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Norman Carl Josephs.

Tanzania and the World Bank Group:
Socialism and Self-Reliance ?

ABSTRACT

Foreign aid plays an important role in the extension and expansion of the world capitalist market. Multilateral aid in particular reflects the progression toward the centralisation and concentration of capital on an international level.

The World Bank Group is now the key foreign aid agency. It is a capital fund rather than a bank, providing funds for development projects. Since 1968 the Bank Group has altered its strategies. Its lending for infrastructural projects has decreased and its lending for agricultural projects has increased dramatically. The Group's concern here is to develop export crop production. A double process is at work. First, the Group seeks to develop capitalist enterprise. Second, it is experimenting with various schemes to increase production and productivity.

Tanzania is one of the testing grounds. An apparent paradox exists: Tanzania's political leaders claim to be initiating socialist policies for development, yet the so-called radical initiatives have been deflected by local kulaks and a bureaucratic structure which seeks to draw state power to the bureaucrats. These bureaucrats collude with Bank Group staff to increase agricultural production, especially export cash crops.

Notwithstanding this collusion, a class struggle continues, but

the degree of Bank Group manipulation can be gauged by the fact that the experiments continue. The Bank Group controls the purse strings and despite Nyerere's claim to seek self-reliance, Tanzania is heavily dependent on the World Bank Group.

TANZANIA AND THE WORLD BANK GROUP:

Socialism and Self-Reliance?

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Many people have helped with the production of this work. They are too numerous to mention individually so thanks are here extended to them all. I typed the thesis so the blame for mistakes is my own.

Dedication: To H.H.J. & D.E.M.C.J

My brothers

Krissie & Sam.

INTRODUCTION

This work is concerned with several related hypotheses which fall into three major categories.

One: A world capitalist market exists wherein capital seeks to expand its sphere of influence, and extend the modus operandi of its causal mode of production into previously (relatively) undeveloped and underdeveloped areas. The modes of expansion are two-fold and result in different productive formations.

First, extended reproduction of a capitalist mode of production can be achieved through primitive accumulation of a self-developing type, or through penetration by external capitalist forces which transform local pre-capitalist modes.

Second, pre-capitalist modes have in certain circumstances been subjugated within a capitalist market. Herein, no transformation of the mode of production has occurred: at most vent-for-surplus, or a squeeze on existing productive processes occurs. Merchant capital has, historically, performed this function. In recent times new institutions - multilateral foreign aid agencies - have been set up to provide this function.

Two: Foreign aid - a form of expensive credit - is not in practice industrial capital. It does represent the interests of international capitalism. International capitalism is essentially a single system of capitalism comprising several different moments in the circuit of capital. The status of foreign aid in this circuit is that of finance capital in the form of credit, provided for specific - usually non-industrial - projects.

Multilateral aid is one reflection of the progression toward great-

er centralisation and concentration of capital. It shows the growing extent of co-operation and co-ordination between the major capitalist powers. The major concern of multilateral aid has generally been with stabilising the international monetary system, and with providing macro-level infrastructural and agricultural investment.

The World Bank Group, which is more a capital fund than a bank, explicitly recognises its role as providing infrastructural capital investment and therein creating a safe bridge over which private capital can flow to the Third World. Historically, the now underdeveloped world has been a producer or supplier of raw materials and food for use in the industrialised nations; increased capitalist penetration, facilitated by the World Bank Group, has tended to be concentrated in this sector and in the service sector of Third World economies.

Three : In Tanzania before Independence, an integration into the international economy had been unevenly experienced and only partially effective. Tanzania did, however, experience colonial underdevelopment. Its post-Independence leaders appeared to attempt to break out of the pattern of underdevelopment. They sought to initiate what is in essence, a logically incoherent programme of self-reliant socialist development based on the country's traditional dependence on export crops. In effect this represented an option for greater incorporation into the international economy. The reasons are fairly obvious. Faced with poverty, famine and a dis-integrated economy - the consequence of the country's colonial past - the leadership decided against autarky. The expectations of the population were high, and the populist government feared loss of popularity if measures taken to restructure the economy

were too harsh. Instead it sought to control, or at least mitigate, the effects of capitalist penetration of the economy. Its plans were based on false premises.

The basic assumption was that if the state controlled the surpluses produced in the country, integrated socialist development could occur. The historically narrow resource base was expected to broaden with re-investment of surpluses gained from the agricultural sector. So-called 'neutral' foreign aid - multilateral aid - was expected to supplement these surpluses. Crucially, this socialism, based on rhetorical phrases, explicitly rejected the notion of class struggle. State functionaries, in theory controlled by a progressive Party and Government elite, were given the task of directing the momentum toward socialism.

Tanzania has not been travelling along the road to socialism. The power of the state has grown dramatically. The peasants and workers have become increasingly integrated into a capitalist market, nationally and internationally, and as a result have become increasingly exploited. Class forces are crystallising despite attempts by the state bureaucracy to limit the development of a private national bourgeoisie, especially in the agricultural sector. In fact herein lies another contradiction insofar as evidence shows that in some areas state functionaries have aided local capitalist farmers to maintain their power and influence.

In the industrial sphere, joint-ventures with transnational corporations (MNC's) are the order of the day, involving the introduction of advanced technology into a disintegrated (at the local level) economy, creating perpetual dependence on imported materials (or at best locally-produced raw materials destined for export), imported technology and staff, without liberating potential for local dev-

elopment.

The World Bank Group has played an important role in recent events in Tanzania - although not in the industrial sector. It has provided infrastructure necessary for development - electricity, roads, rail, water, education. However, these inputs have been directed toward expediting the development of export crop production. The state planners have accepted this arrangement. Co-operation between the two groups has been close - viz. the production of World Bank Group Mission Reports on Tanzania with the help of local government officials. The Bank Group has also provided, with the concurrence of the Tanzanian Government, technical advice and finance specifically aimed at export crop production, setting up with the local Government institutions for aiding and supervising export-based agricultural development.

Above all, the Bank Group has been concerned with increasing output and raising productivity. In the face of national economic crises - drought, inflation; and international crises - inflation, overproduction, the 'oil crisis'; the national leaders have accepted Bank Group thinking on agricultural development. Essentially this is that communalisation of production along socialist lines has failed, and in its place co-operative production based on individual holdings, with the development of a richer 'progressive' farmer class being encouraged. Is this the beginning of capitalist production (ie. the development of a capitalist mode of production and bourgeoisie and proletariat, locally) ? Or, is it the hardening of pre-capitalist structures involving an intensified exploitation of local producers, without the development of a capitalist mode of production locally ? If the latter is the case then what is occurring is exploitation along the lines of a primitive accumulation, wherein reproduction is based on the subsistence sector, but

surpluses are extracted for the benefit of the national bureaucratic elite and the international bourgeoisie to use in the capitalist sector, i.e. the transfer of locally-produced surpluses out of the country and, therefore, away from local potentially productive activities.

The evidence suggests that the national capitalist development is distorted by the presence of foreign-controlled capital, and socialist reconstruction is impossible in these circumstances. The state's activities are ambivalent, reflecting the control exerted over it - with some local concurrence - by the international bourgeoisie, and the base of the state's popular political support from the peasants and workers. In Tanzania the control exerted by the international bourgeoisie has intensified. A resultant loss of popular support has been met with repression and authoritarian measures. The international bourgeoisie need not initiate the repressive measures: the local bureaucrats will.

"The post-colonial state which emerges from this process (of decolonisation) is faced with the task of disorganising the direct producers who have begun to assert their class interests and to keep them under the subjection of the internal and external exploiting classes. In order to do that the governing class needs resources not only to expand the repressive apparatus which is expected to manage without foreign intervention but also in order to recruit clients who support the governing class for the sake of actual or expected material benefits."

"The actual dynamics of economic and social development, however are determined by the metropolitan bourgeoisie irrespective of the form in which it intervenes."^I

Overall, the Tanzanian experience represents a clear picture of the degree of manoeuvrability available to populist leaders in the underdeveloped world. The state, particularly in the ex-colonial

societies can choose to open its doors to direct capital penetration - as long as it (the state) creates and maintains the conditions making the extraction of super-profits possible. It can attempt to mitigate the worst effects of capitalist penetration, and in so doing frighten away many would-be investors. It can attempt autarky - based on mass mobilisation and participation. It can open the back-door instead of the front, which is what Tanzania has done - although Tanzania has certain advantages in its strategic position in Central and Southern Africa (and latterly North East Africa) and the Indian Ocean. Although in theory these choices exist, in reality a populist regime has no choice. It is bound up in rhetorical condemnations of international capitalism whilst relying on this very system to support its own precarious position.

Tanzania's experiences have a clear dependence on events and processes of the international capitalist political economy. The next two chapters attempt to outline and discuss the history and workings of international capitalism with special reference to the Third World, and to situate the role of foreign aid within this framework. Foreign aid has had a major impact on the Tanzanian political economy and it is this which provides the link between Part One of the thesis and Part Two.

Part Two is an appraisal of recent Tanzanian political-economic history. We examine in detail the relationship between the World Bank Group and Tanzania and the consequences for Tanzania's development strategies. It is hoped that many of the complexities of Tanzania's political economy are highlighted.

We are aware that our appraisal is a controversial one, but we believe that this critique of Tanzania's development strategies is a useful contribution to the continuing debates on Tanzania in particular, and on development theory in general.

PART ONE

The International Setting.

Chapter One

Nexus

MARX'S analysis of the capitalist mode of production involved an exposition of its genesis, its essential mechanisms and its motivating dynamic. Central to this exposition is the concept of reproduction. Reproduction of material objects - in the sense of a re-production of categories of objects such as food, people, machinery - is necessary for continued survival. This reproduction is a process of material production - the actions men take to harness nature to enable them to make objects of consumption required for survival and reproduction. Production provides the basis of the means of consumption: consumption enables the maintenance, and in certain conditions, the expansion of production, leading to greater consumption. The process of production and consumption inevitably involves reproduction, and because we are considering human society this is social reproduction.

The circuit of production and consumption has a social dimension also in the light of its being more than a material cycle. Men are engaged in social relations as well as material relations which interweave dialectically within any given mode of production. These two aspects are represented by the social division of labour and the technical division of labour. Each sets the limits to the other.

In capitalist societies the circuit of social reproduction is hidden from view by the complexity of the processes of production (social and material). An advanced division of labour separates producer from producer, and there is little direct contact between producer and consumer. Instead, the circuit of social reproduction is refracted through the market, which now links production and consumption.

Within this market system the worker (the producer) is paid a value wage equal to the value of his labour power, not the value his labour power produces. The difference between the value created by labour and the value of necessary commodities consumed by workers to ensure their reproduction is surplus-value. The value of production less the value advanced to bring about production accrues to capital in the form of profit.

Simply, reproduction in capitalist societies occurs on an ever-extending scale. The social product is always greater than necessary consumption, the surplus (surplus-value) is appropriated by capital as profit and is partly consumed by capitalists and partly ploughed back into greater production.

Marx foresaw the growth of the market which would involve the reproduction of the bourgeois mode of production throughout the world. But what preceded this growth ?

"We have seen how money is changed into capital; how through capital surplus-value is made, and from surplus-value more capital. But the accumulation of capital presupposes surplus-value; surplus-value presupposes capitalistic production; capitalistic production presupposes the pre-existence of considerable masses of capital and labour power in the hands of producers of commodities. The whole movement, therefore, seems to turn in a vicious circle, out of which we can only

get by supposing a primitive accumulation....preceding capitalist accumulation; an accumulation not the result of the capitalist mode of production, but its starting point.

This primitive accumulation plays in political economy about the same part as original sin in theology...Its origin is supposed to be explained when it is told as an anecdote of the past. In times long gone by there were two sorts of people; one, the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance and more, in riotous living. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they long ceased to work.....In actual history it is notorious that conquest, enslavement, robbery, murder, briefly force, play a great part...As a matter of fact, the methods of primitive accumulation are anything but idyllic.

