

13 The 'card system' was also enforced against the local people living around the Usambara and Bondei plantations. The number of obligatory labour days may have differed slightly (Iliffe, 1979: 153- 154; Henderson, 1965: 144).

14 The relevant co-operative movement, the Kilimanjaro Native Planters association (KNPA), formed in 1925, was in 1933 reconstituted, by government intervention, into the Kilimanjaro Native Co-operative Union (KNCU).

15 The British model appeared to have been well worked out in advance, having based itself on the written ideas of a policy-maker, Lord Lugard, and the apparently experienced

experimentation in other dependencies, especially Nigeria.

16 Even the 'plant more crops' government campaign of 1931, one of a few which might appear to have favoured development in that period, was noted for its repressive form of implementation and for its concern with revenue rather than local welfare (McCarthy, 1977: 591-598; Iliffe, 1979: 349-350).

17 For example, funds allocated to education continued to be less than the levels recommended by the London office, and four years of agriculture-oriented primary education were still being considered adequate inspite of increasing African opposition (Iliffe, 1979: 439, 444-445).

18 If we sketched the status of the settler sector in Tanganyika's agricultural production, we would find that although it was less significant in overall GDP, it was nevertheless dominant in export production, commanding about 55% of the total (Ehrlich, 1976: 294; Iliffe, 1979: 301). In terms of value, the sector itself was highly dominated by the plantation production of Sisal.

19 Although this makes nonsense of the use of the 'settler' concept, there is no doubt that almost all settlers remained expatriate in the sense of having stronger ties outside than inside Tanganyika. They often perceived an imperative to remit funds outside. A minor but illustrative example of this perception was the view that Europeans had to bring up their children outside Tanganyika due to their 'biological needs' and to allocate some funds towards this end. The government gave

recognition to this and took it into consideration in working out the tax obligations of individual European payers (U.K. Govt., 1937: 200).

20 That is, equivalent to 120% of the average annual value of exports in the years 1941-1948, or 244% of the average annual government revenue of that time. Calculated from tables in Ehrlich (1976: 297, 308, 317).

21 These shortfalls in earnings were also fairly common in other colonial territories. After the 2nd World War, Britain was desperately trying to marshall the necessary resources for the rehabilitation of its economy. It thus became more blatant and deliberate in using the shortfall mechanism to raise some funds through the colonies. This now went hand in hand with the well known Marketing Board mechanism which, though officially designed to oversee the stabilization of prices of primary export produce, became primarily the agency for the retention of the colonies' earnings in England, and for acquiring badly needed US dollars for Britain (Fitch and Oppenheimer, 1966: 40- 46). Most of the colonies' earnings were held in British government securities at low interest, and they lost their value considerably over time. Overall, the depreciation and the delay in investing such large amounts of funds in the colonies can be considered a significant squandering of development opportunity. Enormous economic losses through Marketing Boards have been shown to have occurred in other colonial territories, notably in Ghana and Uganda (Fitch and

Oppenheimer, 1966: 41,46; Lury, 1976: 230-232).

22 In the British sphere of influence, the enthusiasm for planning and development in the dependencies, which began in the middle of the 2nd World War, was influenced by the impending imperial loss of India, and it resulted in the recognition of the importance of improving income and welfare to maintain industrial consumption and stem rebellion in those dependencies.

CHAPTER FIVE: MAJOR POLICIES FOR AN ANTI-DEPENDENCE STRATEGY OF DEVELOPMENT IN TANZANIA

5.1. Introduction

The year that marked a turning point in Tanzania's post-colonial development was 1967. It was then that an official announcement was made outlining a new direction of development that would be devoted to attempts to eliminate dependence. The outline, in the form of guidelines adopted by the governing (and only) political party, became and has remained influential in the formulation of all other policies that have a development content. In what follows we shall try to provide an account of the outline - called the Arusha Declaration - and that of subsequent policies in regard to their perception of dealing with dependence.

5.2. Background to the Arusha Declaration.

Before giving an account of the policies, it is useful to review briefly the circumstances that led to the Arusha declaration, as an attempt at explaining why it came about in Tanzania at that time.

5.2.1. The long term causes.

5.2.1.1 The leaders' philosophical and ideological disposition.

The existence of dependence is in a sense an obvious cause for the formulation of an anti-dependence strategy of development. But actual anti-dependence may only take place if there is a perception, within the general population or the leadership, of its negative characteristics. With insignificant levels of education, most Tanzanians were generally unaware of dependence other than in terms of political subjugation. Therefore in this issue, as in many

others that became important in the post-colonial period, the role of creating and raising an awareness was played almost exclusively by the leadership. The leadership itself was dominated **at the level of ideas** by one person, Julius Nyerere. This was partly due to Nyerere's own personal attributes, including charisma (Pratt, 1976; Mohiddin, 1980), and his higher level of education. It is for this reason that, in describing the early phase of Tanzanian development policies, many writers have concentrated on Nyerere's statements, although one can detect a tendency for some writers (Pratt, 1976; Mohiddin, 1980; Yaeger, 1982) to overrate his **personal role** in actual decisions in relation to that of his colleagues, and to underrate **the influence of material circumstances** in the evolution of the ideas and decisions of the leadership as a whole.

With the possible exception of an article by Nyerere in 1959 warning of the dangers of external aid (Nyerere, 1966: 73-74), there is no evidence in his or any other leader's pre-independence views to show that changing the structure or direction of the economy was envisaged.

However, Nyerere and other African leaders shared a stance which, though vaguely perceived in other respects, was clearly **nationalist and anti-capitalist**. It may be said that this stance was a likely result of being **anti-colonialist**. But the stance was also strengthened by the 'economic' ideas of pan-Africanism, and, to a lesser extent, the cultural ideas of negritude (Nelkin, 1964). These combined to become the source of the brand of nationalist anti-capitalism that its various authors, including Nyerere, came to call African Socialism. It was also strengthened, philosophically, by the social-democratic anti-capitalism of fabianism, with which Nyerere and a few other founder leaders of the Tanganyikan independence

movement were closely associated (Iliffe, 1979: 447, 508-508).

5.2.1.2. Egalitarianism and other social circumstances.

The role of the philosophical disposition of leaders in the working out of a new direction in development has sometimes been exaggerated to the detriment of other factors. The political party in Tanzania as well as a few independent observers, including Pratt (1976), are examples of those who tend to overstate the role. It seems to us that other circumstances prepared the leaders and the population at large for the reception and sustenance of the ideas of a new direction in development, and that, in comparison, their philosophical disposition was more complementary than fundamental.

It has been suggested that a factor which facilitated a change of development strategy by Tanzanian leaders was the lack of an entrenched bureaucracy. This factor is usually put in a comparative perspective, with neighbouring Kenya as the contrasting case. A variant of the argument is that there was no attempt to recruit and train Africans in Tanganyika to enter the colonial bureaucracy at higher levels, thus rendering the incoming post-colonial 'elite' insufficiently disposed towards protecting 'the system' and its structures (Pratt,1976: 14-18).1 However, the problem we face with this argument is that it does not address the question whether this reluctance on the part of the colonial government to create a responsive African section of the bureaucracy was peculiar to Tanganyika; there is no data to show that the case was different in Kenya. In fact it would appear from the same source of evidence that colonial behaviour in this area was a general policy covering the whole of East Africa (Pratt, 1976: 14-18). Thus the point about the

degree of African incorporation into the colonial bureaucracy in the two countries and its relevancy to the future leadership's interest in change or status quo is of minor relevancy.

What seems to be more important here is the fact of British attempts to win over the future Kenyan leadership just before formal decolonisation. Kenya's independence came two years after Tanganyika's. In the intervening period Tanganyika's leaders made statements about 'economic independence' and 'socialism' which, though still unclarified, were unsettling to colonial authorities. Coupled with Kenya's central role in the economies of East Africa, it can be assumed that British capital and the colonial government increasingly saw the need to 'pacify' African leaders in Kenya in some way before decolonisation became effective. There is evidence of a flurry of activities of this kind in the last years of Kenya's colonial government (Mohiddin, 1980). An even stronger version of the argument is that the colonial bureaucracy was larger in Kenya (Bennett and Smith, 1976). This bureaucracy was to be part of the new government for some years after independence, and, in opposing changes, could rely on the affinity and support of a settler community that was by now far bigger and stronger than Tanzania's.

In the same comparative mould, we find an argument which says that colonial authorities groomed the future Kenyan leading class for integration with the centres of the old order by making them property owners with a stake in the status quo. It is said that there was no equivalent attempt in Tanganyika, and that when similar moves were initiated there it was too late for them to bear fruit (Mohiddin, 1980). Part of the evidence for this argument can be found in the development-orientated activities of the colonial

government in the 1950's. The 'economic development of native peoples' had become a stated postwar policy for all dependencies, and the development of a local middle class based on, and continually being strengthened by, the existence of a wealthy peasant class was henceforth anticipated even for Tanganyika (U.K. Govt, 1955; Iliffe, 1971). The intensity of government action in this area, however, was greater in Kenya than it was in Tanganyika (McWilliam, 1976; Kenya Govt, 1954).

Each of the factors mentioned above may have been relevant in supporting the leaders' change of direction in Tanganyika. However, an underlying and continuous source of inspiration for all these factors appears to have been a greater appeal of egalitarianism in Tanganyika, which offered a more formidable ideological ammunition against capitalism than the pre-Bolshevik Russian narodism to which it has been likened (Mueller, 1980). The appeal of egalitarianism was strong not only because the capitalist revolution was incomplete, especially in terms of land tenure and social differentiation, but also because the notion had become a form of **cultural opposition to the colonial phase of capitalism**. That Nyerere (1966: 162-171) couched his early anti-capitalism in these cultural terms was in part due to the existence of egalitarianism as a cultural expression directed against foreign rule, and, by extension, against some of its attendant social and economic characteristics.

Another factor which is likely to have provided a supportive role in keeping anti-capitalist ideas alive had its source in the unified and national character of the independence movement. The significance of this was the degree to which the conflicting interests of the major socio-economic groups were balanced.

Within the nationalist movement there was a relatively strong petty-bourgeoisie, which consisted chiefly of a few intellectuals (mostly teachers), civil servants and traders. Some of the founders of the nationalist movement who remained at the centre of its activities throughout the pre-independence period, and whose class location in the economy was petty-bourgeois, included the following. There was Julius Nyerere, a graduate teacher and President of the nationalist organisation, TANU; Abdulwahid Sykes, Abbas Sykes and Ally Sykes, ex-armymen in trade and at the top of the leadership of the Tanganyika African Association (TAA), which was a precursor of the nationalist organisation; Samuel Chamshama, a clerk; and Steven Mhando, a graduate teacher. Others were Saadani Kandoro, first a clerk, then a trader and TAA organiser; Paul Bomani, a trader; Hamza Mwapachu, a social worker; Dossa Azizi, an ex-army man who had become a trader; and John Rupia, trader and treasurer of TAA in the early 1950's when active political mobilisation by these leaders began to take place. There was also Oscar Kambona, a teacher; Selemani Kitundu, a trade and early nationalist organiser; and Bibi Titi Mohammed, the nationalist organiser responsible for a phenomenal recruitment of women into the movement, also a trader. Iliffe (1979: 542) notes that in 1956 Clement Mtamila, chairman of the nationalist organisation's central committee, was also the chairman of Tanganyika African Traders Union (TATU), an African trading co-operative competing with Asian and European wholesalers in the import-export trade. It is clear that traders were well represented in the leadership, though this list does not reveal all their strength. Obviously many traders could not continue at the top of the leadership, which demanded fulltime commitment as the

movement gathered momentum, but some remained powerful opinion leaders at local levels.

An examination of the trading sub-group in the nationalist movement yields an interesting observation. It was this 'fraction' that could be expected to become the basis of support for a capitalist-based status quo. However, due to some racially-based commercial restrictions, the African section of the sub-group - which was potentially the most important - had been severely frustrated and aggrieved in its development (Ghai, 1965; Shivji, 1976; Mamdani, 1976). This meant that up to the early years of independence when it had yet to establish itself at the level of the economy, the African section had in general an ambivalent - some would say acquiescing - attitude towards an assault on existing economic structures.

This attitude was made all the more possible by an equally strong trade union and peasant presence in the nationalist movement, especially after the dock strikes of the late 1940's (Iliffe, 1979: 395-404; Iliffe, 1980), and the peasant resistance to certain agricultural measures in the early 1950's (Cliffe, 1964; Maguire, 1969). Data on the strength of peasants in the Tanganyikan nationalist movement in its early years is not easily available. Apart from the fact that one expects a mass nationalist movement in a predominantly peasant society to be influenced by the concerns of peasants, the only sound empirical proof of this appears to be the support its leaders gave to spontaneous peasant acts of resistance in the 1950's. A compelling example of this association is provided by the militant involvement in, and articulation of, peasant grievances by Bhoke Munanka in the then Lake Region where he was a nationalist organiser (Iliffe, 1979: 503-507). The association between labour and the nationalist movement was more direct and is easier

to study. Well known leaders of the independence movement who had roots in labour organisations included Michael Kamaliza, a minister of labour in the early cabinets who was co-founder of the African Commercial Employees' Association in 1951 and the Tanganyika Federation of Labour (TFL) in 1955; and Rashidi Kawawa, Prime Minister in many cabinets, formerly of the Tanganyika African Government Servants Association (1944) and a co-founder of the TFL. More important was the fact that even though forbidden, trade union involvement in politics and in the nationalist movement was a pronounced feature of its existence from the late 1940's, so that in reality it was part of the nationalist movement before the latter was formally organised into a political party in 1954. Moreover, unionism grew rapidly after the formulation of the TFL. It is estimated that by 1961 the unionised section of labour in Tanganyika was 42% of the total, while it was only 12% in Uganda and 8% in Kenya (Iliffe, 1980: 299). To the extent that leaders of organised labour in the nationalist movement represented a large constituency, labour influence on the movement was bound to be considerable.

The presence of the worker-peasant element provided the nationalist movement with an anti-elite and pro-masses tradition (Maguire, 1969; Bienen, 1970), thus creating a great potential for support in attempts at structural changes. It is this tradition which, along with the other factors mentioned before, provided support for the leadership's philosphical leanings.

5.2.2. The short term causes.

The immediate causes of the new thinking corresponded to certain post-colonial developments. These included a new

perception of the nature of inherited structures and their role in development, new socio-economic trends, and new relationships with major world powers.

5.2.2.1. The inherited structures.

a) The continuation of the colonial legacy in the financial sector.

Partly due to the prominence of financial and monetary matters that particular colonial policies produced, and since industrial development was largely neglected, it was the financial sector that came sharply into focus when the nationalist government took over. The issues that became contentious in the sector could be grouped into two major aspects: the inequality involved in transactions between Tanganyika and external interests, in particular the dominance of the latter in financial matters and the repatriation of funds, and what was viewed as the stubborn refusal by externally-based institutions to introduce reforms.

At independence most of the financial institutions were branches of externally based companies, and a few were created by the colonial government to cater for special financial needs of the expatriate community. The largest financial institutions were the commercial banks. Three of these - the Standard Bank, the National & Grindlays Bank and the Barclays DCO - could be considered really large. They had their headquarters in London, but had operated in Tanganyika since 1916, establishing a combined total of 33 local branches. The the fourth largest bank in Tanganyika was the Ottoman Bank. It started its operations in the country in 1957, but was incorporated in Turkey, with head-quarters in London and Paris. It had three branches. There were three smaller externally-based banks with headquarters in Holland, India and Pakistan. In

1963 the total assets of all the commercial banks were 37.7 million pounds.

There was one special purpose bank, the Land Bank of Tanganyika. This had been created by the colonial government to provide high risk, long term finance to expatriate farmers. In 1962 it had a balance of 1.6 million pounds of loans outstanding. In addition, the Post Office Savings Bank (which had 1.6 million pounds in savings), and some pension funds, provided a form of saving and banking.

As mentioned in the last chapter, all the expatriate financial institutions operating in Tanganyika found it desirable to invest most of their 'surplus' funds abroad. This was partly due to the colonial monetary arrangements enforced through the East African Currency Board that we talked about in Chapter Four. In the case of other institutions, such as the Post Office Savings Bank and the pension funds, there was a law specifically requiring them to invest overseas. Also the fact that most of the institutions in the financial sector were branches of overseas institutions reinforced their propensity to invest abroad. With the uncertainty that nationalism and independence created, a more direct repatriation of funds took place as many expatriate individuals and companies scaled down or wound up their activities in Tanzania (Loxley, 1979a). All these factors demonstrated to nationalists the importance of exchange control.

b) The initiatives of the new government 1961-1967.

The new government was predictably concerned with speeding up development. The task that it viewed as a priority in pursuance of this goal was **the mobilisation of funds**. However, fund mobilisation inevitably required that it be accompanied by another

task - the establishment of **a national control over the use of funds and issue of currency**. The government's focus on the financial sector was therefore on these two tasks. Its first significant action in the financial sector, however, was not so much one of mobilisation of funds as of a re-orientation of lending practices. Thus in 1961 the Land Bank of Tanganyika was replaced by the Agricultural Credit Agency (ACA) with a view to providing loans to Tanganyikan farmers. The ACA was succeeded by two institutions: In 1964 the National Co-operative Bank (NCB) was established with the primary aim of taking the business of **seasonal crop finance** and **general banking** for the growing co-operative movement away from the expatriate commercial banks. In the same year the National Development Credit Agency (NDCA) was created specifically for direct lending to farmers. Both the NCB and the NDCA, however, depended on the expatriate banks for their personnel and some of the funds. Earlier, in 1962, the government had co-sponsored the Tanganyika Development Finance Company Limited (TDFL). The other partners in this institution were the Commonwealth Development Organisation of Britain, the Federal Republic of Germany and, from 1965, a Dutch finance company called Nederlandse Financiering Maatschappaij voor Ontwikkelings-landen N.V. Government sponsorship not withstanding, TDFL was established as, and still is, a privately run commercial institution to provide equity, loans and managerial consultancy to local private investors (Clark, 1978: 101).

Mobilisation efforts began in earnest with the creation of the national insurance corporation (NIC) in 1963. The government held the majority 50% of the shares while the rest were held by the private insurance companies with which the NIC was designed to

compete (Loxley, 1979a). In comparison with the colonial period, a major policy improvement in the insurance area was that the NIC was now required to devote the major part of its investment or 'surplus' funds to the acquisition of securities of the Tanzania government (Loxley, 1979b). A similar requirement was to apply to a new POSB. Soon after, in 1964, the government established the National Provident Fund (NPF). This was a compulsory superannuation fund providing savings and some capital to the government. A year later, the Tanganyika Bank of Commerce (TBC) was established. The nucleus of the TBC was the business of the now defunct Ottoman Bank. Through TBC the government set out to gain experience in commercial banking, and to put the accounts of governmental and government-affiliated bodies under Tanzanian control. 60% of TBC's share capital of 500,000 pounds was held by the government, the rest by the expatriate commercial banks operating in the country.

A considerable amount of government control in the financial sector was achieved with the creation of the Bank of Tanzania at the beginning of 1966. The purpose of creating the bank was to strengthen governmental power in exchange control (which had been established jointly by the three East African governments a year earlier), and to introduce central banking facilities for the more vibrant economy that was envisaged (Bank of Tanzania Act, 1965).

(c) The initial results of government initiative.

In general terms the new financial institutions were not able to compete effectively with the more established and larger externally-based institutions. The nature of operations of the latter was not affected by these changes either. The new institutions were too dependent on the old ones (for funds, manpower and operational

guidelines), and were too small, to outcompete and supplant the expatriate institutions (Loxley, 1979a: 78). Yet there were important nationalist gains. Firstly, the new institutions made possible the immediate availability of development funds to the government and to Tanzanian peasant farmers. Secondly in providing a certain level of supervision in the financial sector, especially in relation to banking, and by introducing exchange control, the government, had begun to have control over monetary resources. These resources were important for the planning of development. Both these factors made possible for the first time what Loxley (1979a: 79) has called surplus retention and expanded investment. A different effect of changes in the financial sector, however, was that they provided the government with an insight into the difficulties of 'changes within the system', especially those based on competition with large external interests operating in the Tanzanian economy, while at the same time proving to be the only springboard for 'bolder' changes that came later. It was this experience which began to bring home the reality of the doctrine of a free market in a 'small' economy, where a local entrepreneurial social group is virtually non-existent, and large external institutions are already dominant. The lesson was that greater Tanzanian control of funds, and the availability of these funds for planned development, could not be achieved without greater governmental intervention.

Although it has been emphasised that this experience was gained in the financial sector, and that further changes in the economy were at that stage still being perceived chiefly in terms of that sector, this is not to say that there was no nationalist concern for the industrial sector. As we shall see, the government initiated significant developments in that area as well. The difference with

the financial sector was that in the industrial sector there really were no policy changes, only incremental developments. More importantly, experience in the industrial sector had little bearing on the major change of development strategy that came in 1967.

5.2.2.2. New socio-economic trends.

It is well known now that independence provided an opportunity for some members of the local population of former colonies to move up into the positions vacated by members of the colonizing society. This also happened in Tanzania, but soon the leadership was alarmed by what it perceived as an acceleration of the growth of elites and (capitalist) exploiters threatening to tear up the entire social fabric. The anti-elite and anti-capitalist tradition that had characterised the nationalist movement and had not stopped growing, prompted the leadership to seeing this development as a serious problem. In some instances the trends considered undesirable would have been better described as the unchanged colonial legacies rather than new trends, the new element in them being only the participation of Tanzanians. An example of this was the salary structure, which still accounted for a very wide gap between the top salary and the minimum wage - a ratio of 26:1 in 1966, after it was brought down from 50:1 in 1961 (Nyerere, 1977: Pratt, 1979).

Also still unchanged was the housing situation, in which colonial forms of stratification and segregation were manifest. This left large, relatively luxurious and spacious houses in the former 'European' and 'Indian' areas, but shanty and crowded units in the 'African' areas. The top level salariats had, of course, moved into most of the housing in 'European' areas, but, with this exception,

the 'non-African' areas remained relatively closed. Moreover, landlords in these areas were by now gaining greatly by the continuing spread of modernisation (including a faster growth of the urban population after independence) which created a greater demand for office and residential space. Here the government was by far the largest client, and was likely to continue being so. In all areas, including the African one, a new class of 'non-industrious' rentiers was perceived to be growing. In the wake of this, greater amounts of workers' incomes were likely to be spent on ever-increasing rents. The rents were unlikely to be matched by wage rises from the government, the largest employer, considering its commitment to planned development and expenditures. It was also considered that this trend would not necessarily lead to the construction of more or better housing for the lower income groups, only to higher rents.

But the rise of the 'rentier' class and the likelihood of a progressive destitution of workers were not the only issues involved in this development. The other was that a large proportion of the 'rentier' class was made up of the leadership of the nation - high ranking politicians, government bureaucrats and managers. The problem was exacerbated by the greater accessibility of financial institutions to those better integrated in the financial system at a time when Tanzanians were being encouraged to seek credit; leaders were simply better placed to benefit from this encouragement than peasants or ordinary urban workers. Thus, many housing loans given to people in the leadership category became a basis for real estate speculation and landlordism (Nyerere, 1977; Green, 1979).

Another important development was the co-operative movement, based in the rural areas and mostly affecting peasants. The main element of the movement was the producers' co-operatives. Retail trading was not as significant, hardly accounting for 10% of co-operative activites. The movement in Tanzania was extremely important if only for the sheer size of its membership and the percentage of the primary produce marketed by it. By 1965 there were about 1,500 producers' co-operatives with a total membership of about half a million, twice the size at independence, handling close to 50% of exports. The government was committed to expanding it well beyond this, so that it might ultimately handle all primary produce except the two plantation crops - Sisal and Tea. Close to 90% of the movement was engaged in the two most important exports after sisal, namely cotton and coffee. These crops were grown in some of the most populous areas in the country.

The early co-operatives were started by both the farmers (to safeguard their integrity as commodity producers and ensure a relatively stable price) and the colonial government (for bulk purchasing and as an additional measure of political control). In all cases co-operatives were led by the wealthier or better educated members - embryonic capitalist farmers in the case of the early co-operatives.[2] The 1950's witnessed a very rapid growth in the number of new co-operatives. These grew almost exclusively out of an intense dislike for middlemen.[3] Because of a number of racially-oriented trade ordinances, the Asian monopoly of the trade sector, and the generally low literacy and numeracy skills of the majority of producers, middlemen in colonial Tanganyika had engaged in crude forms of exploitation, among which the best known was shortweighing (Ghai, 1965; Coulson, 1977c). To some of the

emerging African traders, co- operatives were the only avenue towards the acquisition of a stake in the trade sector, and it is not surprising that many co-operatives were started, and all came to be dominated, by these traders.[4] For the majority of members, however, the co-operative movement offered them the possibility of a relief from being blatantly cheated by middlemen in the exchange arena, and this is the major explanation for its rapid growth (Tanzania Govt, 1965).

The movement had many problems, among which were corruption and bad financial management (Tanzania Govt, 1966; Saul, 1975).[5] But there was one major problem which caused the Tanzanian leadership greater worries. While enjoying government protection after independence, co-operatives soon became oppressive and exploitative of peasants. The structure of co-operative unions allowed the leadership to get entrenched, thus making it extremely difficult for changes or a new leadership to emerge (Tanzania Govt., 1966: 34). The decision-making process was undemocratic, both by original design and by this entrenchment of the leadership. By 1966 most ordinary farmers felt that the leadership of the co-operative movement did not serve them (Tanzania Govt., 1966: 33-35). Since peasants lacked education and other resources, they could neither democratize the movement by themselves, nor make it more responsive to them in the distribution arena (Saul, 1975). The feeling, once again, was that only governmental intervention to restructure the whole movement could redress the situation.

5.2.2.3. New relations with major world powers.

Other factors which **hastened** the break with past development

strategy were international in character. These were related to Tanzania's emerging foreign policy in its generality, and to her reaction to particular events which took place in the international arena at that time.

In broad terms, it is usual for economic considerations to have a determining influence on the nature and conduct of foreign policy. In order to induce conformity, it was common for economically stronger powers to exert pressure on countries whose international politics were considered disagreeable. Tanzania soon found that there were obstacles to the conduct of an independent line in international relations without a matching independence in economic matters. When it refused to give up its independence in international relations, the economic pressure applied by some world powers brought this connection to light in a dramatic fashion, showing in particular that externally-based interests were taking advantage of the fragility of a primary-products export economy and the lack of local control of important economic institutions.

In brief, the Tanzanian government allowed liberation movements from Southern African countries to establish bases in Tanzania when peaceful forms of struggle for freedom became proscribed, condemned American and Belgian political intervention in independent Congo (now Zaire), accepted what was still a negligible amount of aid from 'communist China', in addition to its traditional 'Western' sources, resisted pressure from the Federal Republic of Germany not to establish diplomatic relations with the German Democratic Republic, condemned 'the West', and especially Britain, for its reluctance to stop the Rhodesian Smith Regime from instituting minority rule, and, generally, adopted a non-aligned as

opposed to a Cold War position on international issues (Pratt, 1976: 134-152). The 'West' frequently made its displeasure known to the Tanzanian government about these issues. Finally, a loan of 7.5 million pounds was frozen by Britain, part of an aid package worth 85,000 deutshmarks was withdrawn, and another aid package was suspended by West Germany. Britain and West Germany were respectively the first and second most important unilateral sources of aid to Tanzania at that time (Pratt, 1976: 140-141, 149). These events took place in the years 1964-66.

The British and German actions greatly affected the funding of Tanzania's first Five Year Develpoment Plan (1965-1969). This was at a time when two of the country's most important exports, sisal and coffee, were suffering a decline in demand and were not expected to recover in the foreseeable future. The government now found it imperative to raise the local share of the investment budget of the plan (which had been firmly pegged to the expectation of a foreign aid inflow) from around 48% to about 70%. It could, of course, do this by borrowing from financial institutions operating inside the country, but a lot of the funds had already been repatriated at independence, and, in other instances, the government simply did not have the leverage to secure loans.

5.3 Authoritative statements and policies on the expected direction of development in Tanzania.

5.3.1. Pre-Arusha statements.

Some of the articles and speeches by the Tanzanian Head of State in the 1961-1967 period reflect a disatisfaction with the development strategy being pursued or traditionally expected to be pursued, and they are an indication of what was to follow. At the beginning of

1963 Nyerere was saying that Tanzania needed (private) capital investment 'on our terms, which are fundamentally social', and that the country needed factories 'not to improve the scenery' but to improve the lives of the people (Nyerere, 1966: 209-211). In the same year he raised for the first time the theme of 'the growing gap between the 'rich North and the poor South', and suggested that only 'African unity' may guarantee rapid development by providing economies of scale and other advantages of a larger economy (Nyerere, 1966: 212-214). He went on to say that at the international level the economic arrangements between North and South might be modified by the opening up of the North's markets to the products of the South rather than the provision of aid. He also said that apart from these possible avenues, the poor countries might be forced into 'isolationism' (Nyerere, 1966: 231-251). In February, 1965 he reiterated the need for Tanzania to welcome private investment while at the same time cautioning against conspicuous consumption, which he referred to as the 'limousine lifestyle' (Nyerere, 1966: 318, 332).

A major policy statement was made by Nyerere in the same year. In its wider coverage it called for the diversification of exports. Its main focus, however, was the sisal 'industry'. By 1965 the price of sisal was falling steadily, and the government could not foresee a respite, considering that competition from synthetic fibres was not likely to lessen. The large-scale expatriate producers had abandoned their growth plans, and they reduced production volumes drastically so as to cut costs. The government on the other hand had decided that the sisal earnings reduced by falling world prices would be increased through acreage expansion. To do this, more small producers would have to be involved in sisal, and the government

would need to have some control of the 'industry'. It was in fact argued in the policy statement that the sisal 'industry' was too important to leave in the hands of foreign large-scale growers (Nyerere, 1966: 322-325). This policy direction was similar to certain tenets of the more general, but still-to-come, Arusha Declaration.

In another major article in 1966 Nyerere spoke against investing in luxury consumer goods where it was possible to invest in capital goods which, he argued, were the only guarantee of wealth in the future. In the same article he expressed a disatisfaction with foreign aid, saying that loans and credit take too long to finalize and have undesirable conditions attached to them. Observing that investment by local sources was more possible than usually imagined, he announced that Tanzania was now going to try to practise more self reliance (Nyerere, 1968: 157-174).

These articles and the one major policy statement on the sisal industry show that, in resonance with the direction of the material and philosophical conditions in the country in the 1961-1966 period, a strategy of non-dependent development was crystallizing, at least in leadership circles. They incorporate major subjects raised by a strategy of non-dependent development as we have described it: unequal world relations at the level of the economy, the importance of capital goods investments, the questioning of external aid as the panacea for 'under-capitalization' and underdevelopment, the barriers in the way of a primary products export economy, the importance of national control of a sector or industry considered critical to development, and the desire to make the betterment of the quality of life part of a development programme rather than to expect it to be merely a result of growth measures.

The entire 1961-1966 atmosphere of an anti-dependence strategy

now culminated in the Arusha Declaration.

5.3.2. The Arusha Declaration: the broad policy of self reliance and 'socialism'.

The document containing the declaration was subtitled Socialism and Self Reliance, and it was based on a draft by Nyerere, which was amended by the National Executive Committee of the party (Nyerere, 1968: 231). It was accepted by that committee on the 29th of January, 1967 and published on the 5th of February that year. The highlights of the documents are as follows.

(a) It reiterates a principle familiar to members of the party, that the state has a duty to intervene actively in the economic life of the nation so as to ensure the well being of all citizens, which in turn requires that the government must exercise effective control over the principal means of production and facilitate the collective ownership of resources.

(b) It directs that the major means of production and exchange be publicly owned (the actual words used are 'under the control of peasants and workers'). The major means of production and exchange are defined broadly to encompass land, forests, minerals, water, oil, electricity, news media, communications, banks insurance, export-import trade, wholesale internal trade, iron and steel, machine tool, arms, motorcar, cement, fertilizer, textile and any big factory on which a large section of the people depend for their living, or which provides essential components of other industries, as well as large plantations especially those providing essential raw materials.

(c) It is skeptical of the role of money, if a literal translation from the original Kiswahili version is taken. Bearing in mind that this

section was written as a direct reaction to the frustration over aid expectations and plans, the skepticism was over basing development programmes on foreign investment and external aid, and over a high propensity to import goods. Note that this section does not urge that aggregate levels of external capital be reduced, as is popularly believed; it merely advises that all aspects of it be thoroughly scrutinized.

(d) The document is also skeptical of basing development on industry. It is a clear example of the disillusionment with external sources of capital, since the industrial sector had been the one most dependent on them. The document advised that emphasis be placed on bettering the lives of peasants and developing agriculture. Although nothing in the text shows that it was opposed to industrialization, many who have written on Tanzania are correct in saying that, at least in theory, this was the basis for expecting that agriculture, rather than industry, would be the main factor in bringing about further development. In later years the leadership of agriculture over all other sectors in the process of development would be continually alluded to by politicians, including Nyerere, though never elaborated upon beyond this assertion.

(e) Part V of the declaration, called the Arusha Resolution, contained the Leadership Code, so-called because it forbade party leaders and other politicians from owning a business and having more than one source of income (including holding shares in a company and renting houses to others). Soon after, the code was extended to cover all salariats from the junior management level upwards; for example, it covered graduates employed straight from university. It was designed to supplement formal salary-scale changes in the regulation and distribution of income between

groups in the workforce, and to close non-wage avenues for widening income gaps. It was also expected to help make more funds available for projects of national importance, and can in this sense be seen as an attempt to rectify the received image of Third World leaders engaging in self aggrandisement to the detriment of national development. In the previous year university students had in fact obliquely accused Tanzanian leaders of such self-aggrandisement, and Nyerere had immediately responded by cutting his own salary by 20% and that of other higher government officials by a substantial margin (Pratt, 1976: 232-235).

(f) Other aspects of the declaration were not directly related to a strategy of non-dependent development. For example, it expressed a commitment to Freedom and Equality, had a long list of civil liberties pertaining to the individual, and it quoted the Universal Declaration of Human Rights as one of its main inspirations.

5.3.2.1. The strength and omissions of the Arusha Declaration.

In terms of gaining control of the economy, the declaration was explicit enough in spelling out the first important step to be taken, namely the nationalisation of important aspects of the economy. At the same time it remained general and even ambiguous on other aspects of the economy, and of the development strategy, for example about external capital and private investment. Also, some important omissions from the document could be observed, one of which was the silence on the nature and role of human resources that were to be prepared for the carrying out of the strategy. This was perhaps as it should be in overall policy, leaving the elaboration and details to subsequent and supplementary policies. One thing is clear though, that the generality and ambiguity of the document in

these areas left the leadership with a fair amount of space in which to make pragmatic decisions.

The refusal to speak in favour of industrialization was, however, an important omission. The tilt towards a preference for agriculture as against industry was popular but an excessive reactive response to the frustrations of yesteryear, likely to prove misguided in developmental terms. A policy mistake could still be avoided in this area, of course, due to the inbuilt ambiguity of the section (which could work either way), and to the fact that industrialization was not explicitly opposed. But the ambiguity could, and was likely in view of the direction of the tilt, act to prevent an early working out of the relevant industrialization programme.

The self reliance part in the declaration, representing more directly the anti-dependence drive, was accompanied by a commitment to the construction of socialism. The leadership has, of course, always seen the two as being complementary to each other. Yet there was a danger of blurring the anti-dependence direction in this. The danger arose, on the one hand, from the technical difficulties of working out an implementation process of self reliance involving powerful external economic interests and complex developmental questions. On the other hand the danger was embodied in the relative ease with which apparently socialistic measures could be instituted - owing to their popular appeal, and the availability and simplicity of their implementational inputs. There was a possibility that the socialistic mood of the time would eclipse a focus on self-reliance, thus denying the latter a better elaboration and greater commitment.

The Leadership Code has been a source of controversy for some time. In the circumstances of the time the code appears to have been

necessary. The need to curtail easy access to funds for personal use was there, and the leading politicians were convinced that existing laws and other control measures were failing to stop the trend (Green, 1979). However, there are in Tanzania, especially in the emerging indigenous business community, those who argue that the Leadership Code contained from the start the ability to stop the growth of a local entrepreneurial class, which may have been right for socialism but not nationalism. They argue that the code stopped the only group of indigenous people - the educated top and middle level salariats - capable of a quick mastering of the operations of modern business at a time when the existing (Asian) entrepreneurial class was becoming less inclined to expand business in Tanzania. They go on to argue that since it is always harder for new entrants in a business sector to succeed, and because national independence could not have immediately eradicated the legacy of colonial restrictions, all middle and top level employees opted for the security of their jobs, instead of entrepreneurship. Corrupt self-aggrandisement might have been better dealt with simply by the institution of new and harsher criminal laws, thus avoiding the politico-ideological curtailment of the employees' option of business association. Some argue that this exclusion of an important group from the business sector was always likely to lead not only to a disproportionate growth of bureaucracy, but also to 'a country devoted to the administration of the national product rather than its creation'.[6]

5.3.3 Other major policies and the clarifications of the Arusha Declaration: 1967-72.

Several clarifications and restatements of the declaration were

made in the period following the announcement. There were also major policy statements that, apart from being a follow-up to the declaration, had their own separate identities due to the importance and specialty of the fields they addressed, such as agriculture and education. Other policy statements did not directly follow from the declaration but came from a new awareness of issues, as well as from the need to give a different emphasis to aspects of development not thought of before, for example the issue of workers' participation in industrial decision-making in the **Mwongozo** policy document, and grass roots participation in planning in rural areas embodied in the **Decentralisation** policy. The main sources of the clarifications were speeches, articles and official reports to the party by Nyerere, while most of the party and government policy statements were also initiated by him, as in the period leading to the declaration. From 1967 onwards, most policies tended to address the subjects of self-reliance and socialism simultaneously, from a conviction that they were inseparable, but here we have tried to extract only those aspects that have a bearing on the strategy of non-dependent development.

In the same month that the declaration was announced, and as the process of nationalisation was taking place, Nyerere explained the implications of the policy for private capital. He clearly stated that **nationalisation did not mean the exclusion of privately owned industry.** He stressed that some areas must be exclusively public while others should have both public and private ownership, with the public being the majority shareholder. The rest of the economy was fully open to private industry (Nyerere, 1968: 251-256). Soon after, he stated that nationalisation was simply **an expression of economic nationalism** not peculiar to Tanzania but 'natural' to any

country, whether socialist or not (Nyerere, 1968: 262-266). This was followed by yet another clarification of the declaration on the role of external capital and the implication of self reliance for international relations. In an article published in August, 1967, Nyerere stated that self reliance was not **isolationism**, and that overseas capital and manpower were still very much needed where it could make Tanzanian efforts more effective. In the same article he addressed the question of the relationship between industry and agriculture and gave a hint of the government's position on what would in later years be the 'appropriate technology' debate. He went slightly further this time in expressing a preference for concentrating efforts in agriculture relative to industry, a preference already hinted at in the declaration itself. Stressing that development would be through agriculture, he added that 'new industries and mechanised farms will be the exception, not the rule' (Nyerere, 1968: 315-326). To complement this policy standpoint he also announced that a lot of effort would be geared towards **the promotion of small scale industries**. He even suggested, although the tone in which it was said was merely reflective, that obsolete machinery in industrialized countries may be more appropriate to Tanzania than modern machinery.

Another opportunity for Nyerere to explain the relationship between agriculture and industry came in June, 1968, in a speech given in North Korea. Here the rationale for preferring agriculture to industry was provided (Nyerere, 1973: 45).

> "We have to build our economy concentrating first on agricultural development. That is the industry we have, and which can be expanded without existing resources of capital and manpower. It is from the surplus we create in the

agricultural industry that we shall develop our industrial sector. Of course, this does not mean that we are uninterested in industrial growth, for agricultural development itself demands not only processing plants, but also the manufacture of simple tools, of fertilizers, etc. It is a question of emphasis and of priorities."

While inaugurating the Urafiki Textile Mill, constructed in Tanzania and funded by Chinese aid, Nyerere (1973: 47) explained the government's position on how aid in general would be reconciled with the commitment to be self reliant.

"Our struggle for self reliance does not mean hostility to the people of other countries, nor a rejection of the help they are willing to give us when that help enables us to become more self reliant in the long run."

One of the issues which Nyerere has been known to support throughout his political career is regional co-operation. On several occasions in 1970 he once again committed Tanzania to the pursuit of regional co-operation. What is worth noting in his 1970 tackling of this subject is his conviction that regional co-operation was important in the struggle to break out of dependence (Nyerere, 1973: 159-189).

A document rivalling the Arusha Declaration in importance was **Mwongozo**, published by the party in January, 1971 (TANU, 1971). It was a comprehensive document covering many issues, including regional co-operation, defence and security, foreign policy, the role of the party and its relationship with the government, foreign trade, national accounts, democracy and participation. A product of times in which nationalist fervour was high, especially since there were fears of an invasion from one or more of the former colonial

powers, and influenced greatly by the radical wing of the party, it was noted for its more militant tone, compared with the Arusha Declaration or any other policy document. Its highlight was the emphatic support for the 'masses' as the determinant of the country's destiny. The notable sections of the document were paragraphs 15 and 28. Paragraph 15 reads:

> "Together with the issue of involving the people in solving their problems, there is also the question of the habits of leaders in their work and in day-to-day life. There must be a deliberate effort to build equality between the leaders and those they lead. For a Tanzanian leader it must be forbidden to be arrogant, extravagant, contemptuous and oppressive. The Tanzanian leader has to be a person who respects people, scorns ostentation and who is not a tyrant."

This paragraph was responsible for the birth in Tanzania of the concept of **workers' control**, which had a potential of affecting the running of organisations and the efficiency of production. Although the concept had been hinted at by a 'Presidential Circular' in 1970, no policy document, other than Mwongozo, took up this issue. In paragraph 28, Mwongozo stated:

> "For a people who have been... oppressed, exploited and humiliated by colonialism or capitalism, 'development' means 'liberation'. Any action that gives them more control of their own affairs is an action of development, even if it does not offer them better health or more bread. Any action that reduces their say in determining their own affairs or running their own lives is not development and retards them even if the action brings them a little better health and a little more bread... In considering the development of our

nation and in preparing development plans, our main emphasis at all times should be the development of people and not of things. If development is to benefit the people, the people must participate in considering, planning and implementing their development plans."

The anti-dependence thrust in its general sense was clear in this paragraph. But the other significance of paragraph 28 was that, more than any other policy statement before or after, it legitimated the primacy of social considerations in the working out of development programmes or in the appraisal of projects.

Both paragraph 15 and 28 were understood to confer rights, respectively, to workers to take part in all decisions of an enterprise and to villages to initiate and take part in the planning of development projects affecting them.

Some of the important themes of Mwongozo mentioned above were covered by other documents equally well. For example, grass roots participation in development planning was the major theme of the **Decentralisation** policy of 1972, while earlier in 1968 the **Freedom and Development** document had referred to the importance of people-centred development (Tanzania Govt, 1972; Nyerere, 1973: 58-71).

One of the major policy documents that dealt with special areas was on education. The **Education and Self Reliance** document of March, 1967 directed that the education system be changed to eradicate the colonially-induced elitism of the educated. In particular this document addressed the need to orientate primary and secondary education towards an appreciation of agriculture, the fostering of co-operative and people-centred values in contrast to values conducive to social stratification, and the creation of

conditions for uniting mental with manual work (Nyerere, 1968: 267-290). The document remained at a general and philosophical level. It was left to the relevant ministry to work out the details.

The other document which dealt with a special area was published in September, 1967. The document, titled **Socialism and Rural Development** made it clear that in the long term rural Tanzania would be composed of villages in which shared production and distribution was the norm. Since this document was against the use of force in the creation of socialistic villages, a point stated emphatically in **Freedom and Development**, it was clear that only a gradual, voluntary collectivism in agriculture was envisaged, though Nyerere expected that past egalitarian attitudes would help popularize and speed up the process (Nyerere, 1968: 337; Nyerere, 1969; Nyerere, 1973: 58-71). But what was noteworthy about the policy of villagisation that **Socialism and Rural Development** spelt out was not only a greater commitment to the intensification of rural co-operation, but also the rationale for it. Nyerere saw co-operative village production as a form of, and a basis for peasants' experience in, large scale farming. This perception has rarely been cited in literature, but in fact Nyerere accorded it equal weight with the socialist explanation throughout the early years of the policy. For example, in a major article on socialism written in 1970 he still referred to an Ujamaa (socialistic) village as a unit designed to provide experience of large-scale farming, arguing that development can only come from large scale farming. He mentioned that such farming comes in three forms: capitalist, state and co-operative, and that Ujamaa Village farms constituted the latter form (Nyerere, 1973: 156).

At this stage there was yet to emerge a major policy document

that dealt exclusively with industrialization, or a detailed statement on the nature and direction of future industrialization measures.

5.4. Conclusion

By 1966 Tanzania was steadily moving towards a more defined strategy of non-dependent development. This trend was brought about by the following factors.

(a) The obstacles to national co-ordination and independent action fostered by some of the enduring colonial structures, such as the financial system.

(b) The limited but visible success in carrying out some ***ad hoc*** nationalist decisions in the economic sector, which appeared to promise greater success if an all-embracing national strategy was designed.

(c) The philosophical or intellectual orientation of the important section of the leadership, which questioned the inherited direction of development.

(d) The deepening of this philosophical orientation, as the inherited but unsuitable structures proved stubborn to reform and controversial socio-economic trends came to light.

The spark for the fomulation and adoption of the Arusha Declaration came from two main sources.

(a) The strained relations with major world powers, some of whom had used their leverage in financial assistance to Tanzania to try to induce a change in the country's policy trends.

(b) The government's inability to secure development funds both due to the cut in external financial assistance and to the legacy of financial institutions in the country.

The major policies that define the strategy of non-dependent

development in Tanzania are in the Arusha Declaration of 1967 and the 1967-1972 documents that clarified and supplemented it, the essential elements of which are the following.

(a) The strategy clearly called for the nationalisation of all important areas by using developmental and strategic criteria in addition to that of the economic value of the relevant area.

(b) Contrary to what has often been assumed, the strategy still welcomed private investment, both local and external. But because of the overriding commitment to nationalisation, and the accompanying pledge to the construction of socialism in Tanzania, there is no doubt that the strategy was bound to create greater hesitation in the minds of private investors than before.

(c) External aid was to be closely scrutinized and selectively accepted in relation to the direction of major policies and subsequent sectoral considerations. The policy did not set out to reduce levels of aid as has often been suggested.

(d) It directed that estimates for expenditure on development plans be based more on locally-controlled sources of finance than previously.

(e) Private accumulation of capital by middle and top level employees was forbidden by a leadership code.

(f) The strategy ushered in an era of commitment to people-centred development, including grass roots and workers participation. This not only brought with it an additional criterion for project appraisals and the performance of enterprises, but also challenged conventional organisational arrangements in a way likely to have far-reaching effects on the productivity of enterprises.

(g) Its rural sector policy is in our context noteworthy not for its call for the establishment of Ujamaa villages, but for its other

developmental concern, namely that the village would be the location where modern large-scale farming could be experienced and learned by peasants.

(h) The strategy's education and training policy was at this stage confined to a commitment to the eradication of elitism in the educational system. This was no doubt important but developmentally inadequate, for it did not spell out its perception of the critical type of skills needed, or which sectors had a priority for the training of manpower. There was still a possibility that this could be drawn up by the relevant ministry.

(i) Industry had a lower priority than agriculture in the strategy. This was the policy with the greatest potential for holding back efforts towards non-dependence, and towards development, especially because a definite industrialization programme was not mentioned. Even a restructuring and modernisation of agriculture was not mentioned beyond the expectation that the provision of the existing range of inputs would be improved. Of course here too there was still a chance that the relevant ministries or other institutions would come up with new, comprehensive programmes.

Footnotes to Chapter Five:

1 It was seen in the last chapter that the colonial administration did not make high level education a priority in Tanganyika. Partly as a consequence of this, no Tanganyikan was appointed to the then prestigious civil service position of district officer until 1957.However it appears that this delay was also due to the

government's reluctance to put educated local people in the service even when they had become available (Pratt, 1976: 14-18, 266; Iliffe, 1979: 446).

2 Early co-operatives included the Kilimanjaro Native Co-operative Union (KNCU) in coffee, formed in 1933, the Ngoni Matengo Co-operative Marketing Union (NMCMU) in tobacco, formed in 1936, and the Bugufi Coffee Co-operative Society (BCCS) in coffee, also formed in 1936.