...The capitalist system pre-supposes the complete separation of the labourers from all property in the means by which they can realise their labour...The process, therefore, that clears the way for the capitalist system, can be none other than the process which takes away from the labourer the possession of his means of production;...The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as primitive, because it forms the pre-historic stage of capital and of the mode of production corresponding with it."^I

This passage from Capital emphasises only one aspect of primitive accumulation - that of the self-development into, and reproduction of, a capitalist mode of production. Mandel² suggests that this process has a double helix - self-development of capital which Marx identifies as primitive accumulation, and another 'primitive accumulation' - accumulation 'for itself'. Accumulation 'for itself' and capitalist accumulation through the production and use of surplus-value are distinct but coexist.

Kay contrasts accumulation with hoarding, collecting and saving. "Hoarding involves extracting wealth from circulation... (but)...is the passive amassing of wealth." Accumulation "involves an active emphasis on the quantitative aspect of wealth."³ It is essentially concerned with quantity not quality, unlike collecting. Accumulation draws wealth out of circulation and throws it back in to breed and multiply. Saving is merely the temporary deferment of consumption of wealth. In this comparison Kay is concerned only with the capitalist aspects of primitive accumulation. Primitive accumulation, in the sense of non-productive accumulation, is categorised by Kay as hoarding or saving.

The dilemma of this apparent confusion over what constitutes primitive accumulation is resolved, in part, by Mandel's attempt to structurally link two aspects of the political economy of the world market: the contemporary existence of capitalist and pre-capitalist modes of production. Primitive accumulation - of both types - occurs on an international plane, as does normal capitalist accumulation. Mandel's argument that in colonial and semi-colonial societies primitive accumulation - accumulation 'for itself' rather than accumulation tending toward self-development - predominates,⁴ suggests that such societies are not experiencing the articulation of a locally-developing capitalist mode of production.

Historically, the dynamic of primitive accumulation lay in its monopolistic character because in the early days of the development of capitalist production no marked international profit gradient existed between the industries of various nations to provide a growth stimulus. Now however, particularly in the Third World, primitive accumulation occurs under the aegis of a predominant capitalist mode of production, within the overall canopy of a

capitalist world market. Mandel thus maintains that "a dialectic ^{II.} unity of three moments' has been constituted through "the international growth and spread of the capitalist mode of production for the past two centuries",⁵ between the accumulation of capital within capitalist processes of production; primitive accumulation outside the sphere of capitalist processes of production; and thirdly, the determination and delimitation of the latter by the former.

According to classical Marxist theory, capital radiates outward from a centre:

"It constantly tries to extend itself to new domains, to convert new sectors of simple reproduction of commodities into spheres of capitalist production of commodities, and to replace sectors which have hitherto only produced use values by the production of commodities."⁶

This constant extension has two aspects - first by example - ie. through self-development, where producers following the search for greater surpluses invest existing surpluses in productive spheres; and second, through the establishment of external control over the forces and relations of production. Where neither aspect is determinant, private accumulation of the hoarding and collecting type is possible and probable.

Herein the world economy is thus,

"an articulated system of capitalist, semi-capitalist and pre-capitalist relations of production, linked to each other by capitalist relations of exchange and dominated by the capitalist world market."⁷ (Mandel's emphasis.)

The world capitalist-dominated economy is a dynamic combination of capitalistically-developed and capitalistically-underdeveloped economies.

An alternative view is offered by Samir Amin, who suggests the existence of two related but differently-motivated systems: one being the capitalist developed system; and the other, a peripheral

system. Within a capitalist self-centred system the determining relationship is that which links production of mass consumer goods and the production of capital goods for use in the production of the mass consumer goods. This determining relationship is characteristic of the development of capitalism at the centre.⁸

Here a necessary relation of reproduction exists between the rate of surplus-value and the level of development of the productive forces. The rate of surplus-value is the main determinant of the pattern of the social distribution of the national income - between profits and wages - and of the demand for goods and services. The level of the development of productive forces is the result of a dialectic relationship expressed within the social division of labour, between the sectors producing mass consumer goods and capital goods. The major contradiction "between the productive capacity of the system and its capacity for consumption...is constantly being overcome"⁹, at any particular level of development, and is reconstructed at a higher level. This is a reflection of the dynamic between the rate of surplus-value and the level of development of the productive forces. This represents a cyclical motion of extended reproduction.

The relationship between the developed system and the peripheral system is defined by,

"the external relations of the developed regions as a whole with the periphery of the world system remain(ing) quantitatively marginal, compared to the internal exchange within this region. In addition, these relations...spring from primitive accumulation and not from extended reproduction."¹⁰
(Emphasis added).

Here the crux of the matter is simply stated: extended reproduction versus primitive accumulation wherein surpluses are not reinvested

in productive activities in the periphery, but are drawn out for use in the developed regions.

"The systematic...expansion of the market depends on the expansion of the division of labour, ie on production linkages. Consequently, the 'solution' of the market problem could no longer be built on the system of 'accidental' exchange (based on monetary surpluses and shortages) between individual 'national' units. Nor the supply of primary products could be based on ad hoc purchases. As a suitable means the export of investment capital, the creator of the first system of international division of labour seemed to offer itself.

On the other hand, the more the internal laws of capital accumulation asserted themselves in the most developed capitalist countries...the more the strange twins of unemployment and the underutilisation of part of the accumulated capital as its concomitants - along with the falling rate of profit - became apparent. Thus, besides the acquisition of external resources of raw materials and foodstuffs and of foreign markets, an outward oriented capital flow (and...also a labour flow) as well as the search for investment opportunities promising a higher rate of profit became imperatives.

The satisfaction of these imperatives/needs by military actions of imperialist governments and the day-to-day activity of monopolistic companies determined the economic functions of the subjugated territories, transforming them into suppliers of primary products for the metropolitan countries, the markets for their industrial products, and the target area for their capital outflow and investments resulting (from and in) regular backflow of profits.

Capital export, playing the decisive role in this international division of labour, has a double function: a) to bridge the gap between the increasing need for industrial raw materials and the need for expanding markets for the products of modern large-scale industry; and b) to be a safety valve of internal over-accumulation...a factor counter-acting the depreciation of capital and of the fall in the rate of profit. The former aims at ensuring the preconditions for undisturbed reproduction, ie the marketing condition and raw material supply; and

the latter aims at defending capital and ensuring profit-making. There is, however, an antagonistic contradiction between the two functions: the operation of the one is detrimental to the other."^{II}

More narrowly,

"There is no pressure for central national capital to emigrate as a result of insufficient possible outlets at the centre; it will however emigrate to the periphery if it can obtain a better return. The equalisation of the rate of profit will redistribute the surplus arising from the higher return and use the export of capital as a means to fight the trend of a falling profit rate. The reason for creating an export sector therefore lies in obtaining from the periphery products which are the basic elements of constant capital (raw materials) or of variable capital (food products) at production costs lower than those at the centre for similar products (or obviously of substitutes in the case of specific products such as tea or coffee)."^{I2}

A lack of clarity is evident here. Amin and Szentes fail to distinguish between types of capital - finance, merchant, industrial. Consequently the production of raw materials in the periphery for consumption in industrial processes in the metropole is covered by the all-embracing, but uninformative phrase, 'capitalist underdevelopment through periphery-centre contact'. This, in turn, allows the concept of unequal exchange to be used in reference to countries which hides the essential contradiction of capitalism - that between labour and capital.

What both are talking about is an articulated system of pre-capitalist formations, merchant capitalism and industrial capitalism. The merchant capitalist is situated as gatekeeper between the producer and consumer. The concern of merchant capital, as with industrial capital, is with quantity - accumulation, money, capital - for reproduction on a higher level. The concern of the independent commodity producer, and of the wage-labourer, is with quality -

the exchange of one commodity for a different commodity for the sake of consumption (and thereby reproduction).

Merchant capital requires unequal exchange to ensure its profits. In a simple model: It pays for a single commodity at X cost and sells that commodity for $X + n$ price. No value has been added, yet the price at which it was sold is greater than that at which it was bought. The real situation is more complex than this because, depending on the relative strength of merchant capital to industrial capital and to independent commodity producers, it may buy at less than value and sell at more than value, thereby underdeveloping one of the actors/sectors by drawing out part of the surplus product which could have been immediately reinvested in the productive sphere.

Historically merchant capitalism has proved stronger than independent commodity producers, but in the last century-and-a-half, weaker than industrial capitalism which evolved from it. The penetration of the now underdeveloped world by merchant capitalism occurred two hundred and fifty years before the triumph of industrial capitalism. Whole civilisations were destroyed in order to satisfy the rapacious appetites for huge accumulations of wealth in the hands of the massive commercial empires. A world market was created leading to the development of a global division of labour, realising increased productivity based on grotesque structures of exploitation and oppression. The process of control over trade, by which means merchant capital grew, tended toward monopolisation with the support of the metropolitan state. (Many of the state-controllers were monopoly members).

However, the relationship between merchant capital and the development of the forces of production has always been ambiguous. It

breaks up the old economic order from which it came by subjugating production to the rationality of the market it controls. But, because it is not productive capital, it is unable to transcend its own structure and, thus, determine the whole sphere of production. It creates the pre-conditions for the development of industrial capitalism, yet is not itself that capitalism, and seeks to preserve its own power by preventing the realisation of industrial capitalism. Further, in the Third World, where it took over the superstructure and used the state apparatus for its own ends, merchant capital has become the agent of industrial capitalism.

"It remained the only form of capital present: but within the world economy as a whole it became an aspect of industrial capital."¹³

Herein Amin's last statement has relevance. Industrial capitalism is concerned with the production of the necessary means of production as cheaply as possible - cheap raw materials, cheap food (thereby reducing the value of labour power). Merchant capitalism provided already established mechanisms to facilitate this function.

Merchant capital, through various degrees of control over the 'penetrated' economy's state, uses every means possible to preserve the character of the relationship between the metropole and periphery. And, it is this which represents for Amin, primitive accumulation rather than extended reproduction of a capitalist mode of production.

Industrial capitalism has become, over the last two hundred years, the determining force in the world's international economy. During these centuries, the direct production of surplus-value through large-scale industry was limited, generally, to Western Europe and North America. At the time of the Industrial Revolut-

ion in Britain primitive accumulation of the self-developing type was occurring in other parts of the world, where in some situations, peasants and artisans were being pushed out of textile production, through the development of indigenous factory-type production, with foreign capital playing a very minor role initially. We are offered the explanation, by Mandel, that these 'nascent capitalist economies' were not completely dominated by the major industrialised countries because,

a. Capital accumulation in the industrialised nations had not yet reached a level high enough to export; and

b. Poor communications in the world generally, and in the Third World in particular, prevented cheap mass-produced goods from penetrating these areas.

Hence, when the export of capital was gradually increased it went, first, primarily into foreign railway construction,

"for the extension of this world-wide communications network was a precondition for the gradual extension of their (Britain, France, Belgium and Holland) domination over the internal markets of the less developed countries which had been dragged into the maelstrom of the capitalist world economy."¹⁴

The development of infrastructural transport and communications systems did open up these areas, but at the same time they provided a stimulus to indigenous primitive accumulation of national capital. A time-lag, between 1848 - 1860 existed wherein the advent of rail did not immediately lower the price of imported goods, especially perishables. Local merchant capitalists took advantage of this opportunity and a capitalist mode of production grew under them free from external competition.¹⁵ Mandel's examples of this phenomenon are Spain, Italy, Russia and Japan. Also by 1880 foreign imports of manufactured goods had destroyed old forms of 'domestic'

production in these countries, and further "cleared the ground for the development of 'national' capitalism",^{I6} with the result that within ten years local machine industry had taken the place of local domestic industry. Further, these particular countries were, through the growing specialisation in foreign trade, able to capture a share of the world market. The profits from this trade then provided the dynamic for further development and local accumulation of capital.

Although the uneven development of the level of productive forces gave to the industrial societies higher levels of labour-productivity, and therefore ensured unequal exchange, the resultant drain of capital from the less developed countries was not great enough to prevent an indigenous and independent accumulation of capital - at least where social and political (class) forces were structured so that a developing bourgeoisie had the power to replace the local artisanate by large-scale industry. Where the "state was unwilling or unable to perform its role as the midwife of modern capitalism"^{I7} then national industrialisation was sure to fail, i.e. where foreign bourgeoisie controlled the accumulation of capital, or where the accumulation was dominated by foreign merchant capital.