3 The largest of the new type of co-operatives was the Victoria Federation of Co-operative Unions (VFCU), formed by cotton farmers in 1955.

4 This point has been made for cotton co-operatives in Uganda too (Mamdani, 1976).

5 The poor accounting systems of the co-operatives brought them into considerable conflict with the lending institutions based in the capital, since they did not keep good records of peasants who borrowed through them.

6 Personal communication with some businessmen in Dar-es-Salaam and Mwanza.

CHAPTER SIX: INDUSTRIAL DEVELOPMENT AND ITS RELATION TO THE STRATEGY

6.1 Introduction

This chapter attempts to evaluate the extent of implementation of the strategy of non-dependent development at the national level. It focuses on the industrial sector. This is because of that sector's place in the economy and development, and also because of the greater availability of data than in the case of the other sectors. The main criterion for judging the extent of the implementation is the contribution of major activities to the process of structural change, in this case the process of constructing a non-dependent society. This is supplemented by a criterion based on changes in aggregate levels of activities, such as are represented by output figures. For these reasons, what is here regarded as part of implementation includes follow-up policies or working guidelines designed to give practical effect to the strategy, as well as performance represented by output figures. But output figures are looked at not merely for their indication of the direction of change - whether there has been an increase or decrease in levels - but also for the major structural trends.

The chapter is conceptually dealt with in three parts. The first part covers the period 1961-1969. This seeks to identify the guiding principles for the establishment of industries, as well as indicating the extent of industrial activity and its nature in that period. The section thus states the principles, and then evaluates the implementation of those principles for industry in the period 1961-1969 before moving on to consider the next period, 1969-1981. Although these periods are considered separately, presentation

follows the same pattern. The last part provides a summary and some concluding observations.

6.2. Guiding principles for industry 1961-1969

Decisions on industry in Tanzania in the pre-Arusha period have long been regarded by writers as having been ad hoc. This has often meant not merely that they did not follow policy, but that there was no specific policy to regulate them. In a sense this is correct, but there were what one may call working guidelines for industry that were specific to the period. These evolved chiefly from the recommendations of two outside bodies - the World Bank and Arthur D. Little Inc., a private American consulting firm.

The World Bank mission to Tanganyika to study ways of increasing industrial development did its work in 1960. The Bank called for an extension of the existing incentives to external investors to include, for example, a tax exemption of 20% of income for industrial plants and machinery. It also recommended the expansion of export primary production, and gave a go-ahead to the completion of existing industrial projects in cigarette and beer production, and in the manufacture of footwear. With its other recommendations, the Bank was quite innovative, if compared to the colonial government. There were three such recommendations. First, that where possible the processing of export products be undertaken; suggested products that could be processed were sisal, cashew nuts, coffee and meat. Second, that a certain degree of import-substituting industrialization be established. Third, that a public company, the Tanganyika Development Company, be started to promote and oversee important national investments (IBRD, 1960).

The recommendations of Arthur D. Little, Inc. were essentially similar to those of the World Bank, although it seems that, in contrast with the Bank, it was keen to discourage Tanganyika from stepping up its industrial activities in any significant way, citing Nairobi in Kenya as a better established and adequate manufacturing centre for East Africa (Seidman, 1972: 109-110).

In general the new government embraced the existing approach to industry as inherited. In its first Five Year Development Plan, 1964-1969, it incorporated the recommendations of the World Bank and Arthur D. Little, Inc. (Tanganyika Govt., 1964). In short, if the government then had to choose between industrial activities, its preference would have been for those that processed exports and those that produced domestically the consumer goods that were until then imported. Yet it was recognized that no strict adherence to this preference was required in practice. This is partly because at this stage the government believed that industry was best left to private enterprise, and trusted that market forces would produce the appropriate industrial activities in Tanzania without any significant governmental regulation (Tanganyika Govt., 1964; Pratt, 1976: 174). In some way therefore the government felt that the right industrial establishments would be those that on the basis of a cost-benefit analysis appeared to promise an optimal rate of return, the highest addition to GDP and therefore, the greatest contribution to growth. This is the choice of industrial activity sometimes referred to as a 'maximum growth strategy' (Roemer, 1972).

6.3 Industrial establishments up to 1969

To understand the extent of industrialization in the independence period, it is important to know the base from which

it started, which largely means identifying the nature of the industrial base built in the colonial period.

Traditionally, activities classified under industry have included small operations using very little capital, engaging fewer than ten employees and, sometimes, using no machinery in production (Silver, 1982: 65, 82). The classification has also usually included raw material preparation where it involved some use of machinery, such as sisal decortication, cotton ginning and tobacco processing (as distinct from, say, sisal twine, cotton textiles and cigarette manufacture). This was prevalent in the records of the colonial period (Silver, 1982: 63, 65, 72). One effect of this was to magnify the extent of industrialization by exaggerating the number of industries and of employees within it. For example, as early as 1933 colonial records gave the number of industrial establishments in Tanganyika as 321, employing a total of 17,797 people. The respective figures for 1952 were 2,178 and 52,030 (Silver, 1982). The statistical surveys of industrial establishments in the independence period have reduced this problem to some extent by excluding some obvious types of raw material preparation, such as sisal decortication, from industrial classification, and by raising the minimum number of workers required for an establishment to be included in an industrial census. In this way the number of establishments, estimated by colonial records to be 3,088 in 1955, was found to be only 429 in 1965.1

It should be emphasized here that the major problem with colonial records was not that they included primary processing in industrial activity, but that they included 'routine and necessary' raw material preparation which did not entail manufacturing.

In determining the extent of industrialization the principal criterion should be that a degree of manufacturing is involved. This criterion includes the **value-added** primary processing of raw materials as well as implying the use of machinery. The criterion should be supplemented by that of size, in terms of both capital and employment.2

A reworking of the data of the colonial period, possible because often the activities were itemized separately in the original reports, would present a totally different picture of the extent of industrialization. By the above-mentioned criteria, it would be imperative to exclude what was listed then as 'primary processing' from the industrial classification. This is largely because there was no industrial plant that manufactured cotton textiles, cigarettes, or sisal twine and other sisal-based manufactures. Accordingly, we would deduct 17,048 from the 1933 total number of workers (17,797), or 95.8% of the total, for these were all in primary processing in which, incidentally, sisal alone accounted for 13,334 people, or 74.9% of the total (Silver, 1982: 62-63). In 1952, despite the steady decline of its share over the years, 'primary processing' still accounted for 62.9% of the industrial work force, all of which could of course be reclassified as non-industrial.

Also excluded would be almost all maintenance jobs that existed mainly on the railways. No manufacture of products was involved in this area in the colonial period.

Such manufacture, however, took place in the production of simple consumer items such as soap, clothes, wood-works and food preparation (rice, flour, oil, sugar and meat). But it should be noted that in terms of scale, value and the technology employed, these

were very simple industrial establishments, and that even the more believable 1965 total of 429 still included many of these.

The criteria, and the probable reclassification (which as we have seen can produce a radically different picture of industrialization), help us reach the conclusion which we first stated in Chapter Four, that the only significant industrial plants at the beginning of the independence era were those operated by companies involved in brewing (the East African Breweries), meat canning (Tanganyika Packers), the bottling of soft drinks (the Coca Cola Company), the manufacture of packing containers (the Metal Box Company), food manufacture, mainly in the form of grain milling (Unga Ltd., through its subsidiary Tanganyika Millers), and the production of paints (Robbialac). Together they accounted for 75% of the value of all manufacturing (IBRD, 1960: 128). Their relatively advanced techniques of production, their comparatively high capital-labour ratio, and the greater scale of their operations clearly set them apart from the rest of industrial establishments. But, though large in Tanganyika, their industrial operations were quite small by world standards. More significant was the fact that the products of the majority of them were not suited to the generation of further industrial activity in the country, prompting reference to them sometimes as export-orientated, or even luxury (Rweyemamu, 1973: 125-128, 171-172).[3]

Nevertheless the data available on industry-related activities give some hints on the direction of those activities over time. For example from the colonial records we learn that, as the independence years drew closer and the country had had some considerable experience in those activities, the share of primary 'processing' in the total declined and the production of simple

consumer goods as well as repair and maintenance activities increased, as **Table 1** below indicates. The change could in this sense be said to have been not merely incremental but structural as well.

Table 1: INDUSTRIAL ESTABLISHMENTS IN TANGANYIKA: SELECTED YEARS, 1945-65

	1945		1956		1961		1965	
	No.	%	No.	%	No.	%	No.	%
Agri. processing(a)	61	60.40	133	45.39	172	41.45	221	38.84
Food manufacture(b)	19	18.81	69	23.55	104	25.12	136	23.90
Other consumer and Industrial goods (c)	21	20.79	91	31.06	138	33.33	212	37.26
Total	101	100.00	293	100.00	414	100.00	569	100.00

(a) includes wood products and plywood but excludes furniture and fixtures.

(b) includes grain milling, jaggery and sugar refining, tea and coffee processing.

(c) includes maintenance and repair.

SOURCE: Silver (1982:78); Rweyemamu (1973:112)

The 1961-1969 period was one of great change in industrial activities. The incremental change in the period still reflected the structural trend already evident at the end of the colonial era, namely a declining proportion of primary processing in the total, and an increase in the share of consumer and other industrial goods. But at that time it was the quantitative increase itself that was considerable. **Table 1** shows that the number of establishments created in the four years of independence alone was one-third of the total. Similarly large increases in the volume of industrial

production in that period demonstrate the significance of the quantitative change. **Table 2** gives some indication of the magnitude of change in levels of production for a number of product lines.

Table 2: PRODUCTION IN SELECTED INDUSTRIES, 1962-68

Industry	Unit	1963	1964	1965	1966	1967	1968
Textiles	'000 sq. yds	6,225	8,930	12,126	17,121	18,277	34,519
Beer	'000 gallons	1,962	2,249	2,673	4,139	5,120	5,413
Cigarettes	million	1,144	1,535	1,869	2,049	2,044	2,137
Paints	gallons	95,357	96,981	162,573	221,020	274,623	317,948
Plywood	'000 sq ft.	2,004	6,573	7,794	10,247	8,808	10,658
Sisal twine	tons	-	658	5,778	10,138	14,887	16,454
Saw milling	'000 cu. ft.	3,676	4,675	5,029	5,026	4,585	5,029
Wheat flour	tons	23,378	29,818	38,433	39,714	41,159	42,238
Pyrethrum extract	tons	99	107	174	200	287	187
Canned meat	tons	n.a	n.a	11,109	9,162	9,520	6,716
Cement	tons	-	-	-	49,324	144,612	153,894

SOURCE: Rweyemamu (1973:121)

6.3.1 The beginning of large-scale industrial production

The increase in industrial activity was characterized by the establishment of large-scale industries.4 Notable among those with net assets worth over Sh.1,000,000 at the time of their establishment were the following. The Tanzania Portland Cement factory at Wazo Hill in Dar-es-Salaam started production in 1966, the same year that an oil refinery was completed in the same city. The cement factory had a capacity of 130,000 tons of cement per annum while the oil refinery, built at a cost of Sh.100,000,000, could process 600,000 tons of crude oil per year. The Kilombero Sugar Company took over a small factory in Morogoro at about the same

time to produce sugar on a large scale. The manufacture of cigarettes by B.A.T. Tanzania (later the Tanzania Cigarette Company) had been started in Dar-es-Salaam in 1965, and the existing brewery plant in the same city was expanded greatly and its operations highly mechanized in the same period.

The manufacture of modern dairy products commenced in Arusha at Northern Dairies in 1966, and in Mara Region at the Mara Dairy Company in the same year. Coastal Dairy Industries was established in Dar-es-Salaam in 1967. The manufacture of footwear by Bata (later the Tanzania Shoe Company) had started in 1965, the same year the production of packaging paper and corrugated paper boxes commenced at Kibo Paper Industries in Dar-es-Salaam.

There was one large-scale plastic goods manufacturing company in the period, Tanganyika Tegry Plastics, established in Dar-es-Salaam in 1962. There was also one tyre manufacturing company, with net assets worth Sh.69,000,000, established at the end of the period (in 1969) at Arusha. Other large-scale industries established in the period included a steel rolling mill in Tanga in 1966, a soap factory and a vegetable oil industry in Mwanza in 1967, a leather tanning factory in Moshi in 1968, the manufacture of farm implements in Dar-es-Salaam in the same year, and, with net assets worth Sh.122,000,000, the manufacture of fertilizers in Tanga also in 1968.

With the exception of a small export capacity in the oil refinery, Mara Dairy Company and the tyre factory, all large-scale factories were geared towards the local production of goods previously imported in large quantities. It was for the same purpose that in the mid 1950s the Phillips Electronics company was granted a

monopoly in the production and marketing of radio sets in Tanzania.

Large-scale operations specifically geared towards the value-added processing of agricultural products for export could be found in the re- drying of tobacco, and in the production of cashew kernels. In the former case, The Tanzania Tobacco Processing Company set up a plant in Morogoro in 1968, while in the latter case a plant had been built in Dar-es-Salaam (TANITA I) in 1965.

The activity in which investment was concentrated, however, was the textile industry. Although textile industries had an inbuilt capacity to cater for home production as well as export, in the early years they tended to specialize in the home market. Tanganyika Textile Industries, which had existed in Dar-es-Salaam since 1959, began factory operations after independence, and expanded into a large-scale concern in 1967-68 after the establishment of the large integrated cotton textile mills, from which it could get the previously imported yarn (Jones, 1981). Tasini textiles in Dar-es-Salaam had been established in 1961. It was later merged with one of the integrated mills, the Kilimanjaro Textile Corporation (Kiltex), which was established in Arusha in 1966. Kiltex was set up at a cost of Sh.50,000,000 and had an initial workforce of 800, which was expected to grow to 2,000. Also set up in 1966 were the other two integrated mills. These were the Friendship Textile Mill (Urafiki) in Dar-es-Salaam, and the Mwanza Textile Mill (Mwatex) in Mwanza, set up at a cost of Sh.50,000,000 and 80,000,000 respectively. Each had a capacity to produce 24,000,000 linear metres of cloth per annum. Urafiki started with a workforce of about 2,000, expected to grow to over 4,000. Mwatex had a workforce of about 1,000, but it was expected to reach 1,900. Other cotton textile mills established

around 1966 included the Tanganyika Dyeing and Weaving Mill in Dar-es-Salaam, and Calico Textiles, also in Dar-es-Salaam. In 1969 the manufacture of blankets by Blanket Manufacturers began in Dar-es- Salaam. These were all much smaller than the integrated mills (with a workforce of 300-500 and an annual production capacity of 2,000,000 - 5,000,000 metres each), but they were still larger than most pre- independence industrial establishments.

An integrated project for the cultivation of kenaf, the processing of kenaf fibre and the manufacturing of kenaf bags and hessian cloth for agricultural uses was started in Moshi in 1969 but was not fully operational at the end of the period under consideration. The large-scale manufacture of sisal products started in 1965. In that year the Tanganyika Sisal Spinning Company at Saza Road, Dar-es-Salaam, and the Tanzania Sisal Spinning Company at Pugu Road, Dar-es-Salaam, began the production of sisal twines and flume tows. They were joined in that activity by the Tanganyika Industrial Corporation, which established a plant in Tanga in 1966. The Tanzania Bag Corporation started the manufacture of sisal bags in Moshi in 1967.

6.3.2. The reasons for the upsurge of industrial activity in 1961-69

Several factors can be mentioned as having facilitated such a great increase in industrial activities in the period under consideration. Clearly one of these is the fact that sufficient local demand already existed and could sustain large-scale local production. Rweyemamu (1973: 122-130) has observed that the domestic production of some goods, notably textiles, was in fact long overdue, and that this explains why such a large industrial capacity suddenly emerged. The other factor was simply that the new government, and in

particular its bureaucracy, looked at industrialization more positively than the colonial government did. The government clearly followed the advice of the World Bank mission (IBRD, 1960), as can be seen from the list above, to increase the value-added element in agricultural exports, and to introduce some import-substitution measures. This relatively more positive attitude towards industrialization is indicated by other measures taken by the government in the period. For example, it rejected in practice some of the advice of Arthur D. Little, Inc., which, though supporting some industrialization in Tanzania, leaned towards the view that there should be a division of production functions in the East African market such that Kenya (which had a lead in industrialization) retained that of industry. In the renegotiated East African economic community, Tanzania argued against making Kenya the centre of all industry in the community and proposed that each country specialize instead in certain individual industries; through this, the tyre industry was located in Tanzania, with the entire East African market theoretically reserved for it. Furthermore, the government undertook to attract foreign private capital by legislating on the rights of a foreign investor. The Investment Protection Act, 1963 guaranteed that 'full-value' compensation would be paid to owners of industry in the event of nationalization. This was supplemented by a government undertaking to permit the repatriation of the relevant portion of earnings by foreign investors in Tanzania, which was covered by the Foreign Exchange Control Act, 1965. It should be noted in relation to this, however, that fiscal incentives were exactly the same as those offered by the colonial government earlier, and that they were worse from the point of view of the foreign investor than

in comparable countries (MinCom, 1974: 48-49; Silver, 1982: 74-75). Both legislation and the existing fiscal incentives remained unaffected by the Arusha Declaration.

The government of Tanzania (MinCom, 1974) and some writers (Pearson, 1969: 187-189) believe that an additional factor in stimulating industrial development was the creation of a publicly-owned development organization, the National Development Corporation (NDC) in the case of Tanzania, formed in 1965. This is because it concentrated on equity participation, and in this way offered quasi-governmental protection to all its partners. In addition, Rweyemamu (1973) has argued, intense competition by foreign suppliers or buyers in large, commercially viable branches of industry, such as textiles, combined with high tariff walls erected by the post- colonial government, induced many of them to participate in industrial ventures in order to secure a foothold in the protected market.

6.3.3. The structural characteristics of industry in the 1961-69 period

The list of large-scale enterprises indicates that, although nearly every ISIC division was represented, new industrial capacity was dominated by textiles and food manufacture. In general, this picture was representative of the whole industrial sector in that period. **Appendix 4** roughly supports these conclusions for the year 1965, in which the contribution to employment levels was 48.1% by textiles, 20.3% by food processing, 10.9% by all metals and their products, and 20.7% by all other industries. The respective figures for output were 40.0%, 29.7%, 9.0% and 21.3%. The figures for metals and their products have not been re-worked downwards by the industrial re-classification criteria suggested earlier. If this was

done the contribution of metals and their products would look much smaller.

6.3.4. Some drawbacks of the nature of industrial plants in 1961-69

Many negative remarks have been made on some specific plants set up in Tanzania in the 1961-69 period. Most of the blame is directed towards the NDC, which was both the partner and 'overseer' in the joint ventures that characterized large-scale industrial production. Some of the criticism appears to admonish the NDC and the government for allowing former overseas owners to retain significant percentages of equity participation, and for permitting former suppliers of machinery to maintain their foothold in a particular industry even after the Arusha Declaration (Seidman, 1972; Shivji, 1976). But it should be noted that nowhere in the Arusha Declaration and similar documents did Tanzania set out to eliminate the participation of overseas companies, imperialist or otherwise, and that the NDC was specifically instructed to seek equity participation or joint ventures with foreign capital (which is mostly private) even after Arusha (Min Com, 1974). Once the role of the NDC had been defined in this way, the extent of equity participation by the overseas partner, and the choice of the supplier of machinery, was always going to depend on the status of the industry in the whole economy and in relation to perceived national strategic interests, the nature of the product, and the knowledge available to Tanzanian negotiators about their partners or their machinery suppliers.

In our view the more interesting comments which have been made are those which emphasize not so much that imperialism (through the participation of major foreign capitalist companies)

still operated in Tanzania, but that serious errors of judgement were made during the establishment of some industries, which have lessened the usefulness of those industries to the development of the economy. Such comments have dealt with aspects like management contracts with foreign managing agents, the technical suitability of machinery, marketing arrangements, and the nature of inputs. The issues raised are best dealt with by other subjects of specialization. Below we only mention the industries and areas in which there is a general recognition that mistakes were made where they probably should not have occurred. Although most of the effects of the decisions could only be recognized in the next period, they had their roots in the 1961-69 period.

(a) Unsuitable machinery:

One of the areas of concern in this regard has been the suitability of machines supplied - in terms of their durability, technological capability and their capacity for employment-creation. The production of bags, mainly for agricultural uses, provides an example in this area. The machines for the manufacture of sisal bags by the Tanzania Bag Corporation were supplied by an Italian Company called Gardella SPA. From its establishment in 1967 to 1973, well beyond the period under consideration, the corporation ran at a loss - a total of Sh. 3,000,000 (Jones, 1981: 195). The main reason for the loss was the frequent break-down of machinery - Gardella SPA received Sh. 600,000 in spare parts orders annually - and the difficulties of obtaining spares (NDC, 1971; Jones, 1981: 195). This meant that even by the fourth year of operation the factory operated at only 61% of installed capacity (NDC, 1971).

It appears that when Gardella SPA was engaged by Tanzania, it was widely known elsewhere to be an unreliable supplier. What is

interesting is that two years after the establishment of the sisal bag factory, Tanzania engaged Gardella SPA to participate in the setting up of another project for bag production, worth Sh. 65,000,000. Gardella SPA managed to interest the Tanzanian government in the cultivation of kenaf under irrigation near Moshi. It then sold a three-year supply of kenaf seeds to Tanzania even though they can keep for no more than a year. Next Gardella SPA supplied machinery and technical know-how to the Sh. 21,000,000 accompanying Kenaf bag factory. Jones (1981: 197) notes that the Food and Agriculture Organization (FAO) was at this time warning African governments against dealing with Gardella SPA.

The main problem with the kenaf bag factory was the inability for it to operate at capacity; seven years after it was set up it still could not reach a 50% capacity utilization (Jones, 1981: 198). Again this was due almost entirely to an unusually high rate of the breakdown of machinery and long delays in the supply of spare parts. The kenaf plantation itself failed due to low yields and a poor conversion rate from crop to processed fibre, and was abandoned in the 1970s, thus necessitating the importation of fibre at an annual cost of more than Sh. 7,000,000 (NDC, 1973; Jones, 1981: 198).

The two bag factories continued to produce a total of approximately 3,000,000 bags per year even in the next period when they were supposed to be fully operational (NDC, 1971; 1973). This was only 25% of the 1966 estimate of domestic demand. At the planning stage it was thought that the total domestic demand would eventually be met by the output of only one of the factories, the Tanzania Bag Corporation. The unreliability of machinery and its attendant costs were showing that this was far-fetched. The inadequacy of the machinery in this case was related to poor

standards of manufacture. The other known case of huge losses that were related to the old age of the machinery was that of the Tanzania Instant Coffee plant in Bukoba, established in 1966, in which a critical component could not work for four consecutive years.

Another instance of the acquisition of unsuitable machinery can be found in cashewnut hulling. The supplier of machinery to the first large- scale cashewnut processing factory in Tanzania, TANITA 1, was an Italian company called Oltremare SPA. The main problem with the machinery was its low outturn of whole kernels. The price of kernels - which are a predominantly export crop - can come down to 135% less of the world market price if they are broken (MDB, 1982: Annex 5), thus unsuitable machinery in kernel production can be very costly to the economy. One fact about kernel production is that small- scale (labour-intensive) hand methods still produce the best kernels. This is because the necessary removal of the semi-toxic and corrosive Cashewnut Shell Liquid (CNSL), and the lack of a standard size of nuts, make it extremely difficult for mechanized processes to produce whole kernels. In spite of this, Tanzania went ahead and built the first and largest mechanized plant in the world (Rweyemamu, 1973: 129).

It has been stated, in defence of the decision and Oltremare's reputation, that Tanzania had no alternative but to use the still experimental large-scale mechanized processes, since wage rates were up to 300% more than in India, the major processing competitor (Rweyemamu, 1973: 129; Jones, 1981: 180). Moreover, it would increase the economic viability of the investment in cashewnut processing, it could be argued, if the production of kernels went hand in hand with the recovery of CNSL, which is

highly valuable and has multifarious industrial and other uses. The recovery of CNSL is best done in highly mechanized plants. These considerations are perhaps the reason why, in spite of the generally poor performance of the first, eight more large-scale mechanized plants were built afterwards, with the participation of Oltremare, the CASHCO organization of Japan and the World Bank (MDB, 1982: Annex 5).

In terms of employment-creation, examples of controversial decisions concerned a large-scale mechanized bakery in Dar-es-Salaam, and the initially capital-intensive Mwatex. A decision to build an automated bread factory was made in 1969. The Canadian International Development Agency had a major interest in the project as the foreign exchange lender. The contract for the project's execution was awarded to Angus Butler Engineering Company (consultants) and Baker Perkins (machinery suppliers), both of Canada. It was a condition of the loan agreement that the execution be done by Canadian companies (Coulson, 1977d: 1979), one of those tied aid packages which the Arusha Declaration denounced. It appears that not enough evaluation was done during the exploratory stage. Coulson (1977d: 181) shows that a similar automated bakery could have been built by Baker Perkins' international competitors for half the price, that several smaller labour-intensive bakeries with a total capacity equal to that of the automated factory could have been established for a third of the price, and that the automated alternative, with its complex electronically-run single oven, was far more vulnerable to breakdowns and to the spare parts supplier than would have been the case with smaller bakeries. In addition the automated bakery employed only about a fifth of the probable number of employees of

smaller bakeries of equivalent combined capacity (Coulson, 1977d: 181).

It has been argued in defence of the automated bakery, that it eliminated the serious problem of adulteration of bread, which apparently was becoming the practice of small bakeries at that time as consumption went up without a concomitant rise in wheat supply levels (Green, 1978).

Mwatex was built and run with the equity participation of the National Development Corporation (40%), the Victoria Federation of Co-operative Unions (40%) and a Franco-Swiss consortium, Amenital (20%). Amenital provided consultancy, a managing agency and machinery (NDC, 1971). From the point of view of the overall economy, and in comparison with the Chinese-built Urafiki, Mwatex had several shortcomings from the beginning, and many published works (Rweyemamu, 1973: 123-124; Shivji, 1976: 176-177; NDC, 1971; NDC, 1973) have made these a well known story in Tanzania. They included inadequate planning for infrastructural facilities, which resulted, for example, in chronic water and power supply interruptions, from which Mwatex had not recovered by 1983. Other shortcomings were unfavourable loan repayment conditions, and continuous production shortfalls due to a more frequent breakdown of machinery as well as delays in the supply of (imported) intermediate inputs such as chemicals. What is more relevant to note here is that, as we saw earlier, while having the same production capacity as Urafiki, Mwatex was 60% more costly to establish, and created the equivalent of only 50% of Urafiki's employment. Five years after being established, Urafiki had reduced its expatriate staff by almost 100% through localization, while Mwatex had reduced it by only 40% (NDC, 1971).

(b) Poor pre-establishment preparation

We have already alluded to the poor feasibility studies in some of the cases we have mentioned. In others this problem seems to have been the most prominent one. In the case of the Tanzania Fertilizer Company (TFC), a poor feasibility study led to an under-estimation of the foreign exchange and interest rate fluctuations in Germany, the home of the equity partner Kloeckner Industrio Anlagen GmbH and the source of the necessary loan, resulting in such a high interest rate and large principal that the factory was rendered financially unsound from a very early phase of its existence (Coulson, 1977b). The debt burden (equivalent to 82% of assets) has been one of the major reasons for TFC's continuous operational losses. Other major causes, which could have been identified in a more careful feasibility study, included an under-estimation of the price of imported inputs (among which was phosphate rock, the basic raw material), the lack of proper infrastructural facilities, and an over-estimation of demand (NDC, 1974: 66; Coulson, 1977b).

An over-estimation of potential supply appears to have been a major factor in the feasibility study for the mechanized production of milk products by the Mara Dairy Company (Jones, 1981: 159), which was set up with the assistance of the government of Denmark. This has meant that the company's two large-scale plants have a permanent idle capacity. The same feasibility study did not properly identify the characteristics of the market for its products. For example, the company produces butter, ghee and other products by sophisticated industrial means in a predominantly rural and peasant location, where the demand for them is low and it is far cheaper to make them at home. This was probably not

considered a serious shortcoming, since originally the company intended to export part of its output, and to capture the larger urban markets in Tanzania. But the communication outlet for the area has remained one of the poorest in Tanzania, which affects sales and, consequently, production levels.

The major product of one of the dairy plants is ultra heat-treated milk (UHT), which keeps for more than six months at normal temperature. This would have been a very useful product indeed in an area generally lacking residential refrigeration facilities. However, with poor transport and the lack of profitability of the other milk products, UHT milk was bound to be priced out of reach of ordinary people; in 1982 half a litre of UHT milk was being sold at Sh. 10 - i.e., about half the daily average wage.

(c) Import-dependent inputs

Import-substituting industrialization is generally associated with a heavy reliance on imported intermediate inputs and raw materials. Tanzania's industrial plants established in the period 1961-69 were no exception to this. Jones (1981) has drawn and discussed a list of these recurrent industrial inputs, many of which could have been either made in Tanzania or eliminated from industrial processes altogether by being substituted with cheaper or locally-obtainable equivalents, had there been enough preparation for industrialization. The fertilizer factory in Tanga illustrates an aspect of this discussion. The factory produces triple super-phosphate, ammonium sulphate and three forms of NPK compound fertilizer (obtained by adding potash, ammonia and urea to the made up single super-phosphate and raw triple super-phosphate fertilizers).

The major raw materials and intermediate inputs for these types of fertilizers are rock phosphate, sulphur, potassium sulphate and ammonia. They were all imported at the start, and throughout the1970s. The annual requirements for these inputs in 1968 were, respectively, 110,000 tons, 30,000 tons, 15,000 tons and 12,000 tons. When imported, their costs in the initial years were approximately Shs. 14,850,000; 5,700,000; 6,105,000 and 4,236,000 respectively - a total of Sh. 30,891,000 per annum (Coulson, 1977b; Jones 1981: 90). The annual costs for these materials in the 1980s had risen to about 120 million shillings. These high costs cause a considerable drain on foreign exchange reserves, and therefore a serious consideration of possible local sources of the materials should have been paramount when the establishment of TFC was contemplated.

Potassium sulphate is not available in Tanzania, so it had to be imported. Both sulphur and ammonia could theoretically have been produced in Tanzania, mainly through subsidiary processes of oil refining (which is why Dar-es-Salaam, the location of the refinery, was the site originally proposed for the fertilizer factory). This would have entailed additional investments at the refinery, making it a more complex plant than the planners were prepared for at that stage. More importantly, these subsidiary processes at the refinery would have yielded only a small proportion of the requirements of TFC (potentially up to 50% of sulphur, but a much smaller percentage of the hydrogen which goes into the manufacture of ammonia). It is in fact accepted that the local production of sulphur and ammonia would be uneconomic unless it was part of a network of chemical industries in which petrochemicals (as distinct from basic refinery) played a central role (Jones, 1981: 82-104). The importance of chemical industries to most

other industries, and to pharmaceutical preparations, is well known. Clearly in the 1961-69 period Tanzania did not consider the establishment of such a complex intermediate goods industry a necessity, the object at that time being merely to substitute some important imports by local production, rather than to create a well-integrated industrial structure.

While the value of trying to obtain sulphur and ammonia locally was not clear in the 1961-69 period, the local availability of the most basic input into the factory, rock phosphate, was well known. The largest and most productive of three phosphate deposits in Tanzania is at Minjingu, 500 kilometres north-west of Tanga. Tanzania's State Mining Corporation was to claim in a later period that it could supply TFC with Minjingu phosphate at less than half the world price (Jones, 1981: 92). But only when the foreign exchange crisis of the late seventies and early eighties became severe did the TFC factory utilize the phosphate from Minjingu, at an annual saving of sh. 40,000,000 in foreign currency, according to the estimates of the Ministry of Industries in 1983. It was later to be acknowledged by both government officials and TFC's management that Minjingu should have been the source of the factory's phosphate requirements from the start.

Other prominent examples include the textile and soap industries, both of which depend on massive imports of caustic soda - a basic chemical with many other industrial uses which could have been manufactured in Tanzania as part of the already mentioned network of chemical industries. Jones (1981: 214) notes that the use of caustic soda in the soap industry could be avoided by introducing a process of soap-making that utilizes the cheaper

sodium carbonate, a basic mineral abundant in Tanzania (but not yet mined).

(d) The wrong location of some industrial plants

As indicated above, the fact that industry built in the 1961-69 period was highly dependent on imported inputs was one demonstration of the lack of inter-industry linkages and forward planning. Another demonstration of this was in the location of some of the important plants. Thus the TFC factory should have been built in Dar-es-Salaam, where the harbour facilities for its bulky imports already existed, and where the production of ammonia and sulphur or sulphuric acid in the future was a possibility. Or it should have been located at Arusha, only 80 kilometres from the Minjingu phosphate deposits. Similarly the steel rolling mill should have been somewhere in the Southern Highlands, where both the iron ore and coal would be mined in the future. The two industries were apparently located in Tanga as alternative sources of employment to the depressed sisal industry in the surrounding region - an important consideration which, nevertheless, should not have been overriding.

6.4 Industry in the 1969-81 period

Serious thinking on a programme for industry emerged during the formulation of the Second Five Year Development Plan, which was designed to cover the period 1969-74. The Second Plan was the first of three phases of industry policy. In this plan a commitment was made to reform import-substituting industrialization (ISI) so as to take account of the basic consumer needs of the general population. This was the beginning of what can be loosely referred to as an emphasis on inward-looking aspects of industry. The

second phase of industry policy began with the formulation of the Long Term Industrial Strategy in the mid-1970s and coincided with the Third Five Year Development Plan. In this phase there was a far greater commitment to industrialization whose highlights were a recognition of the centrality of what has come to be known as 'basic industries', and of the primacy of capital goods in them. The third phase derived from a strategy which places priority on balance of payments considerations and a greater pursuit of the principle of comparative advantage in carrying out production and exchange. The industrial ramifications of this strategy, which started in 1981 with the publication of the first of the National Economic Survival Programmes (NESP) and was strengthened by the adoption of the Structural Adjustment Programme (SAP) in 1982, included an emphasis on export industrial production, a curtailment of industrial expansion and the raising of efficiency levels in existing plants.

6.4.1 The Second Five Year Plan and the promise to reform the ISI

At a general level the Second Plan (1969-1974) reiterated the two major goals of the Arusha Declaration - Socialism and Self-Reliance. More emphasis however was laid on self-reliance, which appeared to be the overriding spirit of the plan. The stated aim of the plan was the creation of a relatively **self-sustaining, high investment and high growth economy.** It was expected that this would be achieved in two ways. First, the government would promote agricultural expansion. Secondly, institutions for the promotion and support of industrial growth would be created. Here the government envisaged an expansion of the parastatal sector. This made the government's position on the ownership of industry quite clear.

Ownership was seen as one of the most important elements in an industry policy. In the specific industry section of the plan, the private sector was still being encouraged. But as in the general aims of the plan, the expansion of the public sector was reiterated. This time a more detailed justification for this was given. First, there was a perception that only parastatals could provide local large-scale investment as a desired alternative to the previous reliance on foreign investment. Secondly, the government believed that it would be possible to create a genuine Tanzanian industrial know-how faster than under conditions of unrestricted private investment. Thirdly, there was a conviction that it would be possible to pursue a more effective industrial strategy in this way than under private industry. Fourthly, the government believed that under public ownership more of the profits made in industry would be re-invested in Tanzania.

The need for structural change in industry was mentioned in the second plan; it was stated that in the long term economic development required the creation of an industrial base, and that this in turn entailed fundamental changes in the existing structure of industry (Tanzania Govt., 1969a : 59). However, the nature of the structural change in industry was not identified, and the plan left the impression that the question of structural change would be considered seriously only in the future.

This inability to spell out the nature of the required structural change in industry reflected at that time the tussle between those who were keen to assign the leading role in development to agriculture, composed mainly of the authors of the Arusha Declaration, and those who understood industry to be the leading sector in development, mainly economists (to whom the

preparation of the plan was logically entrusted). The latter managed to write in the primacy of an industrial base in the pursuit of development. But nothing else in the plan indicated a commitment to this, and the meaning of structural change necessary for the creation of that base was not clearly spelt out. It was an indication of the strength of those not inclined to think of industry as crucial to Tanzanian development in the circumstances of the time. This of course was facilitated by the dominance of ISI thinking among those supporting the primacy of industry, such that industrial growth especially in terms of its addition to GDP was still the overall consideration, and not structural change.

If the concept of an industrial base was alluded to rather than adopted in the Second Plan, and structural change remained a promise for the future, at least there was an outline of the elements of a Long-Term Industrial Strategy. Although such a strategy was not expected to start before the commencement of the Third Five-Year Development Plan, it was implied that its outline would, thenceforward, provide guidance in the establishment, expansion and management of industry. The elements of the Long Term Plan included (i) the expansion of the range of manufactured goods, (ii) the lessening of the dependence on external sources of supply of inputs, (iii) an increase in the manufactured component of exports, (iv) the development of (local) managerial and technical expertise in the operation of industry, (v) emphasis on basic intermediate and capital goods industries, and (vi) the targeting of industrial growth towards the stimulation of internal exchange and specialization. Out of these, the change envisaged in elements (i) and (iv) can be seen as incremental while (ii), (iii) and (vi) clearly sought to reform

ISI. Element (v) can easily be seen to be related to structural change. There was no special ranking assigned to any of the elements.

There was another guideline for industry in the long term that was difficult to classify in terms of ISI, structural change, or whether it simply sought to make additions to the contribution of industry. But it certainly signalled a change in the existing pattern of industry. The guideline stressed that it was important to establish small-scale industries wherever possible, and it gave a hint of the reason why. Small-scale industries would offer technology commensurate to the level of productive forces in the economy, and were labour-intensive (a factor more conducive to employment creation in a 'labour-surplus' economy).

The Second Five Year Plan spelled out the actual industrial projects to be established in the five years 1969-1974. The projects were classified according to the International Standard Industrial classification (ISIC), and the aims to be achieved in each grouping of industrial projects differed according to the two-digit classification of this system as follows:

(a) The food, beverages and tobacco division. A quarter of the proposed 385 industrial projects were to be established in this division. The aims to be achieved here were clearly stated as being import substitution - an increase in the production of consumer goods already being locally manufactured, particularly in grain milling, sugar refining, oil milling, tobacco processing, brewing, and in bakeries.

(b) The textile, wearing apparel and leather division. Here is was felt that sufficient expansion had been achieved; the programme therefore sought to increase the degree of sophistication in

production and the utilization of capacity. 51 projects were envisaged in this division, more than 1/8 of the total.

(c) The wood and wood products division. The aim here was to develop a large-scale production of fibreboard and plywood.

(d) The paper and paper products division. The aim in this division was the large-scale production of pulp and paper, but it is important to note that the Second Plan was only putting it on the agenda while making it clear that it did not expect implementation to take place until the Third Plan.

(e) The division of chemicals and chemical, petroleum, coal, rubber and plastic products. This is the division comprising the most important of intermediate goods. In the manufacture of chemicals, the government saw a possibility of a 'mushrooming' of chemical plants in the future, and therefore sought to forestall over-capacity by committing itself to the creation of a co-ordinating medium for chemical and allied industries. Significant projects in the division comprised the large scale fertilizer and tyre factories (whose initial planning preceded the Second Plan), and some medium-scale soap and detergent factories.

(f) The non-metallic mineral products division. The aim here was to expand the existing capacity of the cement industry.

(g) The basic metals division. The essence of basic industries, this division is made up of the production of iron and steel as well as non-ferrous metals. The Second Plan did not set out to establish any specific plant in this division in the five year duration. It committed itself merely to the investigation of the possibilities of producing iron ore, creating an iron and steel industry, and establishing the steel-rolling mill that we mentioned earlier.

(h) The fabricated metal products, machinery and equipment division. Here the Second Plan aimed at end-of-line assembly, parts manufacture, and electrical appliances manufacture, but this was to be simple, small- scale and experimental. The aim, in the words of the plan, was limited to the creation of technical know-how for the future (Tanzania Govt., 1969a: 71-72).

Although the broad aims of the industry section of the Second Plan contained much that could have brought about a radical alteration of the pattern and structure of industry, it can be seen from the formulation of the actual industrial projects that the implementation of those aims was not a top priority and was unlikely to be strictly pursued. This is because the nature of the projects chosen reflected the dominance of the manufacture of consumer goods, and of import substitution, i.e. the continuation of the existing nature of industry. **Table 3** gives an indication of this. For example, whereas the expectation of the plan was that metal products, machinery and equipment would constitute 20% of all industrial projects, only 8.2% of investment would be spent on these.

Table 3: INDUSTRIAL PROJECTS IN THE SECOND PLAN 1969-74.

Industry	No.of projects	%	Investment sh.'000,000	%
Food, beverages and tobacco	97	25.2	436	22.5
Textile, apparel and leather	51	13.2	274	14.2
Wood and wood products, incl. furniture	67	17.4	147	7.6
Paper and paper products	12	3.1	355	18.4
Chemicals, incl. coal, petrol and plastics	48	12.5	349	18
Non-metal mineral products products	18	4.7	112	5.8
Basic metals	3	0.8	92	4.8
Metal products, machinery & equip.	77	20.0	159	8.2
Other manufacturing	12	3.1	10	0.5
Total	385	100.0	1934	100.0

SOURCE: Tanzania Govt. (1969: 64).

Another important factor to consider in order to determine the industry thrust of the Second Plan was the method for evaluating the usefulness of a project to an economy. The plan laid down the criteria as being (i) the net foreign exchange impact of the project, (ii) its real net contribution to GDP, (iii) its budgetary impact, for example whether the loss of import duty revenues resulting from the domestic manufacture of a previously imported product was adequately offset by internal duties on the product, and (iv) its social and long-term economic impact. No specific social and long-term goals were mentioned here except that of promoting regional balance (later to be modified into regional growth poles), but the assumption was that these had been made clear by the Arusha Declaration and subsequent documents immediately following it. It can therefore be said that it was the spirit of Arusha which made a

mention of the **social and long-term economic criterion** possible, and that only the public investment and the local management of industry that the declaration brought about permitted this criterion to assume any importance at all.

However, there were factors that would work against the social and long-term economic criterion. First the wording in the plan plainly showed that implementation did not demand strict compliance with this criterion. Secondly, to the extent that the meaning of this criterion was not yet as straightforward as the three financial criteria, it was likely that it would be ignored if a project satisfied the requirements of the latter. Thirdly by their training and experience in approving projects with economic benefits that are immediately tangible, the dominant evaluating group - the economic technocrats - were likely to have a bias for the other three. This is also one of the reasons why import-substitution was likely to continue being the dominant form of industrialization in Tanzania, and why a heavy bias against metal-working and other capital goods industries was likely.

The evidence in the Second Plan did not exhibit any special bias against industry as a whole, as might have been expected after the skepticism of the Arusha Declaration over this sector. Still, it can be said that the only potential supporters of an anti-dependence re-orientation in industry (that is, the authors of the Arusha Declaration) were disinterested enough to leave most of the thinking on the sector to conventional economists. The latter were clearly interested in an increase in the value of industrial production, but not quite in structural changes within it. In short, there was enough support for industry to continue unharmed by Arusha, and no real support for changes within it. Thus while

incorporating useful discussions on the importance of structural change, the industry section of the Second Plan still left comprehensive strategic planning of industrialization to the future.

6.4.2 The characteristics of actual industrial expansion following the Second Five Year Plan

Although the Second Plan formally ended in 1974, the Third Five Year Plan did not start until 1976, and the industrial policy direction of the latter was not put into practice until 1978. This means that in general the philosophy of the Second Plan guided industrial expansion up to 1978.

Actual industrial expansion in the 1969-78 period was concentrated in ISIC divisions 31 (food, beverages and tobacco) and 32 (textiles, apparel and leather). Efforts tended to concentrate on the expansion of capacity at existing plant sites rather than the creation of new industrial establishments, a notable exception being in the cashewnut industry. Significant additions included the expansion of Mwatex's capacity from 24,000,000 linear metres per annum to about 43,000,000, at a cost of approximately sh. 314,000,000. Urafiki's capacity was expanded from 24,000,000 metres to 33,000,000. Notable new establishments included the construction of seven cashewnut factories, which raised the total capacity from the original 12,500 tons of raw nuts per year at TANITA 1 to 60,500 per annum.

Expansion in the metal-based industries, beginning in 1975, was significant enough to raise their share in both industrial employment and output, as **Appendix 4** indicates. An important process that was added to these industries was billet casting (from locally-procured scrap iron) at Aluminium Africa Limited, which

eased the dependence of the steel rolling mill on imports. The manufacture of spare parts at Mang'ula and by the National Engineering Company in Dar-es-Salaam was also an important addition. The bulk of the expansion, however, was in motor repair and assembly.

Another feature of the capacity expansion in the period was the increase in the value-added processing of exports. This did not result in any significant boosting of the share of industrial exports in total exports - largely a function of output shortfalls in the entire sector which we shall consider later - except in 1974 when 'processed material' and petroleum re-exports raised this share above 10% for the first time (Tanzania Govt., 1982e: 30; Bank of Tanzania, 1982: 52).

6.4.3. The long-term Basic Industry Strategy (BIS)

As promised, the drafting of the long-term industrial strategy was begun by experts at the Ministry of Development Planning and Economic affairs soon after the drawing up of the Second Plan. Throughout the drafting stage, it was clear that the envisaged industrial base of the country would be built around the basic metal industries (especially iron and steel) and the metal-working industries (i.e. ISIC division 38 comprising the manufacture of fabricated metal products, machinery and equipment). These would be closely supported by other capital and intermediate goods industries (Tanzania Govt., 1975a: 2; 1977: 69). In this sense the strategy was consistent with an outlook which stresses the importance of industrialization in general, and the capital goods sector in particular (Dobb, 1963). However, the final version stated that whereas capital and intermediate goods industries were the

driving force in the intensification and structural reorientation of all industries, the production of basic consumer goods was equally important when overall development was considered. It was for this reason that the term 'Basic Industry Strategy (BIS)' was given to the long-term industrial strategy.

The numerous study papers and drafts at the Ministry of Planning and Economic Affairs indicate that some of the most important contributors to the actual programmes of the strategy included Roemer (1972; 1973; 1974), Tidrick (1973a; 1973b; 1973c), Williams (1973), and Ngumbullu (1973). These were among those assigned the responsibility of drawing up plans for each of the most important branches of industry. Thomas (1974) was an early inspiration to academics and planners in Tanzania in the quest for a restructuring of industry. This was due to his well argued and now familiar suggestion that independent industrialization was possible in 'small economies' provided a 'basic materials sector' was identified and established, and that early competitiveness and existing demand patterns were not always the most important criteria for successful industrialization. But the person who was most influential in the shaping of BIS as it is textually understood in Tanzania was Justinian Rweyemamu, a theorist of industrialization since the early 1970s (Rweyemamu, 1971, 1973).

Rweyemamu was part of a group of theorists of dependence and underdevelopment at the University of Dar-es-Salaam, where he was Professor of Economics in the early 1970s. He evolved his most definitive ideas on industrialization when the most influential of his debating colleagues had only a cursory concern for industrialization and growth, and when issues of class struggle, social equity and imperialism were paramount, as can be seen in

the works of Shivji (1970), Rodney (1972) and Cliffe and Saul (1972; 1973). Later, as Principal Secretary to the Ministry of Planning and Development Affairs, he was in charge of the formulation of the Third Five Year Plan and the Long-term Industrial Strategy (or the BIS) at a time when the authors of Arusha were sometimes posing agricultural development as if it was an alternative to industrialization, and when pro-industry experts were concerned merely with immediate and optimal returns in each industrial establishment.

Rweyemamu's ideas were not novel, but he was virtually alone in consistently arguing for industrialization and the centrality of capital goods in a restructured future Tanzanian industry (Rweyemamu, 1973: 73, 167; 1976: 5). Records at the ministry show clearly that on many occasions he launched desperate appeals to his peers in government and other political circles not to ignore his kind of thinking.