Mandel extends his historical analysis by structurally linking the advent of imperialism to the further development of the industrialised nations, and the underdevelopment of the non-industrialised nations.

The age of imperialism witnessed a radical change in the nature of primitive accumulation within uncapitalised economies. Merchant and industrial capital controlled by Western capitalists, became the determinant forces in the world. The export of capital from

the metropolises began to determine economic development in the Third World. But the flow was two-way. The produce from the Third World played the role of back-up to capitalist production in the metropolises because mass production of goods in the centre lowered prices, and to make mass production profitable larger markets were needed. Thus, capital which was exported went, in the Third World, only into enterprises which served this interest. Necessarily most local enterprises which conflicted with this 'need' were suffocated intentionally through unequal exchange and force, which led to a decline in the amount of resources available for local autonomous development. Those resources which were made available were drawn only into highly profitable areas - the service industries which provided luxury facilities for local elites - and the provision of infrastructure for the exploitation of primary products. Thus, two features are immediately apparent. First, enclave development. Second, the loss of local economic integration.

The existing local ruling classes were frequently consolidated in their superstructural power by the colonial rulers. This served the purpose of creating a buffer between local workers/producers and foreign interests, and ensured a continuity of administration. In the enclave sectors and in the extractive industries, capitalised advanced techniques of production were adopted, ie industrial capital operated. In other sectors of the economy merchant capital operated - the processes of production were fixed, industrial development was stunted at a very early stage.

"Accordingly, what changed in the transition from freely competitive capitalism to classical imperialism was the specific articulation of the relations of production and exchange between the metropolitan countries and the under-

developed nations. The domination of foreign capital over the local accumulation of capital (mostly combined with political domination) now subjected local economic development to the interests of the bourgeoisie in the metropolitan countries. It was no longer the 'light industry' of cheap commodities which now bombarded the underdeveloped countries, but the 'heavy artillery' of the control of capital resources. In the pre-imperialist epoch, on the other hand, concentration on the production and export of raw materials under the control of the indigenous bourgeoisie had only been a prelude to the replacement of pre-capitalist relations of production on the land in the interests of this bourgeoisie. In the classical imperialist epoch, however, a long-term political and social alliance between imperialism and local oligarchies came into being which froze pre-capitalist relations of production in the village. This decisively limited the extension of the 'internal market' and thereby again impeded the cumulative industrialisation of the country, or forced those processes of primitive accumulation which did occur into non-industrial channels."¹⁸

"Foreign capital came into conflict with pre-capitalistic ...remnants...only...(if)they happened to fall directly within the sphere of its own activity. It was not interested ...in the complete transformation of the precapitalistic relations as its own growth was governed by laws independent of the latter."¹⁹

Hence, the Third World experienced some foreign-dominated industrial development and much fixing of pre-capitalist relations of production. In this manner the Third World was transformed into a predominantly raw material and food/cash crop producer. The export of capital to the Third World has gone mostly to the discovery and extraction of raw materials, and for the development of larger markets.

Initially, a vent-for-surplus impact of the expansion of raw material production enabled non-capitalist forms to predominate

locally - such as within a slave economy. But, capitalist development at the metropole involved the raising of labour-productivity and thereby the relative cost of raw materials rose. Capitalists saw the need and opportunity to increase their profits by lowering the costs of raw material production. One method was to squeeze independent producers by forcing price cuts on them for their goods. Another was to raise labour-productivity in the production of these goods. The use of metropolitan capital was required to accomplish this task.

"The direct intervention of Western capital in the process of primitive accumulation of capital in the underdeveloped world was thus determined to a significant degree by the compulsive pressure on this capital to organise large-scale capitalist production of raw materials."²⁰

Labour in agriculture in the Third World has been predominantly practised on a small-holder basis. This has been true especially with regard to cash cropping. A linked duality exists. Some crops are sold for cash, or to pay taxes, etc. but the costs of reproduction of labour are situated firmly in the non-monetary subsistence sector. This ensures that the prices paid for the cash crops are significantly lower than would otherwise be the case. However, the capitalisation of agricultural production which is represented by plantation agriculture places the responsibility for the reproduction of labour on the shoulders of the plantation owner. The benefits, to the owner, and to industrial capitalists in the metropole was great enough to negate the added responsibility. Greater division of labour, more discipline over the labour force, greater overall rationalisation of production and improved accounting systems realised greater productivity and greater profits.

What is not made clear here is that the degree of capitalist penetration of agricultural production was not great - although in some areas the plantation system was extensive (south United States, Carribean, some African colonies). Although underdeveloped societies were subjected to metropolitan capitalist organisation of other aspects of raw material production, the differences in capital accumulation and in productivity levels between metropole and periphery became qualitative. This is explained by the different momenta which affected metropolitan and peripheral production. Unlike full industrial capitalist production, the process of capitalisation of raw material production was not a continually-modernised process because labour, once production had been initially capitalised, became relatively cheap again. In other words, local conditions did not determine the level and scope of production. So, differences grew between the respective levels of productivity within spheres, between the metropolises and the satellites. Emmanuel makes this point succinctly when he distinguishes 'backward agriculture' and 'backward industry' from 'modern agriculture' and 'modern industry' by showing that in 1959, U.S. farmers produced, per person, seven times the value of per person produce of Japanese manufacturing.²¹

The impetus for the 'jumps forward' in the productivity of labour in the production of raw materials comes from the level of capital investment. This increased capital penetration was a response to the growing relative cost of raw materials. Mandel isolates certain periods over the last century which reflect this pattern.

Between 1870 - 1880 a massive increase in capital penetration of the extractive industries steadied the price of raw materials.

However, the equilibrium did not remain steady. Labour-productivity in the metropole increased regularly whilst it stagnated in the colonies. Thus, the relative cost of raw materials increased again. This second rise peaked with the First World War, and with the explosive growth of the arms industry in Europe. By the 1940's the fall in profits from raw material production using methods dating from the age of manufacturing capitalism was great enough to represent a break on capital accumulation on a world scale.²² Mandel identifies in this one more of a series of shifts: freely competitive capitalism - Imperialism - Late Capitalism. The clear link throughout is the sporadic increase in penetration by capital into raw material production. Each time this has led to changes in technology, labour organisation and the relations of production, both within the sphere of raw material production and of industrial production.

The Third World has experienced the beginnings of industrialisation since the Second World War. Labour-productivity - output per unit of labour - has been rising in response to the introduction of new technology and to increased efficiency in the management of the productive processes. Further, the already massive reserve army of labour supplies cheap non-union labour which has the effect of disciplining the existing workforce; and, allied with the lack of 'social wages' has the overall effect of lowering the relative costs of labour (i.e. in relation to labour in other areas) - and perhaps even absolute costs. Of course this has the spin-off effects noted in Amin's model, wherein the domestic market is restricted by the low wage-levels, and as such acts as a fetter on further domestic capital accumulation. Local capital is invested only in service industries according to this model, with the net effect of ensuring

under-utilisation of industrial capacity, further limiting the development of the local market, and yet maintaining or even increasing the levels of imports from the metropolises because imported mass-produced goods are cheaper than those produced locally.

Under Late Capitalism efforts are made to increase the productivity of labour in the Third World. Labour is cheap, and with machinery, fertilizers, semi-manufactured goods for local assembly all supplied from the metropole, labour-productivity ought to increase, thereby making labour an even lower percentage of production costs - especially as metropolitan and locally-assembled goods can be sold at monopoly prices. In this there is a paradox - namely, that if labour is so cheap in the Third World surely it would be in capital's interest to industrialise there.

Some industrialisation has been inevitable, as Kay and others have pointed out, and it has become the decisive moment in the history of underdevelopment.

"In fact, industrialisation is now such an integral part of underdevelopment that it can no longer be considered as its solution, at least not in its present capitalist form."²³

In the 19th century the exports from the metropolises comprised mostly consumer goods, coal and steel. But since the 1929 Depression and the Second World War, the export of machines, vehicles, and equipment goods has become a major activity. The latter category of goods must be used for industrial activity. In fact, the demand for advanced, capital-intensive, labour-displacing techniques is great.

"..(N)o..demand exists, (for simple equipment), for where firms (in the underdeveloped world) do have a choice they generally favour techniques which involve higher degrees of mechanisation. Thus..these methods are the most efficient from the point of view of capital, even where labour is

plentiful and their adoption results in the growth of widespread unemployment."²⁴

Kay is here suggesting that where local capitalists are able they will operate according to the logic of capitalist accumulation. The question remains whether capitalists in the Third World have the power to operate freely. The implication throughout this chapter has been that the Third World's structures and institutions do not operate autonomously; that capital, controlled from the metropolises has distorted local development.

The trend toward industrialisation does not represent the full development of industrialisation in the Third World and the universalisation of the capitalist mode of production, but represents the emergence of "new differential levels of capital accumulation, productivity, and surplus extraction."²⁵ Present capital accumulation in the Third World takes the form, generally, of reinvested realised profits controlled by external forces, ie. most imperialist investment in industry/manufacturing comes from the absorption of part of local surplus-value. In fact, much capital is exported from the Third World in the form of salaries, rent, interest, dividends and through unequal exchange.

Because of the declining proportion of labour-cost in the production of some raw materials, besides lowering these costs even further by capitalising production in the Third World, the metropolises have also attempted to manufacture raw materials synthetically. This, in part, accounts for the dramatic development of chemical, pharmaceutical and other industries replacing natural raw materials. (The development of synthetic foodstuffs has also experienced a recent boom on the U.S. research circuit). This does not mean that cheap and strategic raw materials are not still required in

growing quantities from the Third World. Despite the Third World's declining share of world trade, the metropolises are still dependent on key raw materials - uranium, iron ore, petroleum oil, nickel, chromium, bauxite, etc.

"But within the framework of the capitalist world economy the contradiction between the use value and exchange value of commodities is expressed in the fact that the increased dependence of imperialism on the raw materials exported by the colonial countries is accompanied by a relative decline in the prices paid for these raw materials and a relative decline in their value."²⁶

In other words, increased investment and capitalisation of production techniques has led to a decline in relative price and value of raw materials and primary produce. This trend led to a relative decline in the rate of profit of the monopolies controlling their production. Hence, with the manufacturing sector becoming more profitable - relative to raw material production - investment here increased at the expense of primary production investment. Cheap prices for raw materials allied to an expanding manufacturing sector in the metropole normally resulted in a commodity-boom, which Mandel maintains occurred between 1972 - 1974. Consequently, the relative price of raw materials increases again, and investment is diverted back to raw material production, and the cycle sets off again to alter the organic composition of capital, and thereby, to lower the price of raw materials. The boom of the early 1970's was the third since the beginning of the 19th. century.²⁷

The cyclical movement of the rate of profit is linked to the uneven development of the various elements of the overall production process. The development of the production of raw materials and capital goods is stimulated by the development of the production of consumer goods. Initially the rate of profit in the former will

be greater than in the latter. The former will become capitalised because of the higher rate of profit - investment will go where capital obtains the highest return - and so, the organic composition of capital rises. In a situation of increased investment in a particular sector, boom and overproduction often occurs. The effects - declining investment, rising unemployment - are felt first in the consumer production sector. Herein production cutbacks are relatively easily achieved; but, in the capital goods/primary produce sector, changes in the level of production require longer time-plans.²⁸ For example, the cocoa growers in Ghana work to a seven-year cycle, so that changes in demand etc. are reflected by more/less plantings, the effects of which are not felt for seven years.²⁹ In the capital goods sector where the organic composition of capital is high, cutbacks or increases in production also require difficult long-term decisions about capital investment, which inhibits short-term quick changes in production levels.

Mandel identifies a cycle of rising organic composition of capital in the perpetual drive of capital to increase the productivity of labour, ie. to increase the rate of surplus-value. The process, complex and multicausal, is at work in all departments of production, including the production of raw materials and primary produce.