6.4.4 The contents of Tanzania's BIS

The BIS covers the twenty-year period 1975-1995. Its importance and the degree of commitment to it by the government in the years 1975-81 were emphasized by its status as the source of the industry section of the Third Five Year Plan (1976-81), its incorporation into the Long-Term (Development) Perspective Plan (1981-2000), and the detailed references to it in other government statements on industry in the period (Msuya, 1978; Tanzania Govt., 1979b). Its broad goals are **structural change** and **self reliance** in both industry and, by extension, the economy at large (Tanzania Govt., 1975a: 1). Structural change was defined not merely in the familiar terms of an increase of the share of capital and intermediate goods in total manufacture, but also in terms of **the development of Tanzanian**

resources to meet Tanzanian needs (Tanzania Govt., 1974b: 2; 1975a : 1). The latter aspect of the definition, which the authors of BIS intended to be the axiom of implementation, is an indicator of the input from Thomas (1974) who advocated the need for creating 'a convergence between domestic resource use and domestic demand', and 'between final demand and material needs'. **Table 4** indicates the extent of structural changes that were expected to occur within industry in twenty years from the launching of the programme, and **Table 5** shows some aspects of the expected home-market orientation of industrial production resulting from the BIS.

Table 4: FORECASTS OF STRUCTURAL CHANGES IN INDUSTRY 1975-95

Share (%) of Value Added by:	1970	1974	1980	1995
a) Food, beverages, tobacco	40.0	32.0	29.1	21.2
b) Textiles and leather	25.0	21.0	21.5	18.7
c) Wood and products	12.0	11.5	10.6	9.9
d) Chemicals	10.0	16.2	18.0	16.3
e) Non-metal minerals	3.0	4.0	6.0	3.6
f) Metals and products	10.0	15.3	14.8	30.3
Total	100.0	100.0	100.0	100.0

SOURCE: Tanzania Govt. (1974b:5; 1976:44).

Table 5: FORECASTSOF THE DOMESTIC AND EXTERNAL ORIENTATION OF INDUSTRY:

Share (%) of Value Added by:	1970	1974	1980	1995
a) Manufactured exports	10.0	4.3	5.9	2.4
b) Domestic goods made largely from imported inputs	45.0	48.5	45.8	14.8
c) Domestic goods made largely from local inputs	45.0	47.2	48.3	82.8
Total	100.0	100.0	100.0	100.0

SOURCE: Tanzania Govt. (1974b:5; 1976:44).

The strategy specifies the basic industries in the Tanzanian context as being the metal-working industries (perceived as the most important), iron and steel, cotton textiles, leather, chemical, food processing, beverages, paper, wood products, sisal and non-metal mineral industries, particularly cement and other construction materials (Tanzanian Govt., 1976: 44-45, 48). The products of these industries are either used as inputs into the production of goods in other industries or are final items that are basic to consumers. What is particularly noteworthy in this list is the inclusion of sisal. Since it is not a basic industry as such, it qualified for inclusion in the twenty-year programme of industrialization on other grounds, as we shall soon see.

The programme of action of the BIS in the twenty-year period, adapted from several slightly varying versions (Tanzania Govt., 1974b: 3; 1975a: 1; Msuya, 1978: 2; Tanzania Govt., 1979b: 3; Mramba, 1982: 7), is:

(i)To expand and consolidate those industries which meet the basic needs of the people, namely food processing, textiles and footwear

manufacture, the manufacture of final building items, and the manufacture of inputs into the basic services of health, education and water supply.

(ii)To establish metal-working industries and engineering workshops for the manufacture of machine parts/components, spare parts and machine tools for the purpose of enhancing the country's technological capacity, expanding the internal market for steel products and creating a substantial forward linkage for a future iron and steel industry.

(iii)To establish basic metal industries, especially iron and steel, as well as an intermediate goods branch of industry, particularly in chemicals and fabricated metal construction materials.

(iv)To expand and intensify agro-industries and other primary processing, mainly in order to earn a greater export income.

(v)To increase scientific, technical and technological knowledge through the expansion of industrial workers' training and the establishment of specialized centres of industrial services and technology.

(vi)To expand small-scale and establish medium-scale industries in rural areas with a view to locating a portion of the manufacture of basic consumer goods where most consumers reside, promoting a country-wide distribution of industries and income, and promoting appropriate technology.

(vii)To devote optimal efforts to using domestic resources as alternatives to imported inputs into manufacture.

(viii)To increase technical and industrial co-operation with neighbouring countries and international institutions so as to enhance the development of an industrial economy.

6.4.5 The rationale for the BIS

Let us look at the justification, and other background considerations, for the choice of this programme.

(a) The choice of industrial activity

The consumer goods industries that meet the basic needs and demands of the people were of course nearly an automatic choice, in a country which had professed people-oriented development for some time. But the choice also indicates that the government was not prepared for a 'wholesale' interference with current consumer preferences which the pursuit of a restructuring may sometimes imply (Tanzania Govt., 1974a). In addition this group of industries in general remained easier to establish and more profitable to run, due to the existence of an established market for its products and its relatively lighter investment. The requirement of maintaining a routine operation of industry and normalcy in the economy while a restructuring took place thus dictated that these industries be given an important place in the programme.

The basic metal and metal-working industries form the core of the 'basic materials' or 'basic industries' sector in any industrialized country (Dobb, 1963; Thomas, 1974; Rweyemamu, 1976; Luttrell, 1982). In Tanzania, the choice of iron and steel as a basic industry was regarded as self-evident from the fact that its products are the most used in the physical structures, tools and equipment that support modern life. However, the metal-working industrial 'sector' was considered to be the most important, and the reasons for this were listed as follows.

-It is the most basic industry of all because it provides capital goods, especially machinery, and many other goods used in all other

industries. In addition it has a higher linkage effect than any other industry.

-It has one of the highest concentrations of technological know-how, and as such its development is crucial in breaking out of dependence on the technological front.

-Because it is the best 'laboratory' for technological innovation it is better suited to the adaptation of technology to concrete conditions. It makes more sense to talk of appropriate technology in Tanzania along with an extensive development of this sector.

-It is the greatest user of products of the iron and steel basic industry.

The picture of basic industries was completed by the addition of the chemical group of industries in the 'intermediate' sector, which as a rule has an extremely high linkage effect (Rweyemamu, 1976: 8).

We have already noted the inclusion of agricultural processing, represented by the processing of sisal exports. This activity does not qualify as a basic industry because its linkage effect is very small and it does not cater for the basic needs of consumers in Tanzania. But its inclusion in the programme is interesting because it represents simultaneously a genuine support for BIS and an opposition to it by differing opinion groups within the government. The export processing activity became a major issue in early 1974 when the committee charged with the preparation of the strategy was presented with what appeared to be a finalized industrial investment programme for the Third Five Year Plan (itself the first phase of the twenty-year strategy). The programme was notable for its heavy reliance on the processing of raw materials, especially for export. The economic committee of the cabinet had already approved the programme, although it had not yet allocated any

funds to some of the projects. The main sponsors and supporters of the programme within the government were the officials of the Ministry of Commerce and Industry (MinCom). This reflected their reluctance to abandon the previous industrial direction which they had overseen for many years and had become familiar with, as well as reflecting the 'trade-push' influence of the commerce division in the ministry. Those closely associated with the preparation of BIS, mostly from the Ministry of Development Planning and Economic Affairs (DevPlan), were opposed to the 'strategic concept underlying that particular programme'.

MinCom urged that the investment programme approved by the cabinet be adopted and accorded top priority, arguing that Tanzania should process as much of its own raw materials as possible. This, the argument went, should increase the value-added content of the materials, earn additional foreign exchange, increase employment, and change colonial patterns of trade in which Tanzania exported raw materials for processing elsewhere. The last-mentioned objective, implying the need to base industrialization on local resources, was acceptable to all. But those drafting the BIS appeared to doubt MinCom's long-term commitment to this, and therefore they responded as if MinCom's real interest was the achievement of quick results and profitability. In this regard the supporters of the BIS demonstrated, first, through a cost-benefit analysis that Tanzania's comparative advantage in agricultural and other primary processing for export at that time was significant only in sisal and marginal in cotton. Then, arguing that restructuring and long-term considerations on industry were superior goals, they emphasized that the development of local resources (including processing) should be for the home market rather than for export,

with the objective of reducing dependence not only on imported inputs but also on external markets.

In their zeal to combat export-led industrialization, supporters of the BIS may have appeared to lose sight of the tactical importance of the foreign exchange value of export-processing industries. Some, however, had been mindful of this, acknowledging it as an inevitable modification of BIS to be introduced into the programme (Rweyemamu, 1976).

The final version retained the possibility of an interpretation of BIS in which the processing of Tanzanian raw materials (including export-processing) was regarded as a constituent part of its definition. This could come about because the status of export-processing in general remained unclear and therefore open to different interpretations, but also because one of the industries in this area - sisal processing - was designated a basic industry, thus offering a basis for regarding all export-processing in the same way by those with that inclination. In the subsequent publication of the programme, export-processing was on occasion presented as if it was a basic industrial activity that qualified for inclusion in the BIS independently (Msuya, 1978).

The general observation here is that the low-linkage, export-dominated sisal industry should not have been given the status of a basic industry, its significant role as a foreign exchange earner in the early years of BIS notwithstanding. The inclusion of activities of this nature in a programme of the BIS should have been clearly stated, that it was a necessary accommodation to existing economic realities - a tactical rather than strategic measure. In view of the potential of export-processing to 'eclipse' the real basic industries through its ability to produce immediate returns and to earn

foreign exchange, this should have been stressed at every opportunity.

(b) The choice of technique and scale of production

Another subject which attracted conflicting opinions during the formulation of the BIS was the choice of technique and scale of production. There was a strong advocacy of labour-intensive and small-scale industries, reflecting to an extent the people-oriented philosophy and more specifically the influence of the 'appropriate technology' concept that had gained currency in Tanzania in the 1970s. Again MinCom was the sponsor and supporter of a commitment to promote small-scale industries during the twenty-year programme, urging that special resources be set aside for them. The formulators of BIS argued that small-scale industries had disadvantages in comparison with large-scale industries when product-by-product analysis was made. Small-scale industries could produce goods of comparative quality, and at similar efficiency levels in certain areas (for example garments). But all small-scale production, it was argued, was difficult to organize, and thus industries of that scale, as a general rule, took longer to establish, leading to an unnecessary cost to the country. Mostly they were not cost-efficient and their products were below acceptable levels of quality (Tanzania Govt., 1974a: 4). Their most positive side was that they were easy to locate away from the established industrial centres and therefore better suited to achieving the goal of spreading industry to other areas. Because of these factors the formulators of the BIS preferred that production and marketing opportunities be reserved for small-scale manufacturing only in those areas of industry in which they could compete reasonably well with large-scale operations. But since knowledge of such areas required a

period of experimentation and gestation, in the meantime large-scale production should proceed even in the reserved areas to avoid delays. Later official elaborations, however, tended to veer away from the rationales and course of action explained here, towards an advocacy of small-scale industrial production as a way of avoiding dependence on external finance and foreign-based technology (Msuya, 1978).

In practice, decisions on which scale of production to adopt were likely to rest on three major considerations - the preference of the major financiers, the characteristics of technology in each type of production, and the financial costs and benefits involved. Of these, the latter was likely to be the central debating point, since participants in the debate still accepted it to be the ultimate arbiter in cases where all other factors proved to be controversial. Since on this criterion the dominant perception seemed to be that small-scale production was less beneficial than large-scale production, the latter was likely to prevail in spite of the preference of many of the authors of the Arusha Declaration and MinCom civil servants.

(c) The high profile of technical rationale for aspects of BIS

In those initial stages therefore, BIS supporters won the debate at the theoretical level against building the programme on primary processing for export, and against according priority and special protection to small-scale production. We can see that part of the reason for the acceptance of the BIS proposals on these issues lay in the fact that not only could those who saw **change** as the overriding goal - the authors of Arusha - relate to it, but the more technocratically-oriented also could. The use of technical criteria to argue the BIS case could win over the traditionally technocratic supporters of the 'maximum growth' strategy, since it virtually

eliminated possible skepticism over it as merely the politicians' normative invention. This, in fact, was the hallmark of the entire programme.

There were other areas of discussion in which the BIS line was accepted on the basis of its superior technical arguments. For example, the programme showed that it was still committed to what had become, since Arusha, the traditional welfare and equity principles, but the mode of discourse on these during the preparation of BIS and its subsequent popularization was technical rather than normative. Thus it expressed the need for a regional/provincial dispersal of industry, as the industry section of the Second Plan had done previously, but unlike its predecessor, it took full cognizance of the difficulties involved in pursuing this goal with limited capital and inadequate infrastructure. In this regard the BIS classified industry according to two tiers. The first tier was that of national industries, comprising all large-scale establishments as well as some medium ones. The policy made it clear that these could not be expected to be established in every region, and therefore spreading them around the country would be limited to what were termed industrial growth zones, each comprised of several regions. The twenty Mainland regions were for this purpose divided into only six zones. The second tier of industries comprised medium and small establishments producing basic consumer goods for domestic consumption. The distribution of these among districts and even villages was possible due to their smaller capital outlays and easier adaptation to lower infrastructural levels. The rationale for the dispersal of industry that was stressed was that goods should be produced not too far from where they are consumed (Msuya, 1978: 4-5). This tended to

highlight efficiency considerations (i.e. reduced transport costs) rather than purist concerns for welfare and equity.

The argument in support of BIS in regard to the issue of employment effect was accepted on the basis of a cost-benefit analysis, thus continuing the tendency to defend the programme on technical rather than political grounds. The fact that BIS was built around the production of machines, machine tools, machine parts, other engineering products, other equipment, chemicals, as well as iron and steel, all of which have a generally high capital-labour ratio, meant that the programme would create less employment than any of the more likely alternatives which excluded or minimized these activities, such as the production of basic consumer goods or the processing of exports. But studies in the preparatory stages of BIS indicated that the potential spin-off of its industrial activities was high, and that in the long term it would create more employment than the alternatives were capable of.

There was in the BIS a degree of sensitivity to consumer preferences that, to an extent, placated potential opposition from especially those who were averse to interference with accepted demand, which the restructuring of industrial production implied. This can be seen in what amounted to concessions by BIS supporters in the discussion on import levels of some basic goods. The programme allowed for levels of importation arising not from shortfalls in domestic production but from a desire to meet some of the consumers' current expectations. For example, although the demand for roofing materials could be fully met by local production, chiefly of clay tiles, which would be consistent with the goal of using locally-based inputs, a specified quota of the materials would be imported due to a general preference by consumers for

(externally made) galvanized iron sheets. Also, nearly all shoes could be made locally, mainly due to the abundance of leather. But the leather industry in Tanzania was already small-scale in nature, and policy intentions were that it should stay that way. In addition, leather is by itself expensive. Both these factors make leather shoes dear. Thus, it would defeat the consumers' expectation to obtain cheap shoes if all demand was met by local production. Non-leather shoes produced on a large scale elsewhere met the requirement of low cost and good quality, and therefore a portion of the market would be served by these. Similar allowances were made for imported synthetic fabrics into a market that could be fully catered for by textiles made from local cotton (Tanzania Govt., 1974a: 7).[5]

The programme also committed itself to the completion of ongoing projects, mainly in order to guard against too much disruption of the economy when in fact some of it could be avoided. This showed a degree of flexibility and 'responsibility' to which those attached to the old structure of industry could relate.

Above all, the entire programme seemed to be quite viable on the 'drawing board', as indeed were the newest and most expensive individual programmes of metal-working industries and iron and steel (Williams, 1973; Luttrell, 1980; TISCO, 1982a; TISCO, 1982b).

6.4.6 The probable strength and weakness of the BIS in terms of its sustenance as a national programme

The above discussion has already pointed out the strength of the BIS. In summary this strength lies in the fact that this is the programme that more closely expresses a commitment to non-dependent development while at the same time demonstrating, at least in the planning phase, that it is **economically viable.**

However, there are two factors which are likely to throw the programme into national disfavour. The first is that the programme's results and successes are pinned on the long term. In times of economic crises,when liquidity and short term considerations tend to dominate development thinking, the wisdom of sustaining the commitment to such a programme could continually be questioned. The second, which is related to the first, is that some of the individual sections that constitute the new innovation and are considered to be the more important are quite expensive to fund. Even if the economy did not experience serious unforeseen economic difficulties and immediate financial benefits did not become a pervasive demand on industry, the funding of these areas would put so much strain on the funding levels of other areas that increasing opposition to it would be predictable as implementation advanced. **Table 6** shows the cost estimates of the individual sections of the programme at the time of its preparation. Whereas it indicates, on the one hand, the commitment to the core aspects of the BIS by the allocation of large proportions of funding to iron and steel (23.1% of the total), and to the metal-working industries (16.7%), it at the same time indicates the heavy financial burden the BIS could be, especially if unforeseen economic difficulties prevented the core elements from generating the expected new industrial activity.

Table 6: PROJECTED INVESTMENT ALLOCATIONS IN THE BIS 1975-1995 (Sh. '000,000)

Industrial Investment in Five-Year Periods Ending in:	1980	1985	1990	1995	'75-'95	%
Food, beverages and tobacco...	410	180	702	914	2206	16.4
Textiles and Apparel (home production)...	266	331	362	423	1382	10.3
Textiles (exports)...	150	-	50	-	200	1.5
Leather and Leather footwear...	59	40	30	63	192	1.4
Wood and paper products; printing...	176	568	292	628	1664	12.4
Chemicals and their products...	144	45	258	1186	1633	12.2
Glass and Cement...	153	141	260	252	806	6.0
Metal working...	269	400	603	970	2242	16.7
Iron and Steel...	265	900	964	964	3093	23.1
Total	1892	2605	3521	5400	13418	100.0

SOURCE: Tanzania Govt. (1974b: 4).

6.4.7 Comparison in funding between the BIS and the 'maximum growth' strategy

It is useful to look at the contrast between the BIS and what could have been the alternative long-term programme of industrialization in Tanzania - what has come to be known, in the literature on the Tanzania economy, as the 'maximum growth' strategy (Tanzania Govt., 1974a; 1974b; 1975a). The funding allocations of the latter to the various divisions of industrial activity were at face value somewhat similar to those of the BIS. The allocations would in fact have been the same in both strategies

except in food, beverages and tobacco; textiles, apparel and leather; and iron and steel. Although the 'maximum growth' strategy would have reduced the allocation to food, beverages and tobacco by a small amount (about 0.4% of the total), it would have allocated an additional amount (equal to 4.8% of the total) to cashew nut processing - an export industry.[6] In the textiles, apparel and leather division, the 'maximum growth' strategy would have allocated a large proportion specifically to export textiles - 18.8% of the total compared to 1.5% in the BIS. Also, in the same division, it would have allocated additional amounts equal to 2.6% of the total to sisal spinning, and 0.7% to leather tanning -both being export industries at that time. All together these additional allocations were roughly equal to the proportion allocated to Iron and Steel in the BIS, and it was this industry which the 'maximum growth' strategy left out of its programme.

It is interesting to note that the 'maximum growth' strategy would have allocated the same proportion (16.7% of the total) to metal-working as the BIS did. Yet without the development of an iron and steel industry this sector would have had to depend on the importation of inputs throughout the twenty-year programme. Presumably this would have been partly sustained by the export revenues of the investment in textile and other value-added exports. The probable effect of this would have been to help deny an independent home-base for the metal-working industries, with ramifications on the entire industrial sector.[7] What is clear is that the 'maximum growth' alternative was less oriented towards home production, and it was not as committed to the creation of a capital goods branch of industry as the BIS was.[8]

6.4.8 Project priorities and the funding of industrialization in the early phase of the BIS

The list of basic industries in the twenty-year programme did not by itself give adequate indication of the areas of investment on which the government would concentrate in the early phase. It was the industry section of the Third Plan - the first phase of BIS - that spelt out such priority. The basic industries to be established in that phase were metal- working, chemicals and paper and pulp.[9] It was made clear that top priority went to the establishment of metal-working industries (Tanzania Govt., 1976: 45, 48; Msuya, 1978), and the task was assigned to the most important and experienced industrial corporation in the country, the National Development Corporation (NDC).

As implied by the entire programme, the rationale for making the metal-working industries the priority in the first phase of the BIS included the need to construct a metal-utilizing infrastructure for a national iron and steel industry, and to create a technological pool for other industries (Msuya, 1978: 3). In relation to this, there were to be priorities within the metal-working division itself, with the Third Five Year Plan expected to concentrate on the manufacture of spare parts and the upgrading of existing engineering firms into industrial workshops (Msuya, 1978: 4). Other stages, in sequence, were to be the establishment of machine tool industries, the manufacture of simple machines or parts of complex machines, and, finally, the manufacture of machines. It was possible that some of these would be undertaken in the Third Five Year Plan, but they were expected to fall under subsequent plans. The markets that these metal-working industries were expected to serve were also ranked according to policy priorities, with the first

phase of the BIS concentrating on agriculture and other rural aspects of development (Msuya, 1978: 4).

6.5 The nature of industrial expansion after the inauguration of the Basic Industry Strategy

one expects food processing and textile industries to continue dominating available industrial capacity for some time, despite the gain by other divisions. As these industries provide the basic necessities of life, their expansion tends to correspond to the rate of population growth (which in Tanzania has averaged 2.7% annually). Even when a drastic re-orientation of industry is undertaken, say with a heavy bias towards metals, metal-working and chemical industries, it may still be necessary to expand capacity in the food and textile industries, as the BIS itself stipulates. This is in fact what happened after the launching of the BIS; investment in food processing and textiles continued to be high This is indicated by **Appendix 3**, which shows the amount of investment and the number of projects licensed in the 1976-82 period for each industrial division. The largest share of investment (26.88%) was taken by textiles. The bulk of that investment in textiles was in the large-scale integrated Musoma Textiles Limited (Mutex).

The share of textiles indicated here was commensurate with its planned share in the long-term industrial strategy, but appears excessive in terms of the priorities of the industry section of the Third Five Year Plan. However, this did not disadvantage the metal-working, chemical and paper and pulp industries, which were the special focus of the plan. Of these three, the policy for the establishment of metal-working industries was the most closely adhered to. **Appendix 3** further indicates that a high level of

investment (19.12% of the total) was maintained in these industries in 1976-82. As indicated by **Appendix 4**, levels of employment in the combined metals and metal-working industries had a rising share of total employment in the period. Even output levels indicate the increasing significance of such industries, but the employment factor is a better supplement to the investment criterion in determining the extent of capacity expansion, since it remained unaffected even by severe economic downturns. This is because up to the early 1980s labour laws in Tanzania were such that it was next to impossible to lay off workers.

Notable metal-working enterprises that were newly-established included various foundries; several manufacturers of electrical goods and accessories, the most important of which (TANELEC) is in Arusha; the production of machine tools such as lathes, grinding machines and wood working machines in Moshi; and the manufacture of farm implements in Mbeya and Mwanza. In the 1978-83 period, the NDC initiated twenty metal-working projects, with costs of individual projects ranging from sh. 33,000,000 to 370,000,000 and totalling sh. 2,553,000,000 altogether.

In the chemical industries the projects under implementation in the period included a factory for the liquefaction of a naturally-occurring carbon dioxide at Kyejo-Tukuyu (important to the production of beverages and the preservation of processed food). The largest project in the division, however, was the attempt to produce ammonia and urea from natural gas reserves at Songo Songo, to be used in the manufacture of fertilizers.

An extremely large and expensive paper and pulp plant was being constructed at Mufindi in the Southern Highlands. It had a capacity to produce 60,000 tons of paper annually (which matched projected

total domestic demand to 1985), and was built at a cost of sh. 3,000,000,000.

It is clear then, that in terms of the creation of capacity, the priorities and sequencing of industrialization as laid down by the industry section of the Third Five Year Plan, the first phase of the BIS, were being implemented as planned. In general the investment in the capital goods branch of industry, the mainstay of which are metals and the bulk of the metal-working industries, was rising. Regarding the iron and steel industry in particular, a decision had already been made to exploit the iron ore at Liganga in the Southern Highlands. However, more feasibility studies were still being conducted, and there seemed to be problems in getting funds (expected to come mainly from external sources) for this particular industry. Meanwhile substantial expansion was being undertaken in the traditional metal industries, especially at Aluminium Africa and the steel rolling mill (where a billet casting project to provide the mill with a backward linkage in the same premises was underway). The dominance of metal-based imports from 1978, shown especially by columns 2-5 in **Appendix 5**, is to an extent a reflection of the rising share of metal-based industries in industrial capacity expansion in the period following the inauguration of the BIS.