The world capitalist market with its mechanisms for unequal exchange fuels the cycle. The market is constantly being expanded and extended, both through capitalist take-over of production, and through mere geographical expansion - bringing more people under the control of the market. Thus, within countries like Tanzania, more and more peasants have been dragged into export crop production, generally not as capitalists, nor as workers in a capitalist

mode of production, but as producers experiencing capitalist domination whilst employing pre-capitalist methods.

It is the issue of the world economy being an articulated system which is of greatest significance here. The primary concern is to examine some of the major structures of this articulation. A system of growing importance is the system of international foreign 'aid', ie. international credit.

II

The Role of Credit and Inflation.

The essential requirement of capitalist accumulation is that production is greater than consumption, and that the surplus accrues to capitalists. Within this process the differential rates of development between sectors, and the social relations which determine the distribution of the surplus, have caused cycles of expansion and contraction. 'The long wave of expansion' since the end of the Second World War was achieved through 'the historic defeats of the working class' enabling 'fascism and war to raise the rate of surplus value'³⁰, and through the growing size of the market. Also, inflation has provided a stimulus to this development, besides serving to raise the level of profits and to moderate crises of overproduction. Inflation is aggravated by credit creation, i.e. increasing liquidity, and can be useful when it raises production or aids the extension of the market. Credit buys labour-power and the means of production - it can become productive capital - even where the existence of backup deposits is problematic. Credit becomes inflationary when its advance does not lead to compensating increases in production.

The importance of credit to solve liquidity problems was evidenced by the IMF's creation of Special Drawing Rights. The industrialised nations sought facilities which enable them to expand money supply in order to expand world trade. SDR's are given to each country according to its subscription to the IMF, with 70 per cent of the total issue to each country being equivalent to the subscription, and the other 30 per cent pure credit. In 1969* when this facility was created, the industrialised nations feared the relatively limited growth in money supply would lead to balance of payments ~~problems~~. A solution was to create money- the 30 per

* Footnote 31.

cent credit. Overnight the U.K.'s reserves were 'increased' by US \$400 million!

If a situation of overproduction of manufactured goods exists, inflation and credit can brake the effects. What in fact happens is that a circular motion is set up wherein paper money is treated as capital, and because this paper money, through the very process of inflation, becomes devalued the cycle must spiral. However, in the short-term the 'overproduction' is absorbed through the provision of credit facilities. But, the initial problem of overproduction is not overcome, only reconstituted at a higher level.

Because overproduction is about falling or stagnant demand by the consumers, credit and inflation encourage the consumers to buy now. This helps to postpone the problem of the decline in the wage-earners' share of national income, caused by inflation - ie. more inflation helps to delay the immediate problem of inflation. Also, the external market is expanded through the provision of credit. Thus, in the industrialised countries between 1953 - 1963, industrial output increased as a whole by 62 per cent, whereas exports increased by 82 per cent, (both figures at fixed prices). Between 1963 - 1972, industrial output rose by 65 per cent, but exports increased by 111 per cent.³²

"The credit system appears as the main lever of overproduction and over-speculation in commerce solely because the reproduction process, which is elastic by nature, is here forced to its extreme limits...the credit system accelerates the material development of the productive forces and the development of the world market. It is the historical mission of the capitalist system of production to raise these material foundations of the new mode of production to a degree of perfection. At the same time credit accelerates the violent eruptions of this contradiction - crises - and thereby the elements of disinteg-

ration of the old mode of production."³³

"The two characteristics immanent in the credit system are...to develop the incentive of capitalist production, enrichment through the exploitation of others..(and).. to constitute the form of transition to a new mode of production."³⁴

These quotations reflect the expansionist function of credit, on a national and international level. Credit and inflation are used to extend the world market. Nationally, the state intervenes, at least in the industrialised countries, to create inflationary money, and to provide state contracts to maintain levels of production, i.e. to mediate the decline in private and corporate investment. On an international level, inflation and credit encourage Third World countries to import more, but also means that the levels of unequal exchange increase because the costs of petty-commodities and primary produce are not subjected to the same levels of inflation, particularly where the producers are responsible for their own reproduction costs.

Since the Second World War national inflation has been shifted onto the international plane. Bretton Woods produced a world monetary system based on international inflation - "the continuous creation of additional means of payment"³⁵ - but set according to the stability of a single international currency, the U.S. dollar. But, the United States suffered overproduction crises immediately before and after this War, and used domestic inflation to moderate it. Consequently, the international status of the U.S. dollar became uncertain almost as soon as it was established as the international currency, and this brought fresh uncertainty to the international monetary system.

The Marshall Aid Plan, and other aid programmes provided credit which fuelled inflation, which stimulated production, which

increased world trade - i.e. the credit cycle began to condition the industrial cycle of individual economies, and in turn, the international economy. Without inflation and credit the crises of overproduction threatened a catastrophic recession.

The two cycles - credit and inflation - have been co-ordinated in an attempt to curb the problem of overproduction, but, the extension of the world market and the provision of credit facilities to the Third World are causing severe problems of their own. (Of course, the problems are more intense for the economies of the Third World where debt-servicing and amortisation costs drain surpluses out of their economies, and where the decline (relative) in the terms of trade for primary produce constrains the internal development of their economies.)

Interimperialist rivalry increased after the War as attempts were made to capture shares in expanding markets. Those countries which failed in this were subject to galloping domestic inflation and/or recession. This, for Mandel, explains in part, the formation of such supranational entities as the E.E.C. - to help rationalise production and to regulate the degree of competition between member-countries - on the one hand; and on the other, the two forms of international centralisation of capital in the hands of transnational corporations.³⁶

The danger of both cycles destroying themselves, that is of becoming unmanagable, has to an extent already happened. National autonomy has been transcended in many spheres.

"The international centralisation of capital must be understood as capital's attempt to break through the historical barriers of the nation-state, just as national (and tomorrow perhaps supra-national) economic programming represents an attempt partially to overcome the barriers of private ownership and private appropriation for the further development of

the forces of production. Both, in Marx's words, are attempts to transcend capital within the limits of the capitalist mode of production itself. Hence, both merely reproduce on a higher plan the internal contradictions of this mode of production, above all the antagonism between use-value and exchange-value which lies at the root of all the contradictions of capitalist commodity production."³⁷

Mandel sees,

"an intensification in the age of Late Capitalism of all the contradictions inherent in imperialism: the antagonism between capital and labour in the metropolitan countries and the semi-colonies; the antagonism between imperialist metropolitan states and colonial or semi-colonial nations; the intensification of inter-imperialist rivalry."³⁸

The truth of the latter statement can be tested only by examining the specific histories of particular countries. However, on a more general level, Mandel's concern throughout has been with Late Capitalism as articulated at the centre, thus scant regard is paid to important features of its articulation at the periphery. Further, his over-riding concern with industrial capitalism has meant that the activities of 'non-industrial' capital are not fully headlined. In many parts of the Third World a bastardised form of merchant capital operates in the interests of industrial capital, although it is not itself that capital. Foreign aid - credit - is the mechanism in general by which this manipulation of penetrated underdeveloped economies has taken place. The effect has not been to extend fully capitalist processes and relations of production, but rather, one of the effects of foreign aid has been to fix pre-capitalist forms within a wider capitalist-dominated world market.

III

The Role of the State.

To understand any particular country's position within the framework of the world capitalist market that country's own momenta must be grasped. Because the world economy is an articulated system does not mean that the expression of this articulation is universally identical. However, the key element around which the issue revolves is the process of class relations. The important and essentially determining relationship is that of production. The concern of all classes is the production, capture and use of the surpluses from production. Hence, rather than placing the emphasis in analysis on the nation-state, it is more satisfactory to examine political economy in terms of class. The state may be of major significance, but its conceptualisation must be situated within a class analysis, and must not be offered as the point of departure for a theory of political economy.

As a starting point, class analysis must be related to a given mode of production and an historically determined social formation. The process of capitalist development and underdevelopment takes many forms. Capitalism gained ascendancy by overcoming and revolutionising non-capitalist modes of production; sometimes it adapted non-capitalist forms; sometimes it created new forms. Understanding that modes of production represent not only concrete facts but also dynamic processes make it possible to comprehend how Terray³⁹ arrives at the categorisation of specific socio-economic formations as the dialectic imprint (reflection) of more than one mode of production, with one dominant and another perhaps determinant. Thus, a class

analysis of any specific formation must proceed from the identification and analysis of co-existing modes of production - Mandel's articulated system - and from an investigation of the processes of interaction and articulation between the various modes.⁴⁰ And therefore, of all classes within any specific society within the framework of an analysis of the relations of that economy with the international economy.

"The social formations of underdeveloped capitalism are a consequence both of Africa's prehistory and of the impact of external forces which distorted the development of the forces and relations of production."⁴¹

If Shivji⁴² is correct, capitalism has historically served to conserve petty commodity production in the urban areas of Africa - with the minimum amount of capital investment - and preserve non-capitalist modes of production in the countryside. In other words, in many African societies suffering capitalist penetration, the capitalist mode leaves the production of many commodities to local producers - either handicraft industries or small-scale capitalist enterprises. The logic behind this is that foreign capital, with all its superstructural institutions, sees in the Third World not potential fully-fledged advanced industrial centres, but only markets for manufactured goods and sources of raw materials. The capitalist mode is generally only concerned with the export sector and with the consumption requirements of local elites. Mandel's work on the concentration and centralisation of capital suggests that this pattern is changing. The extension of the market necessary to secure growing demand (and therefore sales and profits) means that the potential for consumption in the African market must be realised. Increasingly all forms of production are taken over by capitalists, whether they are local businessmen, foreign firms,

state enterprises, or various combinations of all three. Further, an essential feature of Mandel's general argument is that the production of raw materials and primary produce - in the countryside - is periodically capitalised to 'cheapen' their costs.

Shivji's thesis is that the form of capital presently operating in the Third World is not generally industrial capital, i.e. capital which is used to introduce industrial production techniques such as new machinery and new organisational patterns which would revolutionise the whole productive process, and thereby, the relations of production. The most common form is mercantile.

Precisely as Lenin has argued,⁴³ the presence of merchant capital is not a sufficient premise for the development of a fully capitalist mode of production because it does not break up old modes of production and replace them by the capitalist mode. On the other hand, it is Kay's contention that merchant capital

"within the world economy as a whole..became an aspect of industrial capital" although after the Industrial Revolution

"it remained the only form of capital present" until the 1930's.⁴⁴

Because

"merchant capital has two sources of profits: the surplus-value of productive capital in the developed countries and the surplus product of non-capitalist producers in the underdeveloped world,"⁴⁵

its concern is to preserve the status quo. However, as Mandel and Kay stress, merchant capital is no longer an autonomous phenomenon. Since the Depression of the 1930's, with the collapse of primary commodity prices, merchant capital has come more and more under the control of industrial capital - in order to ensure the production of necessary means of production. The superstructural features developed by merchant capital to preserve its profits and to ensure no changes occurred were taken over by productive capital. Merchant

capital represses autonomous economic development and at the same time reorganises production to satisfy the external interests of industrial capitalism. Pre-capitalist local structures have been successfully allied and integrated by capital to ensure more intense exploitation.

Productive capital is the determinant element in the circuit of capital, although merchant capital is one of its useful agents. Another is finance capital.

"Finance capital, the banks in particular, are the book-keepers of social capital. In their roles as lenders directing capital from one branch of production to another ...they plan the exploitation of labour...Their vision is not obscured by any of the considerations of technology and labour regulation which necessarily preoccupy the productive capitalists...Removed from the actual arena of value production they have become the main medium through which the law of value is communicated to all sectors of the capitalist economy."⁴⁶

The issue, when looking at any particular underdeveloped country's position in the world market, then becomes one of the interplay of all the historical factors of colonialism and imperialism and domestic class formation. The issue is not one of either merchant capital, or some other form of capital operating, but of the total system of capitalisms, all involved in a dialectical and exploitative relationship with the country's peasants and workers. The level of integration of a particular country into this system depends on particular historical events and processes.