Regarding the propensity of industrial production to move towards a predominance of processing for export, it seems that efforts in the period generally kept in line with the BIS guidelines, namely to guard against a proliferation of investment in such activities (though it seems that another reason for the lack of growth in export processing was the depressed markets for both cashew kernels and sisal products in the period). Similarly, it

appears that the share of industrial exports in the total would have more or less stabilized at existing levels, indicating a desire to serve the home market first, except that in 1979 and 1980 that share rose dramatically (from 8.5% previously to over 18%). **Appendix 6** shows this. The explanation for it is that following the war with Amin's Uganda (which had depleted the foreign reserves) a temporary policy of 'everything for export' was put into effect, both in order to earn foreign currency and to help rehabilitate the Ugandan economy.

Finally, regarding the import-dependence of industries in terms of inputs, searches for ways of minimizing imported inputs and the utilization of local raw materials now became widespread. We have already mentioned the switch by TFC from imported phosphates to Minjingu phosphates. The steel rolling mill was already utilizing billets cast from scrap iron by Aluminium Africa. The General Tyre plant in Arusha had started its own rubber plantation. The major textile mills, Urafiki and Mwatex, had created foundries in order to manufacture their own light spare parts; Mwatex's expansion after 1975 was expressly labour-intensive with the view to reducing import-dependence. At the gigantic Southern Paper Mills (SPM) a pine forest to provide raw materials had been prepared for many years, and it is also worth noting that the production of some of its chemical inputs - caustic soda and chlorine - on site was envisaged in the plan. The future production of surphuric acid on a large scale in Tanzania, for use by SPM, TFC and others, was then being considered seriously in planning circles.[10]

6.6 The performance of industry in the 1965-81 period

6.6.1 Characteristics of output

In the independence era, industrial output experienced its greatest growth in 1966, when the annual rate was 15%. This matched the exceptional growth of industrial capacity that was clustered around 1965-66. Between 1965 and 1973 industrial output grew steadily, averaging a rate of 8.9% annually in real terms. In comparison, the growth rates of the total GDP and of agriculture were, respectively, 5.4% and 3.9% in the same period. This enabled industry to raise its share in the total GDP from 7.7% to around 10%, as **Appendix 8** indicates.

The growth in output was sluggish in 1974 and 1975, causing the annual growth rate in real terms to drop to 1.3% and 0.3% respectively. The share of industrial production in the total also dropped to around 9%. Industrial performance picked up again in 1976 and 1977, with the growth rate averaging 11.4% and the share of industry in the total reaching 10.4%. The rate of growth in industrial output declined dramatically from 1978 onwards, until it reached -39.4% in real terms in 1981. In that year the contribution of industry to total GDP was only 5.8% at 1966 prices. The average annual rate of growth of industrial production in the 1974-81 period was -5.2%. In comparison, that of total GDP was 3.1%, and of agriculture 2.1% (Tanzania Govt., 1975b: 6-9; 1982a: 8-11).

6.6.2. Explanations of decline

The major explanation for the decline in industrial output around 1974-75 and then between 1978 and 1981 was the increasing unavailability of inputs resulting from a severe shortage of foreign exchange. This shortage was in turn related to the performance of

the agricultural sector, which is the source of the bulk of foreign exchange.

(a) The 1974-75 decline

Due to drought in 1974, agricultural output declined. This lowered both the procured and export volume of most export crops in the 1974-75 season, and, except for coffee, in the 1975-76 seasons, as **Appendices 9-13** indicate. This was translated into a decline in total export earnings in 1975 (shown by the second column of **Appendix 6**). It also resulted in a shortage of food, thus necessitating massive food imports, as the food import bill for the years 1974 and 1975 in **Appendix 5** indicates. At the same time the oil crisis had started, with the fuel bill increasing more quickly since 1974. This is also indicated by **Appendix 5**. These factors in combination greatly reduced the foreign reserves, necessitating a cut in imports that extended beyond 'luxuries' such as cars, to items that are necessary for a reasonable performance of the economy. It goes without saying that such import restriction affected industry more than any other sector, since it is the most import-dependent. This is what caused the lowered output. It is worth noting here that a prolonged import restriction of industrial inputs, leading to a semi-permanent under-utilization of capacity ultimately affects the entire economy by reducing its services to the productive and infrastructural sectors. A shortage of agricultural bags at a critical time of the season can lead to massive crop losses. Shortfalls in the industrial production of tyres and refined petroleum products can cripple the agricultural and transport sectors in a very short time. Each of the important sectors can then become both the cause and the victim of the other's declining performance in a cyclic fashion.

However, certain factors soon reduced the gravity of the crisis induced by the 1974-75 agricultural decline. First, foreign aid was stepped up (as indicated by the total aid inflow for 1975 in **Appendix 21A**). Secondly, the drought subsided. Thirdly, as soon as the decline was recognized, government applied persistent pressure on peasant farmers to expand acreage generally and to increase the output of drought-resistant food crops, and on wage earners to spend their spare time cultivating.[11] The result was an increase in export crops and food production. Appendices **9, 10, 12, and 13** give some indication of the increase in relation to export crops. The food procurement statistics of the National Milling Corporation (NMC) - a proxy for food production levels - also indicate this increase in the 1976/77 and 1977/78 seasons (Tanzania Govt., 1982a: 75). In addition, in 1976 and 1977 each of the major export crops except sisal (i.e. coffee, cotton, cashewnuts, tobacco and tea) experienced a favourable shift in its world market price. This is indicated by the trends in world price or the selling price of the relevant crop authorities in **Appendices 9-13**, and the improvement in the terms of trade which had been declining since 1967. This improvement in the terms of trade is partly the reason for the 1976-77 increase in the value of coffee, cotton, tobacco and tea (Tanzania Govt., 1982a: 21, 25) as well as the increase in the overall value of exports for that period, indicated by **Appendix 6**. Among the export crops whose world price rose, only cashewnuts did not register a higher export value in the period, the reason being that both its procurement and export levels continued to decline.

The increase in aid and the improvement in agricultural export production and trade solved the liquidity problem for Tanzania so well that it found itself with what was thought by the government

and some international economic experts to be an 'excessive' amount of foreign reserves (Payer, 1982: 9). The amount certainly registered the highest half-yearly rate of growth (75%) and reached an all time high in June, 1977 (Bank of Tanzania, 1981: 39). The greater availability of foreign exchange was the major factor directly associated with industry's recovery in 1976 and 1977.

At the end of 1977 **import liberalization** was allowed by the government, on the advice of the World Bank and the International Monetary Fund (IMF) - both of which contributed a substantial share of aid in the period. The liberalization took the form of issuing open licences to importers (including private traders). In this way it dismantled the existing 'confinee' system in which only about six parastatal corporations had decided on and prepared lists of imports needed by the economy (Payer, 1982: 9-11).[12]

The intention of the liberalization was to facilitate the importation of industrial inputs. In theory the facility for an easier importation of these and other essential items could have been created merely by identifying them and confining the 'liberalization' to these. The significance of this can be seen in the fact that by making the liberalization general, a lot of unproductive and inessential imports - for example expensive wines and silverware - were also brought in, with serious foreign exchange consequences in the subsequent period.

(b) The 1978-81 decline

Tanzania's terms of trade resumed the downward trend in 1978 and continued that way for the rest of the period covered here. The trend was punctuated by a particularly steep drop in the price of coffee, Tanzania's leading foreign exchange earner since 1975. This

was accompanied by other factors that were negative to the economy in 1978 and 1979.

1978 and 1979 were the years in which the Uganda War was conducted. It was reported by Keesing's Contemporary Archives in September, 1979 to have cost Tanzania more than sh. 2,065,000,000. Meanwhile, the East African Community had just broken up, leaving the government of partner states, including Tanzania, with the liabilities of the former East African corporations at a critical time.

As the world economic situation deteriorated at the end of the period, interest rates on foreign debts rose, but this was somewhat modified by the conversion of some Tanzanian debts into grants, especially by the Scandinavian countries.

The period also experienced the second round of the rise in oil prices. Petroleum imports had already become extremely burdensome. For example, in 1973 the 810,970 tons of crude oil that were imported cost sh. 133,600,000, but in 1977 the reduced volume of 670,398 tons cost sh. 552,200,000 (Green, et al, 1980: Table A11). In the 1978-81 period the oil crisis became even worse. It can be recalled that 1979 was the year in which the Organization for Petroleum Exporting Countries (OPEC) raised the price of oil from US$ 13 to 30. The greater increase in the fuel bill in 1979 and 1980 shown by **Appendix 5** is a reflection of that price rise. The rise is also reflected in the figures presented in **Appendix 7**, which show the fuel item making up 22.87% of the import bill and equalling 56.57% of the export receipts in 1980.

The combination of all the factors mentioned above, including the generalization of import liberalization, once again resulted in the depletion of foreign reserves, which plummeted from sh.

2,390,200,000 at the end of 1977 to sh. 224,300,000 at the end of 1978, recovering later in the period to be sh. 853,800,000 at the end of 1981 (Bank of Tanzania, 1981: 39). Industry was once again starved of essential inputs, and this continued through to 1983. It is indicated by the dismal amount of foreign exchange allocated to industries, in relation to their requests, as highlighted by **Table 7**.

Table 7: FOREIGN EXCHANGE ALLOCATION TO MANUFACTURING
(Sh '000,000)

	Industr. Raw Material			Machinery and spares		
Year	Request	Actual	%	Request	Actual	%
1977	2649.6	1574.5	59	362.1	106.2	29
1978	4158.1	2138.1	51	532.8	154.8	36
1979	6092.0	1339.3	22	481.4	55.7	12
1980	7855.0	1960.0	25	690.0	55.0	8
1981	10000.0	600.0	6	900.0	45.0	5

SOURCE: TISCO (1980:13)

The lack of essential inputs was also represented in the under-utilization of industrial capacity, which is indicated by **Table 8** for selected industries in 1979 and 1980.

Table 8: CAPACITY UTILISATION IN TANZANIA'S INDUSTRIES

Product	1979	1980
Fertilizers	37.4	61.3
Petrol	62.5	75.4
Soap	81.1	-
Paints	78.3	42.9
Tyres and tubes	63.3	80.3
Sugar	64.9	68.6
Cigarettes	92.6	28.6
Glassware	76.7	-
Cement	53.3	51.0
Textiles	64.6	61.6
Leather	52.8	41.2
Shoes	77.8	50.2
Beer	98.5	75.0
Bicycles	15.0	16.9

SOURCE: Tanzania Govt. (1982b: 62)

Additional representation of the fact that the decline in industrial output was mainly related to the foreign exchange crises of 1974-75 and 1978-81 can be found in **Appendix 16**, which shows the index of production levels for some industries, with 1970 taken as the statistical base year.

Other factors in the decline of industrial output have been mentioned by other writers. They include lengthy durations of project implementation and the under-utilization that is not related to the lack of imported inputs but to infrastructural problems such as power or water supply interruptions (Tidrick/World Bank, 1977). These had only a minor impact, since the range of industries that they affected was much more limited. Moreover, for them to have been major causes, it has to be assumed

that the decline was persistent, and that it occurred outside periods of foreign exchange crises. This was not the case.

(c) Special productivity problems of Tanzanian industry

One of the arguments that attracted considerable attention in the country in the late 70s was that labour in Tanzanian industry was not productive. The argument did not suggest that the inefficiency of labour was the cause of the 1974-75 and 1978-81 declines. It simply proposed that if labour was more productive it would help industry withstand some of the 'externally-induced shocks', especially in contributing to the competitiveness of industrial goods in external markets when the foreign exchange crisis made an increase in industrial exports a necessity. The argument differed from the popular journalistic image of African wage earners and managers as being inherently inefficient. It also differed from the assumption that the industry was over-manned, a result of employment policies, since this referred only to under-employment without being relevant to levels of output. The assumed over-manning of industry did not necessarily affect profitability, since declining real wage rates over the years (indicated by the last column of **Appendix 18**) cancelled its impact. What seemed to be relevant to the argument was therefore the absence of incentives.

The argument was that due to labour laws, which made it extremely difficult to dismiss non-performing workers (Tidrick/World Bank, 1977; Jackson, 1979), and because remuneration was based on time spent at work rather than on results, there was no incentive for employees to work harder (Tidrick/World Bank, 1977). Some group bonuses were in certain instances paid to units or companies that exceeded targets, although there were many difficulties in determining realistic

targets as well as the differing non-worker productivity factors of various industries.

There is no doubt that the labour laws and regulations (such as those related to workers' participation in decision-making) safeguarded the employment and integrity of workers.[13] They were a positive step forward to the extent that they replaced a 'commandist' approach to labour relations and the uncertainty of conditions of employment, both of which were a legacy of colonialism. However, it is also widely believed that the introduction of the famous paragraph 15 of the Party Guidelines (Mwongozo) in 1971, which strove to create equality between the leaders and those that they led, resulted in a neglect of responsibility and the lack of accountability. This was what some referred to as 'the release of production relations before their time', and was a function of the increasing dominance of the socialistic aspect of the development strategy. It strengthened the situation of 'neither sanction for non-performance nor incentives for working harder'.

The fact that in 1981 the parliament passed an act - The Incomes, Prices and Productivity Policy - which emphasized the importance of payment by results as well as bonuses, and created a body to oversee its implementation, demonstrates that the lack of incentives was at last being acknowledged as a significant problem by critical organs of the state.

(d) The managerial question

There are two opposing views on the management question and how it affects the performance of industry. On the one hand there are those who have argued that the foreign management agencies which have administered most of the important large-scale enterprises are new conduits for the transfer of funds from

Tanzania to their home countries without much interest in the efficient performance of Tanzanian industry (Shivji, 1976; Coulson, 1977a). It is argued that this is due largely to their guaranteed annual fees, their control over machinery, spare parts and inputs for which their home-companies or associates are usually the supplier, and their control of overseas sales for which their home-companies may be agents. The last two factors, it is argued, makes it possible for such managing agencies and their home companies to participate in the over-invoicing of imports and the under-invoicing of exports. The foreign management of the Tanzania Fertilizer Company (Kloeckner), the Tanzania Instant Coffee (Nestles) and the Tanzania Publishing House (Macmillan) are believed to have been among those which collected large sums in fees and yet were themselves the cause of the poor performance of those companies. Case studies done on these appear to support the contention (Coulson, 1977b; Hutchinson, 1977; Jones, 1981: 177-179). Brooke Bond Liebig, the former joint owners and managing agents of the Tanzania Packers Limited with a dominant position in world meat markets, are believed to have under-invoiced TPL's products for many consecutive years - one of the reasons the government took full control of the industry in 1974 (Jones, 1981: 152). It is of course difficult to calculate the cost of such malpractices, and therefore this debate is never really resolved.

It is clear that the basic fee paid to foreign management agencies was a fixed amount. Information from most agreements shows that the standard fixed rate in the late 1970s and the early 1980s was about US$300,000 per annum.[14] Depending on the extent of the services, the foreign management agency could demand an additional 1% of sales and 4-6% of profits. If there were no

malpractices of the above-mentioned nature, these fees do not appear to have been excessively burdensome.

Attitudes within the government and the holding parastatals towards foreign management tended to differ. Among the parastatals, the NDC generally tended to favour management agreements while TEXICO (textiles) usually saw their importance chiefly as necessary links in the creation of a rapport with external donors and equity partners. Some government ministries were sufficiently concerned with the doubts being raised about foreign management agreements to keep the debate alive throughout the 1970s. DevPlan was particularly concerned with the lack of information and co-operation from NDC in scrutinizing management agreements with foreign companies, while the Ministry of Manpower Development lamented the fact that little effort had been made by foreign management agencies in preparing Tanzanians to take over, as stipulated by the agreements (Manpower, 1976: 25).

On the other hand there was the argument that in the foreseeable future, Tanzanian industry could only be run efficiently by foreign managers because they had the expertise and experience which lacked in Tanzania (World Bank, 1975). This in fact was only partly true; it applied to specific areas of management. Often it was assumed that there were still no Tanzanians with formal managerial qualifications. The assumption was based on readily demonstrable statistical evidence of the number of qualified managers on the country's manpower list. The number was certainly quite small, but so were the number of industrial establishments, or indeed the volume of manufacturing business. undoubtedly the number was not enough for the existing plants,

but, especially in general management, the shortfall was not large either - a function of a consistent training policy for manpower self-sufficiency which came into existence in the early sixties. In general there was a reasonable growth of local general managerial expertise; it did not lag behind existing rates of capacity expansion.

It should be borne in mind that many of the Tanzanian staff had worked with their enterprises for a long time, some since the beginning. At Mwatex, middle level Tanzanian managers were emphatic that they knew more about running a textile corporation than the (foreign) top management that had been brought in by TEXICO, consequent to the expansion and aid agreement with the World Bank, and that they were formally more qualified than some of the latter. They clearly resented their 'denigration' by TEXICO, and were keen to point out that Mwatex's output was consistently lower after the expansion, when their say in the running of the affairs of the corporation was lessened. In reality the persistently poor performance of Mwatex after the expansion was a combination of the 'go- slow' attitudes of the resentful, experienced employees, the worsening of the water and power supply problems and, above all, the increasing unavailability of foreign exchange for spare parts. There was at least one lesson though, that in conditions of foreign exchange scarcity for inputs, foreign management could also be as helpless as a local management team. Mwatex's middle level management may have exaggerated their importance, but in many plants Tanzanian managers believed that it was not possible for foreign managers to run Tanzanian companies better, given the same resources. This is because many of the Tanzanian had more than ten years of experience in running the plants in that particular environment. It was useful, however, they generally argued, to

maintain a few foreign consultants or co-managers for two reasons. Firstly, although individual foreign managers were themselves not necessarily experienced, their parent companies usually were. Secondly, the parent companies were usually important (and sometimes critical) equity partners, creditors, or overseas marketing monopolies whose goodwill and managerial co-operation could mean the survival of a Tanzanian industry.

The major issue raised here by these conflicting views is that an optimal management arrangement could help an embattled industry handle the problems better; it is not suggested that the decline in industry that we have discussed was caused by the lack of appropriate management.

The aspect of management that lagged behind was the technical one (involving production managers and engineers) which often must be handled by specialists in the relevant production processes. This was consistent with the country's level of scientific and technological development, and was partly a result of having concentrated early efforts on producing social scientists from the high level educational institutions in the country and abroad. This bias was perhaps justified in the early days when national control and administration by local people were the important considerations. But in the 80s the government appeared to be moving away from this bias; it registered its intention to concentrate on developing a scientific and technological manpower capacity (Tanzania Govt., 1982b: 181).

6.7 Concluding observations on industry

We have emphasized that the 1961-69 period was characterized by a surge in industrial activities, especially around 1965-66, and

dominated by large-scale plants. We have stressed that the growth in industrial activities was accompanied by shortcomings, which included unsuitable machinery, poor planning for location, markets, inputs and inter-industry linkages, as well as a preoccupation with demand-led industrialization which did not question the structure of industry. But as we conclude we should note that mistakes pertaining to the establishment and characteristics of particular plants can be made in any economy, and that the lack of attention to structure plagues many Third World industrializers. The specific thing to note in relation to Tanzania is that at that time there was a greater likelihood that these shortcomings would emerge, owing to the limited number of people with high-level technical knowledge, the lack of industrial experience and the fact that it was a period of rapid changes not conducive to thorough and lengthy appraisals.

More importantly, from the point of view of those making particular investment decisions, the ultimate goal was that the level of industrial production be stepped up; and for those making the more general decisions (especially soon after Arusha, when the major shareholders in all important industries became Tanzanian organizations) that a significant level of national control of industry be established. When these considerations are given weight, and in comparing it with the previous era, the 1961-69 industrial expansion was a positive effort towards the creation of a process of non-dependent development. As we noted in Chapter Three, the increase in industrial activity and national control of the economy are important first steps towards that process.

The beginning of the 1969-81 period was also the time when the egalitarian and welfarist principles of the Arusha Declaration were

taking root. The policy on industry in 1969-74 to an extent reflected the growing influence of the nationalist authors of the declaration in development planning, hitherto a preserve of conventional growth economists, even though the nationalists regarded industry with suspicion because of its greater disposition to being foreign-dominated. In the broad aims of the policy, there was a recognition of the need for a restructuring of industry generally, the importance of a capital goods sector of industry, the necessity to develop local managerial and technical expertise for the running of industry, and the value of going beyond the profitability criteria for establishing industry, to include social and long-term goals. Although the goal of attaining local manpower self-sufficiency in general management appears to have been pursued more vigorously, no special ranking or priority was assigned to these aspects. Thus, during implementation it was the usual preference for Import Substituting Industrialization and profitability criteria that were overriding.

In the 1976-81 phase the formulation of an industry policy committed to a restructuring of industry, and, through it, the economy, took place in the form of the Basic Industry Strategy (BIS). This policy recognized the centrality of the capital goods sector in a programme of industrialization, stressing in particular the need to develop the iron and steel as well as the metal-working industries. There was a special Tanzanian emphasis on the need to marry the capital goods sector with the basic needs of the people, thus avoiding attempts at constructing an unfriendly and detached 'heavy industry'. The BIS was only launched in 1978, so that, until then, implementation in the industrial sector was still largely guided by the 'half-hearted' commitment to restructuring characteristic of the Second Five Year Plan. In addition, the BIS began to operate at a

time of great economic difficulties, when industrial performance throughout the country was poor. Yet, in the expansion of industrial capacity that continued to take place, the prominent activities were the establishment of metal-working industries and the promotion of inter-industry linkages (mostly in the provision of inputs). Both were clearly BIS goals, thus demonstrating consistence and commitment in this respect.

After these efforts at industrialization, Tanzania's industry was still small, even compared to neighbouring Kenya, where the growth of manufacturing in the 1970-82 period was 9%, as against Tanzania's 0.5% (World Development Report, 1984). But the expansion was quite consistent, and the diversification significant, throughout the 1961-81 period. In its BIS phase, industrialization still enjoyed support and consistence, since implementation of its programme was still going on despite general economic adversity, its higher costs and its lower 'immediate returns'.

Footnotes to Chapter Six:

1 The number of 'industrial' establishments actually quoted by the industrial census of 1965 was 569. Among these there were 110 sisal 'processing' and 30 cotton ginning establishments (Tanzania Govt., 1968: 60; Rweyemamu, 1973: 112). It is the exclusion of these that brings the total down to 429.

2 Generally the post-colonial records have followed these criteria.

3 Rweyemamu (1973) classifies the meat-canning activity of Tanganyika Packers as 'export-propelled' industrialization (to use his term). Having been established jointly by the colonial

administration in Tanganyika and the British Liebig company (later Brooke Bond-Liebig) to supply meat as well as earn dollars for Britain, the plant exported virtually all of its output. The subsidiary of the Metal Box Company was established in Tanganyika to meet the packing requirements of Tanganyika Packers and other meat extract companies overseas, and as such was itself fully geared towards export. Rweyemamu classifies as luxury those industries turning out products that are consumed mostly by 'high-income' people. He specifies beverages as some of the 'luxury' products around the time of independence. This of course includes the Coca Cola drinks. In his definition, grain milling was the only significant industry that was both non luxury and internally orientated.

4 Most of this and the subsequent information in this subsection has been compiled from files in the Ministry of Industries, the Ministry of Information and Broadcasting (especially for the 1965-66 period), selected NDC annual reports in the period 1971-80, Jones (1981) and TISCO (1981).

5 That the importation of certain consumer goods which could all be produced domestically was allowed to continue may at first appear insignificant, since external trade is necessary. But this must be seen in the context of one of the principles of the BIS, which was to meet domestic production through the development and use of local materials as far as possible. Thus self-sufficiency in some lines of manufactured consumer goods, as well as the lowering of expectations (including consumption

standards) would be understandable. More importantly, it should also be seen that even though no one had at any time envisaged a plan for self-sufficiency in manufactured consumer goods, both the BIS authors and the supporters of the traditional ISI had a strongly-held philosophical viewpoint that home production must initially be the goal of industrialization, with increased levels of exports and imports arising (in a later period) from such home production. It is for this reason that the sensitivity to consumer expectations in the BIS can be seen to have been significant.

6 Details of this information are available at the Ministry of Planning and Economic Affairs.

7 Significantly so since the 'maximum growth' strategy would have allocated less than the BIS in the area of intermediate inputs, notably chemicals.

8 Even where there are similarities, differences of funding would emerge if the long twenty-year duration was broken into phases, indicating priorities of investment in each division - what development planners in Tanzania have called sequencing.

9 The inclusion of the paper and pulp industry in the Third Five Year Development Plan was indicative of a strong fast-growing market for paper products; paper usage increases dramatically with industrial expansion and other advances in the economy.

It was also an indication of the high linkage effects of paper (its main raw material, timber, is abundant in Tanzania while its products are crucial to the print industry). The paper and pulp project was seen as having the potential for cutting imports (at the beginning of the Third Plan Tanzania imported all its paper requirements), and the potential for earning foreign exchange through sales to neighbouring countries (the capacity of the planned project, 60,000 tons of paper per annum, was well above the 1980 domestic demand of 44,870 tons).

10 A couple of feasibility studies on the production of surphuric acid, written by DevPlan staff, testify to this.

11 This is what was known as the 'do or die' national survival campaign ('kilimo cha kufa na kupona' in kiswahili).

12 Both the World Bank and the IMF had wanted a more general policy of economic liberalization, for which the IMF in particular has received legendary Third World condemnation.

13 Mapolu (1979) has argued a view contrary to this, that there was no real participation of workers in practice.

14 This information was obtained from a variety of documents at the National Development Corporation (NDC) and the National Textile Corporation (TEXICO). Most of the following discussion is based on those documents, some files of the Ministry of Economic Affairs and Development Planning

(DevPlan), and personal interviews conducted at Mwanza Textile Limited (Mwatex) and the Steel Rolling Mill in Tanga.

CHAPTER SEVEN : SUMMARY AND CONCLUSION

Most of the opposition to an anti-dependence strategy of development revolves around the questions whether it is necessary, and if so, whether it is possible. The latter question has two aspects. The first of those aspects is a questioning of the possibility of an "economically small" country to pursue such a policy consistently, and whether it can yield benefits especially of an economic kind.

By looking at the literature in Chapter One and Two, We think we established at the theoretical level that for most of the Third World countries it is necessary to have an anti-dependence strategy in order to facilitate further development, although such a strategy must take cognizance of concrete conditions in each country. We also saw in those chapters that a fundamental factor in a successful pursuit of an anti-dependence strategy of development is industrialization, and that in particular the production of what are generally referred to as capital goods must form a significant part of that industrialization. While still at the theoretical level, in Chapter Three we think we established that it is possible for many Third World countries to pursue the strategy consistently and have success in the economic field. We did that by looking at a few examples around the world which existing empirical literature has brought to light. The examples emphasized the fact that the strategy can vary greatly in form and degree, these differences being due to the peculiarity of political and economic factors of each country at the particular time of the strategy. More importantly the examples emphasized that industrialization must be the fundamental aspect of the strategy.

In view of the central role of industrialization in development and in the elimination fo dependence, it was taken to be the leading criterion for evaluating the significance of a strategy of an anti-dependence strategy of development in Tanzania. Accordingly the discussion of the nature of industrialization best suited to bring this about was extended in chapter Three, highlighting in particular the shortcoming of Import Substitution Industrialization (ISI) and the importance of basic industries. In other words, what Chapter Three did, in addition to discussing the examples of other countries and their lessons, was to work out the standards that would be used to judge whether the Tanzanian strategy would be capable of effecting an anti-dependence process of development.

In Chapter Four we showed through a review of the history of the country that no conditions of significance for modern or further development had been created at the time of independence; that in addition, control of and influence over economic processes by externally-based forces had been created at the time of colonialism, that channels likely to reproduce such control in the future already existed; and that such control was in some cases likely to prove detrimental to further development, as it had sometimes done in the past.

In Chapter Five we pointed out the immediate circumstances that, when combined with the history of low development and lack of national control over the economy, led almost inevitably to a decision by the leadership to embark on an anti-dependence strategy. We also examined the initial formulation of that strategy of development, noted in particular its nationalistic thrust contrasted with its socialistic aspect which others have usually highlighted in the past, and attempted to judge the degree of commitment to the

strategy in the formulation itself, keeping in mind the guidance of the standards we set out in Chapter Three. The more direct assessment of an anti-dependence strategy of development began in this chapter. We found that especially with the nationalizations, the policy was directed at reducing the level of external control. But we also argued that initially the policies that formed the strategy suffered from a degree of 'reactive' response and were ambiguous in some areas. We noted the efforts to emphasize the socialistic aspects of the strategy, important in other respects of course but also containing the danger of upstaging the anti-dependence aspect and thus causing a delay in strengthening it. We noted in particular the failure initially to construct an industrial programme, let alone emphasize its centrality in the strategy.

In Chapter Six, while still keeping in mind the guidance of the standards of judgment we spelt out in Chapter Three, we examined the process of implementation of the anti-dependence strategy of development by looking at efforts at creating an industrial base, production levels and, above all, the consistency in the commitment to the strategy in its subsequent elaborations and in other policies complementing it.

Notable in the chapter was the continuing delay in the formulation of an industrial programme devoted to changing the structure of industry as well influencing the structure of the economy as whole, despite a mention of it in the Second Five Year Plan. A promise to formulate such a programme was made, but we noted that the actual industrial projects as well as other aspects of the industry section of the Plan were likely to reinforce the previous pattern of industrial development, with import substitution still dominant. Significant growth of industry which had been ushered

in with the coming of independence, and had accelerated from about 1965/1966, continued. If desired industry was not yet on the agenda, at least some consistent efforts at industrialization were being made, and this was not negative to an anti-dependence strategy of development; it could have been worse - a total devotion to agriculture and the complete neglect of industry as some aspects of the Arusha Declaration had suggested could have occurred.

A remedy to the hesitation in formulating an industrial programme for structural change and for creating an industrial base in the country finally came with the launching of the Basic Industry Strategy (BIS) in 1976, and much of the remainder of the material in chapter six was about this programme. In it we found that the BIS demonstrated a deeper commitment to an anti-dependence strategy by its stated goals, and by the level of implementation considering the constraints on it.

In general therefore, there was a significant adherence to stated policy. Some aspects of stated policy were not adhered to due to practical "interventions" of an economic nature, and some of these constraints were predictable from the point of view of theory.

In terms of the overall impact of the Tanzania anti-dependence strategy, and of its accompanying industrialization policy, several things can be noted. Tanzania was still a small economy in 1981, with a very small industrial base, low levels of education, and, of course, a very poor populace, despite genuine people-oriented policies. It was, to use the dependence phrase, still quite underdeveloped. Its reliance on aid for sustenance, or even survival, was increasing, even though not disproportionately compared with similar countries, such as Kenya (World Development Report, 1984). In addition Tanzania was still suffering

from a trade-based vulnerability, though it had shifted this a bit from being dominated by the United Kingdom to being dominated by the European Economic Community (EEC), partly as a result of the community's export stabilization scheme (STABEX) involving Afro-Caribbean and pacific nations under the LOME 1 agreement (Asante, 1981).1

Despite a small increase in manufactured exports in later years of the period studied, the role of the unprocessed agricultural products in earning foreign exchange remained unaltered. The country remained as vulnerable to the fluctuations of terms of trade as ever, on account of this dominance of the economy by the export of primary products.

Industry itself, especially the basic industry thrust, remained quite vulnerable. As seen earlier, the BIS is not fully supported by the growth economists, who still dominate economic decision-making, because of its high costs. When this is combined with the increasing donor pressure, led by the International Monetary Fund (IMF) and the World Bank, for balanced budgets, free markets and the removal of protectionism, the entire industry may die out even before it begins to have a truly beneficial socio-economic impact. A stronger nationalist group may resist all these internal and external pressures to salvage the programme of industrialization, but then it would need to raise funds to keep it afloat. It would entail, among other things, an overburdening taxation (or curtailment of consumption) and control, which is what the group that authored the Arusha Declaration tried to do, with the consequence of losing political favour.

By the low standard of industrialization in the region, Tanzania's experience in industry may have been quite useful. The

fact that in the attempts at collective self-reliance (Amin, 1977b), represented by the Southern African Development Co-ordinating Committee (SADCC), Tanzania was assigned the role of co-ordinating industry may have been a recognition of its relative advance in this field.

Thus the greatest benefit of questioning dependence to Tanzania may have been the experience gained, and the raising of the level of awareness of the mechanism of dependence, apart from putting the process of anti-dependence itself into train. The anti-dependence process may not survive at the economic level; the experience and awareness is likely to.

This is not the place to start a new debate, but it does not appear that Tanzania fared much worse in overall economic performance in the duration covered by the anti-dependence strategy, as Appendix 22 may indicate. Moreover, as chapter five and six showed, Tanzania's movement towards anti-dependence was almost inevitable, considering the long duration of economic 'neglect' and dependence, especially in comparison with the closest neighbour and competitor, Kenya.

The theoretical part of an anti-dependence strategy shows that it is the only way to start moving forward faster for some of the countries that are late starters in industrialization and have 'small economies' at the beginning. The Tanzanian case does not contradict this, and it demonstrates that the deficiencies that exist in the process of carrying out that strategy are due mainly to lost opportunities resulting from lesser implementation capabilities and, to a lesser extent, from policy omissions that left out important anti-dependence requirements.

1. STABEX encouraged a diversion of trade towards the EEC where an ACP country had an export crop that was included in the scheme. The scheme compensated producers for loss of revenue due to a decline in terms of trade for the designated crop (usually a valuable raw material not produced in the EEC). ACP recipients were encouraged to increase trade with the EEC in this scheme because a condition of eligibility for the insurance was that the EEC would not be discriminated against. LOME 1 was formally launched in 1975. Tanzanian's top three export crops were included in this scheme in the duration of its operation.

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....Appendix 1: SISAL EXPORTS FROM TANGANYIKA 1944-61

YEAR	VALUE '000 f.o.b.	VOLUME (TONS)	UNIT VALUE /TON	% OF TOTAL EXPORTS
1944	2,962.7	111,848	26.5	38.4
1945	3,068.7	110,637	27.7	36.0
1946	3,916.4	111,521	35.1	42.2
1947	5,469.4	95,856	57.1	47.2
1948	8,930.5	117,092	76.3	52.8
1949	11,111.0	132,514	83.9	51.3
1950	11,856.0	119,041	99.6	45.7
1951	23,696.0	142,230	166.6	57.1
1952	21,709.0	158,200	137.2	44.9
1953	12,773.0	171,100	74.7	34.7
1954	10,902.0	167,600	65.1	28.1
1955	9,956.0	173,700	57.3	25.5
1956	10,823.0	185,600	58.3	22.4
1957	9,482.0	181,800	52.2	22.0
1958	10,349.0	198,100	52.2	22.3
1959	13,057.0	208,800	62.5	26.2
1960	15,442.0	207,222	74.5	26.2
1961	14,028.0	200,909	69.8	26.5

SOURCE: Silver (1982:12)

Appendix 2: Domestic Sectoral Lending by Commercial Banks 1967-81 (in %)

1	2	3	4	5	6	7
End of Year	Public Administration	Agriculture production	Mining & manufacturing	Building& construction	Transportation	Tourism
1967	0.5	12.5	14.0	3.0	1.3	
1968	0.6	11.1	15.8	4.6	1.7	
1969	0.3	10.0	17.9	3.7	1.7	
1970	0.2	12.7	15.9	2.6	3.4	1.8
1971	0.2	5.4	14.8	1.9	2.7	0.6
1972	0.1	6.2	16.5	2.0	2.7	0.9
1973	0.1	4.9	19.8	2.0	2.2	0.6
1974	-	4.0	21.7	1.6	1.2	0.5
1975	-	4.9	26.7	1.0	1.2	0.4
1976	-	4.2	28.3	0.8	1.2	1.0
1977	0.2	3.9	32.2	0.8	0.8	0.9
1978	3.2	3.0	41.0	1.7	0.5	0.6
1979	2.0	3.0	24.7	1.6	1.3	0.5
1980	0.7	6.0	8.9	1.8	1.8	0.5
1981	0.8	5.6	6.8	1.6	1.6	0.4

SOURCE: Bank of Tanzania (1982:45)

Appendix 2 (contd.)

	8	9	10	11	12	13	14
End of year	Marketing of agricultural produce	Export of produce	Trade in capital goods	All other trade	Specified Financial institutions	Other	Total
1967	23.3	18.1	1.8	14.9	1.1	9.4	100.0
1968	21.5	17.7	4.6	15.2	0.9	6.2	100.0
1969	24.8	12.9	3.9	16.9	1.9	5.9	100.0
1970	20.8	10.3	3.9	22.5	2.4	3.4	100.0
1971	26.4	7.1	2.2	30.6	5.0	3.3	100.0
1972	34.3	7.4	1.4	19.7	4.4	4.4	100.0
1973	31.2	3.8	1.2	27.1	4.5	2.6	100.0
1974	33.7	10.1	3.2	18.7	2.7	2.5	100.0
1975	29.3	9.4	2.4	18.4	2.2	3.6	100.0
1976	31.1	10.9	2.7	14.6	1.4	3.8	100.0
1977	27.2	16.6	1.2	9.5	1.5	4.6	100.0
1978	23.8	12.1	2.8	8.4	1.1	1.8	100.0
1979	44.0	6.2	1.2	9.0	1.5	5.0	100.0
1980	63.1	1.4	0.3	8.7	1.0	5.8	100.0
1981	63.5	4.2	0.3	9.4	0.9	4.9	100.0

SOURCE: Bank of Tanzania (1982:45)

Appendix 3: INDUSTRIES LICENSED IN 1976-82 BY ISIC DIVISIONS

ISIC	DIVISION	AMOUNT Sh. '000,000	%	NO. OF PROJECTS
31	Food, Beverages and Tobacco	962.14(a)	25.00	86
32	Textiles, apparel and leather	1,034.41(b)	26.88	104
33	Wood and wood products	141.87	3.69	32
34	Paper, paper products and printing	181.95	4.73	69
35	Chemicals, petro, rubber and plastics	396.13	10.29	140
36	Non-ferrous minerals (excluding coal)	195.20	5.07	32
37	Basic Metal industries	176.47	4.59	60
38	Fabricated metal products and machinery	735.88	19.12	164
39	Other industries	24.39	0.63	9
TOTAL		3,848.44	100.00	696

(a) Incl. One brewery project costing Sh. 608,000,000.
(b) Incl. One textile mill costing Sh. 500,000,000.

SOURCE: Tanzania Government (1982e: 37)

Appendix 4: THE SHARE OF EMPLOYMENT AND OUTPUT BY INDUSTRIAL BRANCHES 1965-79 (in %)

	EMPLOYMENT				OUTPUT			
	Food Processing	Textiles	Metal and Products (a)	All others	Food Processing	Textiles	Metal and Products (a)	All others
1965	20.3	48.1	10.9	20.7	29.7	40.0	9.0	21.3
1970	31.3	32.0	6.1	30.6	32.0	18.1	12.1	37.8
1971	30.0	31.0	7.9	31.1	31.3	17.1	14.6	37.0
1972	33.0	26.9	7.7	32.4	30.1	17.2	14.5	38.2
1973	33.8	26.1	7.5	32.6	29.4	14.6	15.4	40.6
1974	35.6	24.3	7.6	32.5	32.1	14.5	14.2	39.2
1975	23.6	30.4	8.6	37.4	20.2	15.6	18.0	46.2
1976	27.7	29.9	8.5	33.9	24.7	15.0	19.0	41.3
1977	24.2	27.6	9.0	39.2	23.4	14.9	19.3	42.4
1978	25.7	30.0	8.3	36.0	24.1	12.7	17.8	45.4
1979	22.7	26.9	10.4	40.0	21.5	18.6	17.0	42.9

(a) Includes Motor repair and assembly

SOURCE: Tanzania Government (1968: 59; 1975b: 76; 1979: 79; 1982a: 88)

Appendix 5: THE VALUE OF TANZANIAN IMPORTS (a)
(T. Sh. '000,000)

Year	Machinery	Metals	Motor cars	All other transport equipment	Textile and apparel	Food, Beverages and tobacco	Fuel	All other	Total
1964	139.0	114.0	27.2	88.6	158.7	57.2	49.5	313.7	947.9
1965	185.8	146.8	23.7	105.2	144.1	68.2	28.9	373.9	1,076.6
1966	217.9	136.4	33.8	163.7	193.2	83.6	68.3	470.0	1,366.9
1967	259.6	215.7	26.1	188.0	90.2	72.6	105.1	404.1	1,361.4
1968	282.3	166.6	31.8	210.0	176.9	57.0	133.1	474.0	1,531.7
1969	264.0	174.2	34.7	161.3	115.2	63.6	137.4	468.3	1,418.8
1970	489.6	260.4	32.8	246.1	83.4	64.0	156.6	606.3	1,939.2
1971	605.3	402.8	26.0	343.8	61.4	83.9	209.0	682.2	2,414.4
1972	568.6	428.0	8.6	301.1	71.1	176.0	231.8	766.2	2,551.4
1973	607.2	498.7	26.4	371.6	209.9	129.2	331.3	965.3	3,139.5
1974	773.5	660.6	27.9	475.6	390.9	1,013.3	533.3	1,082.8	4,957.9
1975	1,116.2	623.8	14.9	602.0	230.2	1,008.4	591.1	1,116.8	5,303.4
1976	1,128.3	494.0	12.5	525.7	247.3	427.7	792.6	1,052.5	4,680.6
1977	1,587.1	607.5	32.8	682.6	329.0	635.7	847.6	1,437.7	6,160.0
1978	2,556.6	956.2	63.9	1,224.5	410.2	558.5	1,039.8	2,057.2	8,866.9
1979	2,419.4	714.6	79.9	1,753.6	356.4	385.0	1,425.8	1,938.5	9,073.2
1980	2,371.5	689.5	70.8	1,086.0	340.3	1,319.0	2,357.7	2,073.1	10,307.9
1981	2,758.4	738.0	55.5	1,129.5	221.7	970.4	2,530.7	1,643.0	10,047.2

(a) Excluding imports from Kenya and Uganda.

SOURCE: Bank of Tanzania (1982: 53)

Appendix: 6

THE CONTRIBUTION OF INDUSTRIAL TO TOTAL EXPORTS 1964-81 (T. Sh. '000,000).

	TOTAL EXPORTS	INDUSTRIAL EXPORTS	% OF TOTAL
1964	1,506.5	89.8	6.0
1965	1,358.6	98.6	7.3
1966	1,797.1	134.5	7.5
1967	1,715.8	141.6	8.3
1968	1,628.1	126.1	7.7
1969	1,652.1	138.3	8.4
1970	1,649.5	122.5	7.4
1971	1,711.5	136.6	8.0
1972	2,179.7	171.7	7.9
1973	2,410.8	192.3	8.0
1974	2,643.2	287.6	11.0
1975	2,589.3	231.9	9.0
1976	3,852.9	220.9	5.7
1977	4,518.6	272.7	6.0
1978	3,634.8	310.4	8.5
1979	4,484.3	819.2	18.3
1980	4,167.7	760.6	18.2
1981	4,807.4	460.2	9.6

SOURCE: Bank of Tanzania (1982: 52)

Appendix: 7

FUEL IMPORTS AS A PERCENTAGE OF TANZANIAN IMPORTS OR EXPORT EARNINGS

	AS % OF IMPORTS	AS % OF EXPORTS
1964	5.22	3.28
1965	2.68	2.12
1966	4.99	3.52
1967	7.71	6.12
1968	8.68	8.17
1969	9.68	8.31
1970	8.07	9.49
1971	8.65	12.21
1972	9.08	10.63
1973	10.55	13.74
1974	10.75	20.17
1975	11.14	22.82
1976	16.93	20.57
1977	13.75	18.75
1978	11.72	28.60
1979	15.71	31.79
1980	22.87	56.57
1981	16.35	52.64

SOURCE: Bank of Tanzania (1982: 52-53)

Appendix 8: GROSS DOMESTIC PRODUCT AND THE CONTRIBUTION OF SELECTED SECTORS 1965-81
(T. Sh. 1000,000)

1	2	3	4	5	6	7	8	9	10	11	12	13
	TOTAL PRODUCTION		MANUFACTURING AND HANDICRAFTS				AGRICULTURE, HUNTING FORESTRY AND FISHING				% SHARE OF MONETISED GOODS AND SERVICES	
YEAR	CURRENT PRICES	AT 1966 PRICES	CURRENT PRICES	%	AT 1966 PRICES	%	CURRENT PRICES	%	AT 1966 PRICES	%	CURRENT PRICES	AT 1966 PRICES
1965	5,671	5,773	429	7.6	446	7.7	2,596	45.8	2,575	44.6	67.8	67.6
1966	6,514	6,514	525	8.1	525	8.1	2,953	45.3	2,953	45.3	68.5	68.5
1967	6,735	6,777	571	8.5	572	8.4	2,869	42.6	2,955	43.6	68.7	68.6
1968	7,182	7,128	648	9.0	611	8.6	2,992	41.7	3,077	43.2	69.1	69.2
1969	7,460	7,259	742	9.9	672	9.3	3,081	41.3	3,089	42.6	70.2	70.5
1970	8,215	7,680	820	10.1	716	9.8	3,381	41.1	3,205	41.7	71.3	71.6
1971	8,857	8,001	947	10.7	784	10.0	3,491	39.4	3,166	39.6	71.1	72.0
1972	10,032	8,539	1,144	11.4	850	10.0	4,020	40.0	3,425	40.1	70.9	71.5
1973	11,490	8,800	1,260	10.1	888	10.1	4,539	39.5	3,458	39.3	72.1	72.1
1974	14,010	9,020	1,482	10.0	900	10.0	5,440	38.8	3,315	36.3	72.1	72.0
1975	16,988	9,553	1,774	10.4	903	9.4	7,007	41.2	3,596	37.7	69.1	72.0
1976	20,853	10,188	2,349	11.3	1,063	10.4	9,389	45.0	3,772	37.0	67.2	72.8
1977	26,655	10,989	2,777	10.4	1,152	10.4	13,370	50.2	4,104	37.3	66.0	72.8
1978	29,653	10,925	2,932	9.9	1,089	9.9	15,719	53.0	4,313	39.4	60.0	69.4
1979	32,396	11,291	3,340	10.3	1,092	9.6	16,792	51.8	4,377	37.8	60.3	70.1
1980	34,711	11,561	3,475	10.0	903	7.8	17,524	50.5	4,354	37.6	57.8	68.4
1981	37,108	11,149	3,352	9.0	648	5.8	18,770	50.6	4,024	36.1	58.1	70.1

SOURCE: Tanzania Government 1975b: 6-9; 1982a: 8-11)

Appendix 9: C O F F E E

1	2	3	4	5	6	7	8
Year(a)	Procurement(b) (metric tons)	Average CAT Selling Price(c) Mild (Arabica)	Producer Price Mild(d) Sh/kg	Producer Price as % of CAT Price	Producer Price in Constant 1969/70 Terms	Producer Price Hard Coffee(e) Sh/kg	Exports (metric tons)
1963/1964	33,837	6.47					
67/68	51,545	5.21					
68/69	46,140	4.75					
69/70	49,669	7.24					
70/71	45,805	6.36					44,711
71/72	51,392	6.74					35,148
72/73	54,887	7.62					54,718
73/74	44,671	9.60					60,230
74/75	52,089	7.65	12.50	163.3	7.18		41,029
75/76	55,359	19.01	15.00	78.9	7.46		54,386
76/77	48.682	40.82	15.00	36.7	6.82	8.85	57,859
77/78	51,487	27.68	10.89	39.3	4.42	5.27	46,705
78/79	51,799	22.92	9.07	39.5	3.29	4.64	50,796
79/80	47,928	32.29	11.42	35.3	3.47	5.55	40,737
80/81	63,340	21.86	12.36	56.5	2.86	4.50	43,282
81/82			14.90		2.78	5.53	
82/83			15.09		2.12	8.94	

(a) The coffee season is October-September.
(b) As acquired by C.A.T., or the Coffee Board before that.
(c) Average selling price of the Coffee Authority of Tanzania for Mild Arabica, in Sh/kg. Mild Coffee purchased by CAT is normally 70-75% of the total, thus its trends are important and representative.
(d) Refers to Arabica Parchment 1, hulled but still to be processed in the factory to 'clean coffe'. The 'clean coffee' of Arabica Parchment 1 is 80% of the original. Export coffee is sold unroasted. Producer prices hard to determine prior to 1977 since they were controlled by, and differed according to, regional co-operative unions.
(e) Robusta dry cherry, before hulling. Its conversion rate to 'clean coffee' is about 55%.