"In general, the extent to which international economic relations become or de facto are the built-in factors of the reproduction process of individual national economies, or rather vice versa: to which the latter take part in the internationalised reproduction process, depends on the number and sizes of missing linkages in the 'national'

system of reproduction process, ie horizontally, or the lack of entire producing branches to meet local demands, and vertically on the lack of complexity, the discontinuity of the various existing branches. Specialisation brings about new units as well as missing links...(T)he number of missing links is more and more characteristic of all national economies. The...(country's) position in the... system of international cooperation...depends to a great extent on the location of the missing links....Competition among the most advanced capitalist countries aims...at catching and monopolizing the most important, decisive links in the expanding....reproduction process - at the expense of leaving or creating missing links in less important spheres."⁴⁷

The point being made is that industrial development is no longer a 'national' phenomenon. The articulated world system determines the development of some areas and the underdevelopment of others.

Underdeveloped countries are doomed within this system to a future of disintegrated economic development.

Within any particular economy there is a need to identify the ruling classes (the decision makers), both domestic and external; to analyse the modes of exploitation; and to situate the role of the state. The state is of singular importance.

"The State is the product of society at a certain stage of its development. The State is tantamount to an acknowledgment that the given society has become entangled in an insoluble contradiction with itself, that it has broken up into irreconcilable antagonisms, of which it is powerless to rid itself. And in order that these antagonisms, these classes with their opposing economic interests may not devour one another and Society itself in their sterile struggle some force standing, seemingly, above Society, becomes necessary to moderate the force of their collisions and to keep them within the bounds of 'order'. And this force arising from society, but placing itself above it,

which gradually separates from it - this force is the State."⁴⁸

"Since the State arose out of the need of keeping in check the antagonism of classes; since at the same time it arose as a result of the collision of these classes, it is as a general rule, the State of the most powerful and economically predominant class, politically, thereby obtaining new means for the oppression and exploitation of the oppressed class."⁴⁹

Chapter Two.

Foreign Aid.

Foreign aid has an important function to perform in the dynamic toward greater international capitalist control and manipulation of the economies of underdeveloped countries, involving disintegration of the national economy and its restructuring along vertically-integrated lines favouring those institutions whose validity exceeds that of national societies. Yet, conservative and liberal theories of foreign aid tend only to examine the effects of foreign aid in 'national' terms, ie. national boundaries are taken as the point of departure. Hawkins, typical of this genre,

"is concerned with...those changes involving the introduction of a new element into the international economy - flows of goods, services and capital that take place under the general heading of 'foreign aid'. It is 'foreign' because it originates outside the national boundaries of the recipient country; it is called 'aid' because such flows are not determined by the same principles that govern normal flows of trade and capital."^I

This concern with geographical boundaries is intellectually limited. International capitalist exploitation underdevelops countries only in the sense of extracting scarce resources (minerals) and destroying the local ecology.

"It seems...that the expropriation and exploitation of natural resources by foreign capital...though normally fused with other forms of exploitation can be distinguished as a specific form, as a disguised waste of the national assets the detrimental effects of which are felt only when..the growth of the relevant national industry is faced with the problem of a narrowing raw material base, and the increasing

'national cost' of raw materials due to the too early and export-oriented exploitation of local resources."²

Above all else exploitation is the expropriation of surplus-value. Labour alone creates surplus-value, so expropriation of surplus-value is the exploitation of labour. The geographical unit - the country - is only important in respect of the state. The state cannot be postulated as operating independently of the sectional interests within society. The state operates and reflects the dialectic between class forces in society.

Capitalist foreign aid is not a transfer of resources (capital, technology) from one country to another country. It is the movement and/or reallocation of capital controlled by the international bourgeoisie (in the case of multilateral aid) and by particular national bourgeoisies (or states) (in the case of bilateral aid), to other sectors of economic activity, for either direct exploitation of labour by international capitalists, or for the use of national bourgeoisies (or states) to exploit labour for their particular benefit. Clearly these two aspects are related and operate simultaneously. Hence, the recipient of foreign aid can be expected to act in the interests of the donors of that aid, as well as its own; a coincidence of interests exists. Here, foreign aid need not be immediately productive to serve the interests of the donors. Military aid, educational scholarships, cultural trusts, food gifts, etc. provide a mechanism for integrating the national bourgeoisie into the international bourgeoisie.

Foreign aid is merely a particular form of capital flow. As with 'normal' capital flow its essential purpose is the extension and expansion of the market, and like 'normal' capital flow it represents the internationalisation of capital. Foreign aid is

the provision of credit at below market rates. We hope to demonstrate that it serves many purposes, not least a political one. Donors use it to demonstrate their humanitarianism; their 'recognition' of and reparation for colonial exploitation; their concern with the development of the Third World. It is a Trojan Horse. Foreign aid covers as great a multitude of sins as straightforward colonial exploitation, and is merely the latest device by which international capitalism intensifies the exploitation of labour not fully proletarianised within a capitalist mode of production.

The question of whether foreign aid is merchant or industrial capital is not at this point a major issue. Only by examining particular foreign aid programmes in particular instances can conclusions be drawn on which capital foreign aid represents. As Emmanuel states

"The mere arrival of foreign capital does not 'block' anything. It enslaves or develops the country just as much as any other capital, neither more nor less."³

More interestingly, what special quality separates aid from normal capital flow ?

"Foreign aid flows, to the extent that they offer any 'aid' at all, are distinct precisely because the terms that would follow from the operation of the market are not supposed to apply."⁴

The necessary characteristics of foreign aid flows are, according to Hawkins:

"First, they must be flows that would not otherwise take place without the intervention of special machinery and procedures. In other words, they are to be sharply distinguished from the flows of goods and services that move under normal trade arrangements, or as a result of private activities in search of profits. The second characteristic concerns the terms and conditions under which such flows take place. If they are to be counted as aid then they should be extended on terms and

conditions which differ from those which would normally apply to flows of trade and capital between nations."⁵

Significantly, the term 'foreign aid' is used to cover only the activities of governments. Where firms are involved independently, terms such as 'special credit facilities' or 'special loan arrangements' are used. These activities of firms are not recognised within the framework of foreign aid. In the world of business finance such activities are 'business deals'. On the other hand banks, especially consortia of banks, are recognised as foreign aid donors - because they often provide credit facilities to Third World governments.

Hence, aid has a specific meaning. It does not include investment by firms and businesses in normal activities. But it does cover loans, credits, gifts, grants by governments and bank consortia to help mitigate the effects of economic crises; to provide infrastructure for future productive activities; to encourage aspects of production outside the scope of local productive forces (which foreign private capitalists are not prepared to invest in); to ensure political stability; to ensure a stake in strategically important areas of the world. However, above all, foreign aid is a process in Late Capitalism of state intervention in the extension and expansion of the capitalist market. This occurs on a national level - bilateral aid - and on an international level - multi-lateral aid.

The Aid Debate

The literature on foreign aid is copious. It is beyond the scope of this thesis to examine the particular theories in depth, but offered below is a brief outline of the arguments of the major protagonists.

Attempts have been made to review the theories of foreign aid. White⁶ identifies four types of theories, which are reducible to two major groups - economic theories and political theories. His typology covers the process of aid-giving as a series of transactions between donors and recipients whereby resources are transferred from donor to recipient. This requires theories about resource-transfer and theories about the transaction through which this transfer takes place. Resource-transfer theories are essentially economic - being concerned with the identification of the required resources (capital, skilled manpower) and with the relationship between these resources and local economic conditions. Analysis of aid as a transaction involves political theories - transactional relationships are political relationships.

According to this model there are two types of economic theories:

- a. Supplemental Theories - wherein aid supplements domestic resources.
- b. Displacement Theories - wherein aid substitutes domestic resources but rather than supplementing these resources it distorts the economy by tying local resources into activities which do not serve the interests of the domestic economy.

Two types of political theories are offered also:

- a. Where emphasis is laid on the role of the donor as aid-giver, eg.

does the donor give aid as part of its foreign affairs strategy ?
 b. Where the role of the recipient is highlighted, eg. how far is foreign aid used as an instrument of domestic political policy ?

White is properly critical of any approach which examines foreign aid from anything less than a holistic perspective. He favours an approach which demonstrates the relatedness of the political and economic theories, arguing that the distinction between transfer theories and transaction theories is invalid.

"Surely the nature of the resources transferred must in part be determined by the nature of the transaction from which the transfer arises ? Similarly the nature of the transaction must in part be determined by the nature of the resources at the disposal of each party in it ?"⁷

This line of argument is correct but insufficient as an explanation of the system of foreign aid. The typology is adequate as a mode of categorisation, but fails to grasp any notion of the logic behind the relationship between foreign aid and the articulation of the mechanisms governing the world market. What must be sought is a picture of how and where foreign aid fits in in the processes of production and reproduction in the recipients' economies, and how this relates to the capitalist world market.

The experts fall into two major categories. One line maintains that although the present distribution of aid suffers from many shortcomings, if reforms are initiated - to improve its distribution; to increase the levels of aid disbursed; to ensure its efficient use in the required areas - then the benefits to all will be greater than any negative aspects. This scenario views the Third World being plagued by low per capita income and low capital formation potential, and foreign aid is seen as essential

to engender economic growth. For this to occur, the terms of foreign capital flow must be organised along concessional lines and channelled into activities increasing national productivity, thereby facilitating a transformation into a healthy developing economy.

The major critical line maintains that at very best foreign aid is only marginally relevant, but at far from worst is harmful, particularly to the recipients. Here, aid is seen to distort the local economy through the burden of debt-service, the creation of vertically-integrated productive enterprises which produce for the benefit of narrow sectional interests, and which facilitates the transfer abroad of locally-created surpluses.

A constant theme within these approaches is that most of the work done in this field of study is based on neo-classical economic theory, whether under the auspices of the radical structuralists of the Dependency School, or by conservatives like Bauer.⁸

The end of the Development Decade (1960-1970) witnessed the failure of the expectations of the pro-aid lobby: 'development' had not come to the Third World. Myrdal⁹ and Pearson¹⁰ explain the failure in terms of an admixture of technical and psychological factors. The Third World - otherwise termed 'less developed countries' or 'developing countries' - suffered, according to this view, from a shortage of capital for investment in productive activities. In such economies, structures for capital formation were said not to exist, and what capital and institutions did exist were in danger of being swamped by a so-called population explosion. The problems were intensified by the decline in levels of foreign aid dispersed to these countries. Inflation and the refusal of the major aid donor - the United States - to increase its levels of aid are isolated as

the key factors.

Myrdal situates the cause of the decline in U.S. aid within changes in the 'collective U.S. psyche' resulting from its experience in Vietnam, and the realisation that many recipients of U.S. aid were far from uncritical of the U.S.'s role as policeman of the world. Further, toward the end of the 1960's the U.S. economy experienced a slump, which led to a keen national debate on the morality of 'giving' money to foreigners while many Americans were in need.

This reassessment by donors found its ideological counterpart in the work of economists like Bauer. He maintained that recipients of aid are in many ways robbing the donors by diverting the latter's hard-earned scarce resources from advanced productive sectors, in the industrialised nations, to backward unproductive sectors in the Third World, thereby protecting inefficient producers from the beneficial market imperative to progress, develop and advance productive activities. His claim was that recipients successfully manipulated fallacious arguments - namely that the under-development of the underdeveloped areas was caused by the industrially-advanced countries during their colonial era - to place moral pressure on the latter to alleviate their suffering. For Bauer, foreign aid is nothing more than charity, and as such tends to create relationships of dependency.

The econometrics of the various approaches are examined by Enos^{II} and Griffin^{I2}, who attempt to relate the econometric models to the international economy. They conclude that foreign aid is merely a mechanism for intensifying the exploitation of labour in underdeveloped economies. They call for total default on all debts owed by the Third World, and recommend that all future aid be refused.

The necessity of situating foreign aid in a perspective which involves the analysis of the historical development of the international economy is further stressed by Mende^{I3} and Byres^{I4}. Both recognise and identify foreign aid as figuring strongly in the process of exploitation of workers and peasants in the Third World. Mende, however, maintains that in the final analysis, beneath the exploitative aspects of the present system of foreign aid, aid is - in carefully controlled conditions - a useful stimulant to economic development.