SOURCE: Tanzania Government (1973: 59; 1977a: 58; 1982a: 68) MDB (1982, 1984) MinAg (1982)

Appendix 10: C O T T O N

1	2	3	4	5	6	7	8	9
Year(a)	Seed Cotton Procurement(b) (metric tons)	Index of 2 1970/71=100	Lint Cotton Procurement(c) (metric tons)	Average TCA Lint (AR) Price(d) Sh/kg	Seed Cotton(e) Producer Price Grade AR (Sh/kg)	AR Producer Price as % of of TCA Price	AR Producer Price in Constant 1969/70 Terms(f)	Producer Price for BR Seed Cotton
1963/64	154,266	70	53,195	4.21	1.10	26		0.51
68/69	148,877	67	51,337	4.47	1.06	24		0.51
69/70	201,225	91	69,388	3.81	1.10	29	1.10	0.55
70/71	221,647	100	76,430	3.99	1.10	28	1.05	0.55
71/72	189,518	86	65,351	4.91	1.10	22	0.97	0.55
72/73	223,041	101	76,911	5.17	1.13	22	0.92	0.60
73/74	188,929	85	65,148	7.49	1.13	15	0.79	0.60
74/75	221,000	100	70,920	9.66	1.50	16	0.86	0.65
75/76	126,045	57	41,903	9.24	2.00	22	0.99	1.00
76/77	194,694	88	67,623	9.49	2.00	21	0.91	1.00
77/78	168,082	76	52,376	12.75	2.30	18	0.93	1.15
78/79	166,515	75	55,768	13.17	2.40	18	0.87	1.20
79/80	180,454	81	60,477		3.00		0.91	1.30
80/81	173,294	78	58,644		3.20		0.74	1.50
81/82				15.80	3.70	23	0.69	1.70
82/83				15.80	4.70	30	0.66	2.50
83/84					6.00		0.65	3.20
84/85					8.40		0.68	4.50
85/86					13.00		0.79	7.00

(a) The cotton crop-year is June-May.
(b) Figures for 1963/74 - 1973/74 are seed cotton approximations derived from Lint figures, assuming an average out-turn of Lint from seed cotton of about 34.48%.
(c) 1963/64 - 1973/74 figures have been converted from the original records in bales of 181.4 kg each.
(d) Average selling price of the Tanzania Cotton Authority for Grade AR of lint.
(e) Seed cotton grade AR normally comprises 90% of the total purchased from producers.
(f) Using Tanzania's NCPI as a deflator.

SOURCE: Tanzania Government (1973: 56; 1977a: 57; 1982a: 66) MDB (1982); MDB files for information to 1985/86.

Appendix 11: C A S H E W N U T S

1	2	3	4	5	6	7	8	9	10
Year(a)	Export Price f.o.b. Sh/kg	Producer Price SG Grade (b) Sh/kg	Producer Price for SG as % of export price	SG Producer Price in constant 1969/70 terms(f)	Raw nut procurement (d) (metric tons)	Raw Nut Exports (metric tons)	Kernel Exports (metric tons)	Cashew-nut Shell Liquid (CNSL) Exports (metric tons)	Cashew Powder Exports (metric tons)
1963/64					73,000				
68/69					117,000				
69/70					113,500				
70/71	1.25	0.95	76	0.90	111,200				
71/72	1.33	0.95	71	0.84	126,409	112,924	2,901	814	
72/73	1.29	0.95	74	0.77	125,559	109,915	3,710	848	
73/74	1.72	0.95	55	0.67	145,080	113,891	460	658	
74/75	1.82	1.05	58	0.60	117,486	97,328	4,000	502	
75/76	1.92	1.05	55	0.52	82,370	66,380	6,084	1,614	
76/77	2.51	1.10	44	0.50	96,807	74,759	3,890	873	
77/78	3.64	1.15	32	0.46	68,483	44,200	3,695	1,025	282
78/79	2.71	1.70	46	0.61	57,068	39,594	3,871	840	863
79/80	6.06	1.80	30	0.54	41,416	20,737	3,273	801	548
80/81	11.46	3.00	26	0.69		24,745	5,410	2,225	1,059
81/82		5.00		0.93		15,000			
82/83		5.00		0.70					
83/84		7.00		0.76					
84/85		9.80		0.80					

(a) The Cashew nut season is October-September.
(b) SG grade comprises about 80% of the purchases of CATA (Cashewnut Authority of Tanzania), and sometimes reaches 96%.
(c) Using Tanzania's NCPI as a deflator.
(d) Figures for 1963/64 - 1970/71 have been rounded off to the nearest hundred.

SOURCE: Tanzania Government (1968: 46; 1973: 66; 1977a: 60; 1982a: 72)
MDB (1982: Annex 5) MDB files for the information to 1984/85.

Appendix 12: T O B A C C O

1	2	3	4	5	6	7	8
Year(a)	Procurement metric tons	TAT Sales Price(b) Sh/kg	Producer(c) Price Sh/kg	As % of Sales Price	In Constant 1969/70 Terms(d)	Exports(e) (tons)	Local Sales(e) (tons)
63/64	2,128		5.28				
64/65	5,200		4.97				
65/66	5,300		4.59				
66/67	7,878		5.21				
67/68	7,262		5.16				
68/69	11,664		5.15				
69/70	11,066		5.06		5.06		
70/71	11,949		4.94		4.71	7,514	
71/72	14,181		5.80		5.15	6,633	
72/73	13,069		5.85		4.76	7,137	
73/74	12,652		5.85		4.14	7,244	
74/75	18,274		5.85		3.36	12,061	3,734
75/76	14,212		7.00		3.48	8,581	3,733
76/77	19,144		7.40		3.36	11,062	3,539
77/78	18,328	20.18	7.40	37	3.00	11,737	3,902
78/79	17,177	23.97	7.40	31	2.69	10,960	4,266
79/80	17,331	23.02	8.80	38	2.68	7,039	4,026
80/81	16,848	15.34	10.50	68	2.43	8,334	3,940
81/82	16,208	16.15	12.60	78	2.35		4,200
82/83			18.00		2.53		
83/84			18.00		1.96		
84/85			25.20		2.05		
85/86			37.90		2.32		

(a) The tobacco season is March-February.
(b) Average selling price of the Tobacco Authority of Tanzania for 'flue-cured' tobacco, which constitutes about 75% of all marketed tobacco. 'Fire-cured' tobacco constitutes 24%, and the 'air-cured' type (burley) about 1% since it was first marketed in 1976/77. The production of 'aromatic' tobacco used in 'Turkish' cigarettes was discontinued in 1968.
(c) Refers to 'flue-cured' producer prices.
(d) Using Tanzania's NCPI as a deflator.
(e) Tobacco usually has large unsold stocks.

Appendix 13: T E A

1	2	3	4	5	6	7	8	9
YEAR(a)	PLANTED HECTARES ESTATES(b)	PLANTED HECTARES SMALL HOLDER(c)	TOTAL PRODUCTION (metric tons)	TTA's f.o.b. SELLING PRICE(d) Sh/kg	GREEN LEAF PRODUCER PRICE Sh/kg	PRODUCER PRICE AS % OF TTA PRICE	PRODUCER PRICE IN CONSTANT 1969/70 TERMS(e)	EXPORTS (metric tons)
1961/1962	7,797	60	4,310					
62/63	8,047	149	5,019					
63/64	8,271	373	4,812					
64/65	8,521	653	5,682					
65/66	8,794	1,038	6,800					
66/67	9,000	1,443	7,157					
67/68	9,077	1,700	7,923					
68/69	9,117	1,991	8,778					
69/70	9,259	2,665	8,492					
70/71	9,300	3,272	9,182					7,054
71/72	9,156	4,756	11,613		0.73		0.64	8,411
72/73	9,243	5,878	13,291		0.71		0.57	9,202
73/74	9,140	7,444	12,258		0.74		0.52	9,494
74/75	9,151	8,379	13,872		0.74		0.42	9,676
75/76	9,408	8,675	13,049	8.09	0.80	9.8	0.39	10,366
76/77	9,408	8,675	15,221	14.77	0.90	6.0	0.40	11,998
77/78	10,343	8,675	18,462	16.14	1.50	9.2	0.61	11,986
78/79	10,498	8,994	17,633	12.17	1.50	12.3	0.54	14,913
79/80	10.498	8,994	17,312	12.41	1.50	12.0	0.45	15,022
80/81	10,498	8,994	16,333	12.28	1.50	12.2	0.34	13,290
81/82				13.24	1.50	11.3	0.28	
82/83					2.00		0.28	
83/84					2.80		0.30	
84/85					4.10		0.33	

(a) The Tea Season is July-June.
(b) Includes a small proportion owned by the Tanzania Tea Authority, whose planted crop area has expanded from 11 ha. in 1974/75 to 1,240 ha. in 1980/81. The rest are privately owned.
(c) The crop was immature in the period 1961/62 - 1971/72, and semi-mature in 1972/73 - 1980/81.
(d) Weighted average selling price of 'made-tea'.
(e) Using Tanzania's NCPI as a deflator; small-holder output contributes 27-29% of the total.

Appendix 14: S I S A L

1	2	3	4	5	6
YEAR(a)	HECTARES OF CROP Immature	Mature	PRODUCTION Metric tons	EXPORT PRICE Sh/ton	AVERAGE PRODUCER PRICE Sh/ton
1961				1,397	
1962				1,434	
1963				2,115	
1964		226,620	233,540	2,093	
1965				1,359	
1966				1,178	
1967				983	
1968		230,092	196,892	839	
1969		227,397	209,303	928	
1970		221,490	202,180	823	830
1971		211,478	181,104	832	821
1972		206,010	156,849	946	1,009
1973		192,482	155,407	1,954	1,884
1974	41,353	193,944	143,442	4,962	4,874
1975	44,646	162,867	124,000	2,975	3,722
1976	43,945	125,600	113,698	2,652	2,500
1977	53,452	111,080	105,018	3,473	2,596
1978	38,626	111,626	91,873	2,753	2,474
1979	32,580	107,371	81,384	3,289	2,549
1980	31,668	106,866	85,978		3,135
1981	30,792	106,200			3,871

(a) The sisal season is January-December

SOURCE: Tanzania Government (1975b: 62; 1979: 64; 1982a: 69)
MinAg (1982)

Appendix 15: TRENDS IN SISAL AND COTTON SALES IN TANZANIA, BY VOLUME, 1964-81

1	2	3	4	5	6
S I S A L			C O T T O N		
Year (a)	Export (b) (tons)	Local Sales (tons)	Year (a)	Export (tons)	Local Mill Purchases (tons)
1964	212,917	782			
1968	190,028	14,709			
1969	172,006	18,145			
1970	217,271	20,210			
1971	163,583	22,492	1970/71	65,996	7,883
1972	153,917	21,730	1971/72	54,912	8,520
1973	112,061	21,550	1972/73	65,258	9,471
1974	93,593	24,975	1973/74	53,883	10,833
1975	101,695	22,505	1974/75	50,062	14,684
1976	90,924	34,233	1975/76	32,822	10,007
1977	68,017	17,157	1976/77	56,910	10,182
1978	79,241	25,104	1977/78	40,939	10,428
1979	78,395	32,033	1978/79	42,008	14,146
1980		25,498	1979/80	31,409	12,718
1981			1980/81	41,117	15,460

(a) Refers to crop-year, which is January-December for sisal, and June-May for cotton.

(b) Including transfers to Kenya and Uganda.

SOURCE: Tanzania Government (1975b: 62; 1979: 64; 1982a: 69)
MDB (1982)

Appendix 16: INDEX OF PRODUCTION LEVELS IN A SAMPLE OF TANZANIAN INDUSTRIES 1970-81
(1970=100)

COMMODITY	1970	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Textiles	100.0	126.9	138.3	147.9	149.7	141.6	132.2	142.9	152.0	142.1	146.1
Beer	100.0	167.9	161.2	164.9	166.5	180.1	194.6	222.2	213.5	165.4	166.5
Cigarettes	100.0	126.4	111.2	178.9	135.1	139.5	156.4	151.4	166.5	182.2	148.7
Cement	100.0	134.0	177.6	167.4	150.4	138.2	139.4	153.9	163.4	161.5	222.3
Petroleum	100.0	111.5	106.9	110.1	97.8	109.1	89.2	86.3	68.6	90.2	76.2
Iron Sheets	100.0	119.0	119.0	148.7	146.5	148.4	157.3	172.7	171.5	99.1	57.8
Enamelware	100.0	78.5	76.4	25.3	48.9	40.2	64.6	49.8	39.6	16.1	6.7
Blankets	100.0	109.1	131.8	64.7	103.7	88.5	84.6	65.2	61.4	44.0	42.4
Fishnets	100.0	75.6	172.9	152.8	69.3	81.8	174.3	77.3	175.6	36.0	40.6
Aluminium	100.0	133.4	123.4	135.5	120.2	127.6	148.3	149.9	149.2	148.5	165.1
Sisal Ropes	100.0	110.6	124.3	144.6	124.9	207.7	93.2	154.0	154.8	146.5	64.9
Pyrethrum Extract	100.0	185.5	141.8	134.5	171.8	125.5	116.4	56.4	8.6	41.8	35.5
Canned Meat	100.0	61.1	17.6	59.4	37.5	20.7	7.3	9.6	40.0	14.8	9.7
Wheat Flour	100.0	110.1	120.5	79.3	82.3	168.3	187.8	203.9	198.7	78.3	60.5
Batteries	100.0	243.3	299.8	319.5	334.8	385.1	430.3	472.0	475.4	527.4	514.8
Shoes	100.0	117.0	110.5	133.3	128.6	175.7	301.5	303.0	205.2	196.8	116.4

Bank of Tanzania (1982: 56-57)
Tanzania Government (1973: 75; 1982a: 86)

Appendix 17: THE VALUE OF EXPORTS, LOCAL PROCESSING AND OF THE BY-PRODUCTS OF CASHEW NUTS 1972-81

1	2	3	4	5	6	7	8	9	10	11
	MONEY VALUE Sh. '000				Price Sh/Ton		Price/Ton of Rawnut Equivalent		Value Added/Ton of Rawnut Equivalent	
Year	Rawnuts	Kernels	CNSL	Cashew Powder	Rawnuts	Kernels	Kernels(a)	All Cashew Products(b)	Kernels	All Cashew Products
1972	150343	22440	409		1331	7721	1776	1808	445	477
1973	141211	32724	655		1285	8814	2027	2068	742	783
1974	196242	46736	2184		1723	11502	2645	2769	922	1046
1975	176859	44115	862		1817	11025	2536	2585	719	768
1976	131135	76226	2791		1916	12525	2881	2990	965	1074
1977	187694	35302	3323		2511	21928	5043	5240	2532	2729
1978	160887	67903	3868	415	3640	18680	4296	4567	656	927
1979	146880	83107	10679	1500	3710	21467	4937	5661	1227	1951
1980	125609		5893	990	6057	32600	7498	7982	1441	1925
1981	283807	215009	532	1796	11469	37837	8703	9005	-2766	-2464

(a) Assuming that 1 Ton of kernels is equivalent to 4.347826 tons of raw nuts (1 Ton of Raw nuts produces 0.23 tons of kernels).

(b) Estimates by the Marketing Development Bureau of the Ministry of Agriculture (MinAg) in Tanzania.

SOURCE: MDB (1982: Annex 5)

Appendix 18: EXCHANGE RATES; THE NATIONAL CONSUMER PRICE INDEX, AND THE AVERAGE WAGE

	THE NATIONAL COMSUMER PRICE INDEX				SELLING EXCHANGE RATE (T.Sh)		AVERAGE WAGE Sh/month	
1 YEAR	2 GENERAL INDEX	3 RENTS	4 EDUCATION	5 PERSONAL CARE AND HEALTH	6 U.S.$	7 STERLING	8 CURRENT	9 IN CONSTANT 1969/70 PRICES
1966/1967					7.17	17.22		
67/68					7.22	17.22		
68/69					7.17	17.22		
69/70	100.0	100.0	100.0	100.0	7.16	17.22	313	313
70/71	104.7	103.9	100.0	101.1	7.17	18.31	340	325
71/72	112.5	103.9	100.0	111.7	7.19	16.89	354	315
72/73	122.7	104.9	100.0	119.6	6.93	16.08	369	301
73/74	141.3	36.4	99.8	142.4	7.17	16.86	419	297
74/75	173.9	37.6	99.6	137.1	8.29	16.79	617	355
75/76	200.9	38.2	99.8	141.1	8.35	14.27	636	317
76/77	219.7	38.8	99.8	142.0	7.99	15.34	652	297
77/78	245.9	41.5	99.8	154.6	7.45	15.22	681	277
78/79	274.9	49.0	99.8	190.6	8.26	18.34	704	256
79/80	328.3	51.8	99.8	268.4	8.22	19.64		
80/81	431.9	75.3	99.8	345.0				
81/82	534.9							
82/83	709.1							
83/84	918.0							
84/85	1,224.0							
85/86	1,628.0							

SOURCE: Column 2 : MDB and Bank of Tanzania
Columns 3-7: Bank of Tanzania
Columns 8-9: Bureau of Statistics (1981: 23)

Appendix: 19 THE SHARE OF TANZANIAN TRADE BY ITS TRADING PARTNERS
1962-79 (T.Sh. '000,000)

	U.K.		E.E.C.(b)		NORTH AMERICA		C.M.E.A./COMECON		CHINA		OTHERS	
	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.
1962	35	33	22	14	11	7	neg.(a)	1	-	-	32	45
1963	32	34	20	16	11	4	2	1	6	neg.	29	45
1964	30	32	21	17	11	6	2	2	3	1	33	42
1965	29	31	18	23	9	6	2	2	7	4	35	34
1966	29	30	13	21	10	7	2	3	4	6	42	33
1967	29	28	15	26	7	10	3	3	4	5	42	28
1968	24	28	14	24	7	6	2	3	3	6	50	33
1969	26	27	13	22	9	6	3	2	5	6	44	37
1970	22	21	14	24	11	9	3	2	3	14	47	30
1971	25	20	12	20	9	5	2	2	5	25	47	28
1972	18	16	14	24	8	7	2	2	7	20	51	31
1973	19	16	17	22	10	4	5	3	4	22	45	33
1974	17	12	20	21	10	10	3	1	4	13	46	43
1975	14	15	23	21	8	17	2	2	4	11	49	34
1976	14	14	28	26	12	8	2	1	3	7	41	44
1977	16	16	32	32	15	6	2	1	3	3	32	42
1978	20	18	29	27	12	5	4	1	3	4	32	45
1979	17	19	31	30	5	4	2	1	1	4	44	42

(a) neg: negligible (less than 1%)
(b) Excluding Britain

SOURCE: Tanzania Government (1968: 23; 1975b: 24-25; 1977a: 22-23; 1980: 23-24).

Appendix: 20 TANZANIA'S TRADE WITH NEIGHBOURS
1970-81 (T.Sh. '000,000)

		Kenya	Uganda	Others(a)	Total	Trade Balance
1970	EXPORTS	118.9	28.8	137.0	284.7	
	IMPORTS	295.0	34.3	7.4	336.7	- 52.0
1975	EXPORTS	168.9	5.7	76.8	251.4	
	IMPORTS	406.0	neg.(c)	49.1	455.1	- 203.7
1976	EXPORTS	232.5	6.7	170.5	409.7	
	IMPORTS	459.9	neg.	28.8	488.7	- 79.0
1977	EXPORTS	26.1	2.5	151.4	180.0	
	IMPORTS	177.3	0.1	46.4	223.8	- 43.8
1978	EXPORTS	0.9	1.5	163.9	166.3	
	IMPORTS	26.8	neg.	58.2	85.0	+ 81.3
1979	EXPORTS	1.8	100.8	326.9	429.5	
	IMPORTS	82.1	0.8	77.0	159.9	+ 269.6
1980	EXPORTS	0.9	117.3	268.3	386.5	
	IMPORTS	79.9	0.8	61.1	141.8	+ 244.7
1981	EXPORTS	3.5	81.7	181.0	266.2	
(b)	IMPORTS	106.4	0.9	74.6	181.9	+ 84.3

(a) Others are Mozambique, Zambia, Rwanda, Burundi, Seychelles, Mauritius and Malawi.
(b) Estimates.
(c) neg: negligible (less than 0.1).

SOURCE: Bank of Tanzania (1982: 54-55);
Tanzania Government (1980: 29; 1982a: 29).

Appendix 21: GROSS AID DISBURSEMENTS TO TANZANIA(a)
(U.S. $ '000,000)

A. VOLUME

Year	Grand Total	LOANS Total	LOANS Bilateral	LOANS Multilateral	GRANTS Total	GRANTS Bilateral	GRANTS Multilateral
1970	46.8	40.6	30.0	10.6	6.2	5.9	0.3
1971	47.6	40.8	25.5	15.3	6.8	6.4	0.4
1972	109.1	99.3	80.7	18.6	9.8	9.6	0.2
1973	131.1	97.5	84.9	12.6	33.6	33.3	0.3
1974	204.9	143.1	120.7	22.4	61.8	60.3	1.5
1975	358.8	230.8	163.2	67.6	128.0	104.2	23.8
1976	223.4	104.4	65.0	39.4	119.0	105.5	13.5
1977	315.4	180.4	96.3	84.1	135.0	122.7	12.3
1978	378.1	164.1	69.7	94.4	214.0	192.0	22.0
1979	466.0	148.9	45.5	103.4	317.1	290.7	26.4
1970-1979	2,281.2	1,249.9	781.5	468.4	1,031.3	930.6	100.7

B. PERCENTAGES

	TOTAL AID	LOANS	GRANTS
1970	100	86.75	13.25
1971	100	85.71	14.29
1972	100	91.02	8.98
1973	100	74.37	25.63
1974	100	69.84	30.16
1975	100	64.33	35.67
1976	100	46.73	53.27
1977	100	57.20	42.80
1978	100	43.40	56.60
1979	100	31.95	68.05

(a) Excludes suppliers' credit, bonds and technical co-operation.
SOURCE: Mutahaba (1982); *Tanzania Government* (1982f: 52); Liviga (1983: 41-48).

Appendix 22: WORLD BANK GENERAL DEVELOPMENT INDICATORS: TANZANIA & KENYA

A. GROWTH RATES:

	GDP		MANUF.	PRIVATE CONSUMPTION		GROSS DOMESTIC INVESTMENT	
YRS	1960-70	70-82	1970-82	1960-70	70-82	1960-70	70-82
TZ	6.0	4.0	0.5	6.6	4.4	9.8	3.4
K.	5.9	5.5	9.0	2.9	4.9	10.3	2.1

B. HEALTH AND EDUCATION:

	Population/Physician		Population/Nurse		Secondary School Enrolment as % of Age Group	
Years	1960	1980	1960	1980	1960	1981
Tz.	18,220	17,560	11,890	2,980	2	3
K.	10,690	7,890	2,270	550	2	19

C. EXTERNAL PUBLIC DEBT (a) AND ITS SERVICE RATIOS:

	Value (SM)		As % of GNP		Debt Service As % of GNP		As % of Export	
Years	1970	1982	1970	1982	1970	1982	1970	1982
Tz.	248	1,659	19.4	32.7	1.2	1.1	4.9	5.1
K.	316	2,359	20.5	39.2	1.8	5.4	5.4	20.3

(a) Outstanding and disbursed funds.

SOURCE: World Development Report 1984: Basic tables.


ADMINISTRATIVE BOUNDARIES, COMMUNICATION NETWORK and MAJOR TOWNS IN TANZANIA
UGANDA
RWANDA
BURUNDI
KENYA
ZAIRE
ZAMBIA
MALAWI
MOZAMBIQUE
LAKE VICTORIA
LAKE TANGANYIKA
LAKE NYASA
INDIAN OCEAN
TANZANIA
AFRICA
KAGERA
MARA
MWANZA
SHINYANGA
KIGOMA
TABORA
RUKWA
ARUSHA
KILIMANJARO
TANGA
DODOMA
SINGIDA
MBEYA
IRINGA
MOROGORO
PWANI
D'SALAAM
LINDI
MTWARA
RUVUMA
Bukoba
Musoma
Mwanza
Shinyanga
Arusha
Moshi
Kigoma
Tabora
Singida
Tanga
Wete
Chake Chake
Mkokotoni
Zanzibar
Makunduchi
Dodoma
Kibaha
Dar es Salaam
Morogoro
Iringa
Sumbawanga
Mbeya
Songea
Lindi
Mtwara
International boundary
Regional boundandary
Railways
Major roads
Capital
Regional Headquarters
0 50 100 150 200 250 300 KM
30°
32°
34°
36°
38°
40°
2°
4°
6°
8°
10°