Finally, the structures and role of multilateral aid figure strongly in the recent literature. Multilateral aid reflects the intensified co-operation, co-ordination and centralisation of capitalist activity on an international plane. Just as transnational corporations represent the concentration and centralisation of capital and with it the internationalisation of the division of labour; and political blocs (eg. the E.E.C.) represent the beginnings of the transcendence of national political units, so it is intended to show that multilateral aid is the co-ordinated attempt by the major capitalist powers to manipulate the economies of the underdeveloped countries.

Many of the pro-aid lobbyists, who favour foreign aid on purely altruistic grounds, favour the further development of multilateralism. Their belief is that if aid is dispersed through supposedly independent agencies, then the narrow self-interest so much a part of bilateral aid will be avoided. It is a view attacked by Nissen^{I5}, Payer^{I6}, Hayter^{I7}, and Cleaver^{I8}, who demonstrate that the multilateral aid agencies act in the interests of the major donors against the workers and peasants of the Third World.

Toward the Multilateral Aid System

Following the Second World War and the formation of the United Nations Organisation, two major, newly created multilateral aid agencies were absorbed as executive agencies of the UNO. One was the International Monetary Fund, and the other its sister organisation, the World Bank Group (at the time, simply the International Bank for Reconstruction and Development).

Other Western multilateral agencies exist but these are limited to particular geographical units with regard to membership. The E.E.C. has an agency, as does the Organisation for Economic Co-operation and Development. What is being attempted is a co-ordination of the foreign aid activities of groups of countries, by supplementing and finally eliminating bilateral aid. Between the various multilateral agencies a growing degree of co-ordination is also occurring.

Johnson attributes this multilateralisation to the impact of the Vietnam War - the U.S. being unwilling to act alone in its self-defined role as 'creator and protector of democracy'¹⁹ - and the liberal fears that bilateral aid represented only narrow sectional interests. Between 1966 - 1971, as the amount of aid dispersed declined, so multilateral aid increased absolutely and relatively. In 1966 US \$336 million took the form of multilateral aid (ie. six per cent of total aid dispersed). By 1971 the relative figures were US \$1,287 million and 17 per cent²⁰. To explain this trend by reference to the Vietnam War is to miss the point completely.

During the Second World War, the major capitalist industrial powers envisaged, in the light of the Depression, a new post-War world economic order. The Bretton Woods package reflected the success of U.S. negotiators in establishing a system favourable to

the United States. It reflected the confirmation of the U.S. as the major western superpower.

Before 1939, in the face of the Depression, Sterling Bloc countries hindered the import of U.S. goods. This protectionism guaranteed Britain the largest market bloc in the world, and ensured cheap imports of food and raw materials; but at the same time prevented the expansion of the U.S. economy. The U.S. feared a financial and trade war and called for a greater degree of free trade to which Britain responded negatively. Fortunately for the U.S., World War II arrived which stimulated her economy. By 1941 the U.S. economy had picked up enough, and Britain's had declined in face of the War, for Britain to seek loans from the U.S. Government. Keynes negotiated the Lend-Lease Loan on the basis that unless ample aid was forthcoming from the U.S., "the British would have to impose even tighter and more stringent financial and trade controls after the War."²¹

One condition of the Atlantic Charter of 1941 (Point IV) was that the US. and UK. should enforce after the War, free access to trade and raw materials throughout their spheres of influence "with due respect for their existing obligations."²² (Emphasis added). Hence, a compromise was reached whereby the US. appeared to have failed to achieve what was for them "the key point of their postwar construction plans: the destruction of the Sterling Bloc."²³ The US needed free trade policies.

"To avoid stagnation and depression, the American economy required free access to needed raw materials and markets for both surplus capital and goods."²⁴

This was recognised by Hull, in 1943 the US Secretary of State, forecasting the postwar scenario.

"Foreign markets will be very important to us then and will continue to be essential as far as anyone can see ahead. It

will be well to have...a tested and tried instrument for obtaining the reduction of foreign trade barriers and the elimination of discrimination against our products."²⁵

During the previous year Britain's war effort had called forth greater US support. This gave the US the lever to obtain the deal they required. Thus, the final document of the Lend-Lease Agreement (Article VIII) guaranteed efforts toward

"the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers;..."²⁶

Before and during the War Keynes and many other economists and politicians saw the need for policies, internationally arrived at, to avoid another Depression. It was envisaged that the development of an ever-growing world capitalist market would solve the problems faced during the Depression. Article VII of the Agreement called for the world's reconstruction and development through

"the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods which are the material foundations of the welfare and liberty of all peoples..."²⁷

Besides the extension of a US-controlled market, oil, metals, and other raw materials were sought, and the reserves of capital accumulated by the US during the War needed an outlet. A US

Treasury official, White, took up Keynes' idea for a world-wide lending bank - an International Central Bank - to oversee the workings of international finance. It would serve to stabilize prices, buy, hold and sell gold, obligations and securities from participating governments, and to issue notes and deal in a new gold unit.

(This plan was dropped in 1943 after intense opposition from US bankers who saw it as an attempt to circumvent the free enterprise system. Instead they envisaged a strong institution - a conserv-

ative bank guaranteeing private loans - to stabilize exchange rates, control inflation, remove all trade restrictions against US exports, with US bankers controlling the bank. This was to be achieved by allocating control according to member countries' capital contributions to the bank. Because the US was the only unravaged industrial power left, it would provide the major contribution. The US sought five times the voting power of its nearest rival.)

The British under Keynes presented a counterplan in 1941 for an International Clearing Union, with the intention of ensuring postwar reconstruction with stability. The key features were that all countries would have free access to the funds of the bank, and no interference in the borrower's domestic policies would be allowed.

The US plans were all geared to relieving the pressure on the expansionary, surplus-ridden US economy. Throughout the discussions during the War, despite apparent compromises, the US negotiators moved nearer achieving this end. Out of the discussions came an agreement to create an International Monetary Fund in April 1944, which sought the elimination of exchange restrictions and "the observance of accepted rules of international finance."²⁸ The compromise met nearly all the US's conditions. The size of the Fund was set at US \$8.8 billion - Keynes' figure had been US \$26 billion - and interference in the internal affairs of the borrowers was a central theme. The only major concession gained by the British was that after the War a grace period was allowed during which time limited protectionist and expansionist policies were to be operated to ensure recovery by the British economy.

A second feature of the US - UK meetings was the concern with the reconstruction of devastated Europe. Out of the Bretton Woods

Conference, which reviewed and summated the previous meetings, came the World Bank. The World Bank's general objective was to act as a capital fund to ensure "the provision of financial and technical assistance for economic development."²⁹ It was feared that without governmental guarantees the risks for private capital were so great as to inhibit normal investment in Europe. Thus, the new institution was engaged to use its own subscribed funds and mobilised private capital for investment in Europe's reconstruction. From the outset the World Bank's function was to act as a "safe bridge over which private capital could move into the international field. Indeed, it is one of the unique features of the Bank that, although it is an intergovernmental organization, it relies mainly upon private investors for its financial resources."³⁰

The loans provided by the World Bank (the International Bank for Reconstruction and Development, IBRD) were to be limited to high-priority productive projects, and would cover only the foreign-exchange costs of specific projects. Before disbursing a loan the IBRD was required by its constitution to 'note' the economic policies and prospects of the borrower. Credit-worthy countries would then be given loans at below market interest rates - only if capital was unobtainable from other sources - and post-loan monitoring of the recipient's economy was required.

At the Bretton Woods Conference a conflict of interest was evident between members of the US delegation, especially between Treasury officials and US business (particularly the banking community) interests. The major bone of contention arose over the role of the IMF. The large US international banks sought a return to the Gold Standard and the assimilation of the IMF into the IBRD. In

this way, the larger US banks would dominate all other banks and control the new economic/financial order because only these US banks owned large gold deposits.

Treasury officials, sensitive to domestic political pressure, sought international co-operation to ensure stability and ordered growth in trade (in order to appease the smaller banks and labour interests which feared that a financial and trade free-for-all would harm them). After a protracted struggle the Treasury got its way, but with the rider that the US had the power of veto over all IMF decisions. It was hoped by the larger banks that they would retain a large measure of control over the operations of the IMF. In effect, however, the IMF was an organ of the US Treasury, and the IBRD an organ of US big banks.

In 1945 the setting up of the IMF and IBRD was ratified by Congress, on the express condition that the IBRD was not to compete with private capital abroad, but was to play the role of public guarantor, co-ordinator and risk-taker extraordinaire, and rationaliser of international aid, with the aim of developing and assuring private capital throughout the world.

Wall Street controls the IBRD policies to a significant degree, which in the past has been bemoaned by British conservatives who witness the loss of UK supremacy and autonomy in the international arena. This control was achieved indirectly through the IBRD raising most of its money by floating bonds on the US capital markets, and its success is reflected by IBRD bonds receiving the highest credit-worthiness ratings.

Thus, out of the Second World War came a new economic order. The IMF sought international economic stability (under US control) and the IBRD sought the reconstruction and extension of Europe's

productive capacity, using mainly US capital in the interests of US financial institutions and industries (which would provide the basic goods for reconstruction). Stable, ordered, US controlled growth.

The IMF obtained its capital from member-country subscriptions, along quota lines agreed at Bretton Woods, according to the countries' GNP and gold reserves. Twenty-five per cent of the quota (or ten per cent of the value of the country's reserves of gold if this is the lesser figure) was to be paid in gold, and the remainder in the country's own currency. The voting rights are fixed according to the size of the quota. A Board of Governors - one from each member-country - meets to discuss policy, but the Executive Directors retain the power to implement policy and to sanction loans. Of the thirteen Executive Directors, five are appointed by the members with the five largest quotas; one by a country with a surplus balance of payments; and the remaining seven elected by the remaining members. Because the US provides the largest subscription - about 25 per cent - it has the power of veto over all decisions because an 80 per cent majority is required to pass decisions.

The IBRD, established in 1946, has a government similar to that of the IMF. Initially its membership was identical. Originally subscribed to US \$10 billion, only 20 per cent was paid in³¹, of which 2 per cent took the form of gold or US dollars, and 18 per cent in members' currencies. The other 80 per cent was not for lending purposes, but was to be used as a guarantee to private capital in case of default by borrowers on loans arranged by the IBRD between private institutions and borrowing governments. When

the IBRD was set up it possessed only US \$700 million, and because part of the Bretton Woods agreement made the US dollar the international currency, bonds were raised on the capital markets to enable greater loans to be made.

As with the IMF, Executive Directors and Board Members are government officials, responsible to their own governments. To begin with there were twelve Executive Directors - five from the five largest subscribers.³² Voting rights are allocated according to subscription quotas, with the same majority figure required for decisions to be passed. The initial US subscription was 40 per cent of the total, and although this has now dropped to 28 per cent, the US still retains the power of veto.

Presiding over the IBRD is a full-time appointed President, whose term of office lasts for five years. This office is in theory independent from member-country governments, but all the Presidents have been appointed by the US.³³ The Bretton Woods deal allowed for the US to appoint the early Presidents and to veto later ones.

Nissen maintains that the structures of these two bodies reflected the shift of the centre of the financial world from London to the US. The next battle was over where this centre should reside - the US Treasury or Wall Street. In this internal struggle a compromise was agreed upon. The first President of the IBRD was to be a Wall Street Banker - Meyer. His term of office lasted only six months before he resigned over the issue of the corporate structure of the Bank. The IBRD's constitution, giving all power to the Executive Directors, who were responsible not to the President but to their own governments, meant that the President was merely a figurehead, where any decision he made could be overruled by the Directors. Nissen is adamant that the US Executive

Director, Collado, virtually ran the Bank single-handed. He was responsible to the US Treasury, thus the Bank had become an appendage of the US Government. The banking community determined to gain control of the Bank.

In 1947 after several fruitless attempts to bring in a President who would toe the line of the Treasury, and yet who was a banker, a new President was appointed. McCloy, a banker, accepted the post on condition that the President and permanent staff controlled the day-to-day running of the Bank, and that the Executive Directors only laid out medium- and long-term policy objectives. Also, the new US Executive Director, Black, was vice-president of Chase-Manhattan Bank (part of the Rockefeller empire), which effectively gave the banking community control over the IBRD, and relegated the Treasury to observer status.³⁴

McCloy, with Black's support, brought several of his banking associates into key Bank positions, strengthening further the banking community's influence. This reflected and was a reflection of the ascendancy of the banking community in US political circles. The policy of the IBRD staff from this time centred on making the Bank an out-and-out business corporation based on financial practices followed by the major banks, i.e. the term 'Bank' became more important than the concepts of 'Reconstruction and Development'. Policy was directed toward taking the risk from private investment overseas.³⁵

In 1949 Black became President. In 1963 George Woods took over. He was another Rockefeller man - President of the First Boston Corporation, a joint Rockefeller-Mellon venture which underwrites all IBRD debentures in the US. In 1968 McNamara, the first non-banker was appointed President. His previous posts included teacher at Harvard Business School and President of Ford Motor Company. His

work at Ford's was characterised as a new corporatism. He was described as the "dean of the first class of American corporate managers."³⁶ While at Ford's he

"worked to convert the incredibly archaic, helter-skelter operation of old Henry to the new classic corporate style used at General Motors, with its highly accountable decentralised units, the different company operations turned into separate profit-and-loss centers where each executive would be held directly responsible, and where slippage and failure would be quickly spotted."³⁷

"He was liberal on most things, such as civil rights, but on (organised) labor...his views were...hardline because labor kept interfering with his cost-effectiveness and put pressure on the auto industry."³⁸

He was offered the top Government posts in Defence and at the Treasury by the Kennedy Administration, and took the former. It was during his period of office that the debacle of Vietnam unfolded. His methods of operation were characterised by systems analysis. McNamara "the quantifier who had given us the bodycount in Vietnam"³⁹ would "lie, dissemble, not just to the public...but..inside high-level meetings, for the good of the cause."⁴⁰ By 1967 he concluded that the cause - US defence and prosperity in the world - was not being served by the Vietnam War. He publicly opposed President Johnson, so, "without checking with McNamara, Johnson announced in November 1967 that his Secretary of Defense was going to the World Bank."⁴¹

McNamara offered "military-CIA-paramilitary-type answers which can be added, subtracted, multiplied or divided..."⁴²

"He knew nothing about Asia, about poverty...but he knew a great deal about production technology and about exercising bureaucratic power. He was classically a corporate man."⁴³

As the early machinations of Treasury-Wall Street intrigue were reflected in the type of President appointed, so the later

Presidents coincided with changes in Bank strategy and with changes in the relationships between and within the various member-country governments.

Until 1949 World Bank loans went primarily to Europe. Then the Marshall Plan came into operation - suggesting that the IBRD was not achieving the required level of reconstruction in Europe. The advent of the Marshall Plan enabled the Bank to turn its attention toward 'development'. This reflected the concern being shown in the UN for the development of the poorer countries of the world. Since 1947 the IBRD had been a specialised agency within the UNO, functioning as an independent international organisation free from UN interference in its activities and policies. But the contact brought pressure to bear on the Bank to provide aid to the Third World. This demonstrated the interconnectedness of member-governments' foreign policies and the provision of foreign aid through multilateral agencies.

Since its inception the UNO has been concerned with the need to aid the underdeveloped world on favourable terms. Western businessmen were not prepared to invest large amounts of capital, except in specific areas and with very strong guarantees of repayment. Nissen reports that in the immediate postwar years US businessmen were not prepared to invest in the Third World only because of certain major constraints: poor communications, (highways, feeder roads, ports, rail, telecommunications), and the lack of other infrastructure (electric power). The provision of infrastructure has always been seen as unprofitable in itself, yet the construction, operation and maintenance of social and economic infrastructure is necessary to attract investment for other productive activities. The public sector has always been responsible for the provision of infra-

structure, (eg. most of the world's railways have been financed by the state). In the Third World even the state was generally unable to mobilise adequate resources for major infrastructural investment. And also the British and French Governments were moving toward a commitment to decolonisation - under US pressure - and were therefore not prepared to invest vast sums in social and economic infrastructure in their colonies, even if they had been able to afford to do so. The World Bank decided that its resources could be best used to open up this sphere to private investment.

IBRD loans are made on terms which generally reflect the mean market terms for loans. Private loans to African enterprises and governments were usually far in excess of the mean. In consequence, during the 1960's African countries sank deeper and deeper into debt and were obliged to seek short-term, extremely expensive loans and credits. Loans became even more expensive as governments rescheduled or defaulted on their debts and refused to guarantee repayment. The World Bank's offers to provide loans to Third World governments seemed at first like a godsend. However, it became apparent that at this time the Bank was very selective in its lending policy. It remained loyal to its objective of not replacing private lending if the latter were available. Where its effect was most felt was in the sphere of gargantuan infrastructural projects. During the 1950's and 1960's its concern spread over transportation, electric power, telecommunications and irrigation and flood-control projects. But, it loaned only to high-priority projects in countries with economically and technically 'sound' policies.* Who decided what was high-priority and what were sound policies? IBRD staff. Who decided what was

*See Nissen op cit pp53 - 60. Also, World Bank Group: 'Policies and Operations' (Sept. 1974).

meant by the term 'credit-worthy' ? IBRD staff. Credit-worthiness - the favourable treatment of foreign private investors - was an essential feature in the formation of a good Bank opinion of a country. The IBRD continues to follow these prescriptions, showing great concern with

"the manner in which it (the country) is handling its economic affairs and the progress it is making toward achieving its economic and social goals."⁴⁴

The Bank requires full information on the borrower. It seeks "a comprehensive picture of the structure and development prospects of the economy by assessing its agricultural, mineral and human resources, its basic facilities, such as transport and electric power, the quality of its public administration and education, its external trade and payments, and its internal finances."⁴⁵

Considering that there are over one hundred countries which have borrowed money from the IBRD, its knowledge of the economic and political structure of the Third World is very great. The question arises: in whose interest does the IBRD operate ? Clearly, if its concern is to preserve Western capitalist hegemony, the extent of its knowledge is of major strategic importance.

During its early investigations, the Bank found that governments' refusal to guarantee foreign private and corporate investment in the Third World was limiting the activities of private enterprises there. This troubled US business interests, which responded by setting up Congressional hearings in 1951 which recommended the creation of a second branch of the Bank.⁴⁶ This came to fruition in 1956 with the formation of the International Finance Corporation

"to promote private foreign investment by participation (only) in private loans and other investments and, when

private capital was not available on reasonable terms, by supplementing private investment from its own resources."⁴⁷

The IFC provides small sums for infrastructural investment (machinery, buildings, etc.) for industrial development. The IBRD acknowledges that the IFC has been most active in South America, where it has concentrated on manufacturing and processing activities, encouraging private capital to become involved, supposedly bringing with it the transfer of advanced technology and management skills.

In its early years the IFC was prohibited from issuing or investing in equities, and relied for finance on IBRD subsidies. This limited its scope. The demand for IFC loans rose but by 1960 it had overreached itself. It sought and gained from the IBRD, permission to borrow from the Bank four times the IFC's subscribed capital and profits. In 1961 the IFC was given permission to invest in equities in projects with which it was involved. It promoted projects itself and reinforced others. As a result its own capital was invested in equities and more loans were made with IBRD capital. This induced a further growth in its activities. It promoted the investment of risk capital by underwriting or acting as financial stand-by in projects, and so encouraged the spread of share ownership (and risk) of enterprises. It shaped and set up projects favourable to private investors.⁴⁸ The IFC - a more directly interventionist body than the IBRD - is, in Bank terms, a catalyst for foreign capital to ally with local capital in local investment opportunities. For every US dollar invested by the IFC, others invest US \$3.⁴⁹

The creation of the IFC represented one of the multifaceted concerns of the World Bank Group: the creation of a small body of capitalist entrepreneurs in the Third World, allied to and integrated

into the international economy, under the guidance and control of western capitalist enterprises. This is clearly shown in the constitution of the IFC, and from the attempt by the US Treasury to diminish the role played by the IDA and the IBRD in order to expand the operations of the IFC. (See pages 72/3 below.)

The existence of the IBRD and IFC did not alter the fact that many countries were still unable to afford the interest rates demanded for their loans. As market rates rose so did the IBRD/IFC rates. In 1958 the US Senate called for the National Advisory Council on International and Monetary Affairs⁵⁰ to reassess the 1951 Rockefeller Commission's recommendations for the creation of a soft-loan agency.

In 1960 the International Development Association was born as the third branch of the World Bank Group, with US \$1 billion directly subscribed capital, and the promise of future replenishments.

"The timeliness of the formation of the IDA was underlined by the emergence, in the early 1960's of a large number of newly independent countries in Africa, many of which needed finance for development on concessionary terms. These countries were not able to rely to the same extent as before on the financial support of the metropolitan powers with which they had been associated."⁵¹

The cart is here put before the horse. The Cold War was reaching its zenith in the late 1950's; the old colonial powers surrendered their responsibilities for their colonies (that is, the least productive colonies) to the safe-keeping of the 'capitalist powers clubs' - the World Bank Group and the IMF - and through them, the US. This view is supported by Nissen.

India, which had strong ties with the West, faced popular insurrection over domestic economic crises. Funds were urgently needed to postpone the immanent collapse of the social order. The US banking community supported - in fact, initiated - a World Bank Consortium to aid India. The bankers made this move to secure their

existing loans to the subcontinent and to maintain a future foothold.⁵² It was out of this concern that the IDA grew.

IDA credits went initially on power, transport and education projects. The aim being to provide quickly extensive social and physical infrastructure. The credits were set at 50 years with a service charge of 0.75 per cent. In effect the IDA as an institution represents the easing of the debt-servicing problems of favoured recipients.

Its formation clearly represented a fresh approach by the controllers of the World Bank. The early days of the IBRD had envisaged the extension of capitalist forces and relations of production into the Third World. Modernisation drives were attempted through the provision of massive infrastructural projects. They failed to achieve their objectives (i.e. of development) because the underlying philosophy of the IBRD controllers had always held that the development of capitalist enterprises in the Third World must not be allowed to threaten nor come into competition with industries in the West. In short, a vent-for-surplus rather than transformation toward an industrial revolution was achieved. The formation of the IFC demonstrated the Bank's concern with the development of limited capitalist industrial enterprise - to form a buffer group - tied to foreign investment, for the purpose of producing some limited manufactured goods for local consumption.⁵³ These manufacturing enterprises covered such activities as refining local agricultural and mineral products, assembly of imported manufactured goods, manufacture of luxury items (alcohol, cigarettes), and some necessary goods (clothing, furniture).

The lending policies of the IDA and IBRD are the same in that "the Bank's Articles of Agreement require that...loans are used for

the most productive purposes."⁵⁴ This does not appear to have been the guiding principle. Investment in "the most productive purposes" is usually already covered by private or state investment. In fact IBRD and IDA loans have been used in projects which are not at all directly productive. Further, loans often cover technical assistance for the preparation of particular investments and for general sectoral studies. In special circumstances the two agencies (referred to together as the World Bank Group) "may make non-project program loans where they provide the most effective way of helping the development of a member country."⁵⁵

Such a special circumstance may arise where a country presents a development programme "judged to provide a satisfactory basis for external assistance in a given amount,"⁵⁶ but the required resources fail to materialise. "A close working relationship"⁵⁷ between the Bank staff and ministries within the borrowing countries is deemed essential to determine that the 'satisfactory basis' exists, and to ensure that a project or programme provides a satisfactory rate of return - in the Bank's terms.⁵⁷ Bank staff feel that this can best be achieved by themselves taking responsibility for pre-investment and preparation studies. This is achieved through Bank staff seeking discussion with a prospective recipient government - the politicians - and with the business and financial community.

These discussions take two forms. First, through regular meetings between resident Bank staff and local politicians and civil servants. Second, through World Bank Group Missions, wherein development experts including Bank staff, are contracted by the World Bank Group to review the recipient country's economic and social record and prospects. Central to this review is a concern to discover "the ability of the borrowing country to make foreign exchange

available for (debt)service payments."⁵⁸ These Missions assist the local government in the formation of development plans and projects. With this end in mind, the Mission demands the right to examine all government economic papers. Concerning themselves with economic, technical, organisational, operational, managerial and financial aspects of projects and development plans, the Missions recommend remedies for identified failings in the government's operations. Sharkansky and Dresang observe in this context,

"The World Bank is valued not only for its expertise but also for its weight as an ally in intragovernmental politics ...The Bank (is able) to bulldoze opposition, if necessary, from any quarter."⁵⁹

The Missions report to the local governments and to the World Bank Group's headquarters. Executive Directors receive 'Final Reports'. Other uses are also made of these Mission Reports. The World Bank Group organises and chairs many aid-co-ordination groups which are presented with these Reports.

It is the co-ordination of aid which represents an important extension of World Bank Group influence and authority. Co-ordination between the United Nations Organisation and the World Bank group is extensive.

The United Nations Development Programme was set up in 1960, with IBRD assistance, and the interaction has resulted in many joint IBRD/UN agency activities.

A. IBRD/UNDP: The World Bank often produces pre-investment studies, paid for by the UNDP, and then the IBRD finances the actual projects. Where the UNDP produces a pre-investment study the IBRD is often asked to be the executing agency. The IBRD reviews all UNDP pre-investment projects and frequently finances the resultant development programmes.

B. IBRD/UNESCO and FAO: These agencies have been technical partners

of the IBRD since 1964. They provide technical assistance to governments to identify and prepare an index of projects needing finance from the IBRD. These agencies also provide staff for World Bank Group Country Missions - the costs shared 75 per cent by the IBRD, 25 per cent by the agency.

- G. IBRD/WHO: Co-operation on water supply, sewage and population control projects has occurred since 1972.
- D. IBRD/ILO: Co-operation takes place on employment projects.
- E. IBRD/UNIDO: Co-operation takes place on small industrial projects.
- F. IBRD/ITU: Co-operation takes place on telecommunications projects.

The outline of co-operation shows that the World Bank Group has an important function in the UNO. This is reinforced by its position as policy advisor to the UNDP. The President of the Bank Group has a seat on the Economic and Social Council and UNCTAD and is a member of the General Assembly.

Aid co-ordination groups organised by the World Bank Group were initiated in 1958 when interested governments (particularly the US and Britain) and institutions (DAC of OECD, European Investment Bank, European Development Fund of the EEC, Kuwait Fund for Arab Economic Development) joined a consortium to pledge emergency financial assistance to India. In 1960 a similar consortium was set up for Pakistan. The formal pledge of assistance has not been used for other countries - demonstrating the extraordinary importance the industrialised powers placed on preserving stability in the Indian subcontinent.⁶⁰ Since that time the Bank Group has organised consultative groups which co-ordinate aid coming from bilateral commitments between donors and recipient.

By December 1973 the World Bank Group was chairman of 16 aid co-ordination groups - for Columbia, East African Community, Ethiopia, Ghana, India, Korea, Morocco, Nigeria, Pakistan, Peru, Philippines,

Sri Lanka, Sudan, Thailand, Tunisia and Zaire. The Bank Group is also represented on similar bodies for Indonesia and Turkey.

The Bank Group agrees to participate only if specific conditions are met. First, that the country is receiving aid from several sources. Second, that the donors and recipient agree that the Bank Group organises the co-ordination machinery. Third, that it is likely that the Bank Group will provide some of the finance. Finally, that "governmental machinery should be in existence offering reasonable prospects that co-ordination can have constructive results."⁶¹

The Bank Group sees its role as honest broker "to provide information and objective analysis" for donors. Also "it assists the developing country..to assess needs and to use assistance effectively."⁶² "The Bank's approach has been pragmatic."⁶³ This pragmatism has involved the co-financing of projects. Between 1969 - 1973 the Bank Group joined with Sweden 17 times, Canada 15, France 24, US 14, Germany 6, Japan 2, Norway 2, UK 8, on projects. Also it frequently co-financed projects with other aid institutions.

Another key consultative group (established by the Bank Group in 1971) is that for International Agricultural Research (CGIAR). Members include the FAO, UNDP, EEC, Australia, USA, Norway, Sweden, Canada, representatives from Third World governments, the Ford, Rockefeller and Kellogg Foundations, and the various regional Development Banks. This group has brought together into a single co-ordinated body, the cream of the 'Green Revolutionaries', and represents another step toward centralised western capitalist control over agricultural production in the Third World.⁶⁴

The Bank Group and the IMF maintain a close working relationship. Continuous consultation and exchange of staff has resulted in

a high degree of collaboration "with special reference to missions, policy matters, and co-operation at headquarters and in the field,"⁶⁵ which has been embodied in a series of joint memoranda. Payer⁶⁶ has demonstrated the extent of IMF leverage and interference in the internal affairs of borrowing countries - how the IMF's primary concern has been to create conditions favourable to foreign capital -ist control over the domestic economy. This has also been well researched by Hayter.⁶⁷ Her findings include the World Bank Group in this process of leverage and manipulation. Her evidence from Latin America suggests that although the IMF was the prime mover in manipulating local governments' domestic policies, the Bank Group invariably supported the IMF, and whenever possible, attempted to reinforce IMF action. This is hardly surprising considering that the Governors of the IMF are also Governors of the Bank Group.

In the next section of this thesis it will be shown that although a simplistic anti-socialist, pro-capitalist view of the World Bank Group's activities is inadequate, the Bank Group has manipulated, distorted and diverted Tanzania's socialist programme. After all, the Bank Group acknowledges its concern to act as a bridge for private capital.

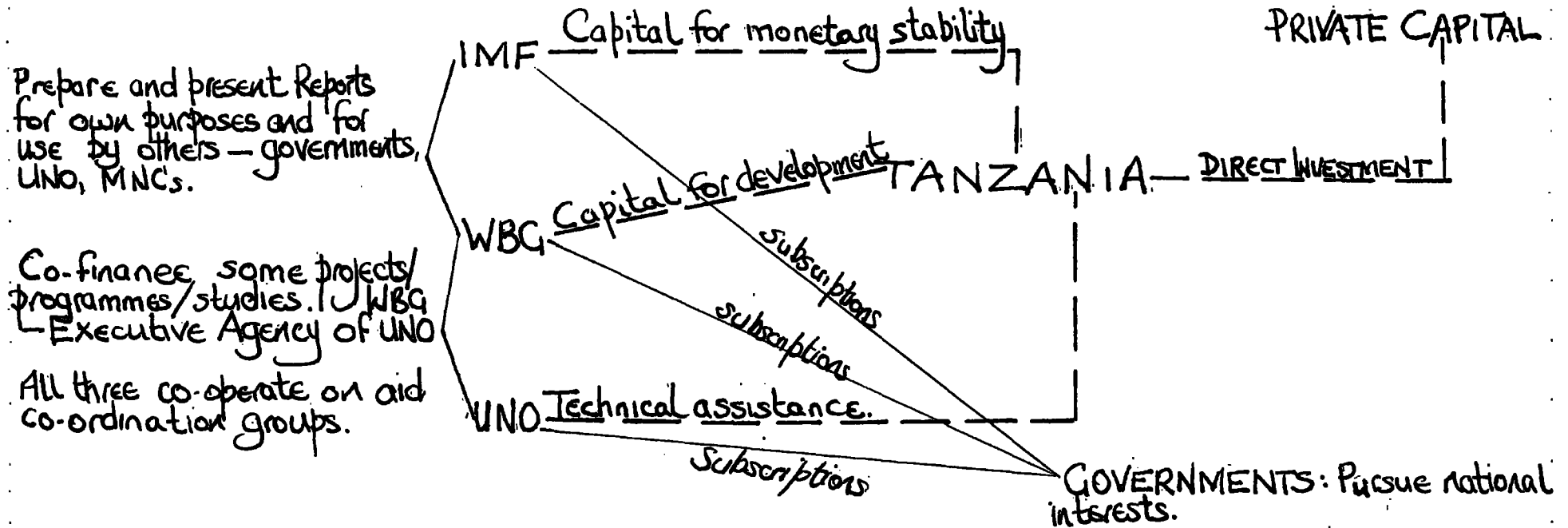
Nissen concludes that the Bank Group has a global strategy:

"The IMF and the World Bank are actively attempting to influence the policies of underdeveloped countries today, just as the United States forced its desires on England in the 1940's. Again the priorities are economic stability, free trade and an 'open door' to foreign investment."⁶⁸

"The Bank is much...interested in the treatment of the private sector of member economies, and almost invariably recommends not only the abolition of fiscal trade barriers and the lowering of tariffs, but also tax policies conducive to private investment, noninterference in the public and private sector,

DIAGRAM I : AN OUTLINE OF SOME OF THE RELATIONSHIPS BETWEEN THE WORLD BANK GROUP, THE IMF, THE UNO AND TANZANIA.

<p>IBRD : Mobilises foreign finance capital for the construction of economic infrastructure. Commercial Loans.</p>	<p>IDA: Mobilises foreign public capital. Assists IBRD when investment in economic and social infrastructure not economically viable. Soft Loans.</p>	<p>IFC : Arranges a marriage between foreign and national private capital for industrial projects. Commercial Loans.</p>
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and the like. This protects the second and third of the American objectives - nondiscrimination against private enterprise and particularly against foreign investment, and assured access of private foreign investors to needed raw materials."⁶⁹

Hence,

"the World Bank is not a 'development' institution; its primary goal is the maintenance of economic stability, a pro-Western outlook in the governments of the underdeveloped countries, and the preservation of the present international trade and investment relations in the capitalist world."⁷⁰

If this is the case, why has the US Government become alarmed at the Bank Group's growth and increasing internationalism? Alan Rake, writing in the Guardian (June 18, 1976), observed that the US Government is now systematically opposing the Bank Group's plans to maintain its rate of growth. The US is becoming increasingly insistent on making its weight felt on almost every day-to-day issue of the Group's operations. This in spite of the US being the major beneficiary of the Bank Group's spending on goods and services. The last year for which the Group released figures on individual countries' loan expenditure receipts was 1963, showing that of the cumulative total of US \$5425.4 million, US \$1884.6 million was spent in the US, which is triple the UK's figure, its nearest rival. Hudson shows that by 1969, the US had a net surplus balance of US \$2608 million with the World Bank Group. In other words, after subscriptions and quotas, etc., the US made US \$2608 million out of the World Bank Group's operations.⁷¹ The underdeveloped countries, and perhaps other donors, have been exporting capital to the US free of charge.

Rake's explanation involves an alleged growing inability of the US Government to use bilateral aid successfully as a tool for political control. The growth of the Bank Group's activities, and its easy access by would-be recipients, has weakened the US's bilateral

hand. In other words, the Bank Group, although heavily influenced by US policy, is not so easily manipulated as normal aid channels. The Bank Group has become increasingly internationalised.

During the Nixon Administration attempts were made to bring the World Bank back under the tight control of the US Government, but McNamara, with the support of international business groups and Third World governments successfully resisted this attempt, and in fact extended Group activity. In response the US Congress, in 1976, refused to authorise even the 40 percent lower-than-usual replenishment for the IDA. A report in The Guardian June 18 1976, by A. Rake, suggests that this partly reflected the apparent freedom of action exercised by the Bank Group. He maintains that US public opinion shifted after 1973 into a more confrontationalist position against the Third World. The effects of the OPEC cartel, and the continuing criticism of the industrialised nations by Third World politicians turned US public opinion against aid-giving. It also gave the Treasury the impetus to make an attempt to regain control of the Group.

Reports in the financial press following the annual WBG/IMF meeting (Financial Times October 6 1976) of 1976 show that conservative interests have partially succeeded in regaining control over the Group's activities. Interest rates have been raised and brought into line with market rates; capital increase has been severely restricted; loan terms shortened; overall making loans credits more difficult to obtain and more expensive. Finally, and most significantly, US Treasury officials have tried to make the IFC the major branch of the Group, i.e. the US is concerned with encouraging small-scale industrial activity requiring the importation of machinery and technology from the West. (This is not their only concern, but it represents a major strand in their thinking.) In essence this means that international corporations are to be even further strengthened in their dealings with

and in the Third World.

The situation is fluid. The Group operates in the interests of private capital and strategic interest of the Western powers, but the US Government has argued that private capital is now able to operate without the help of the IBRD and IDA. The fact remains however, that the Group is still the key organisation for penetrating and directing the economies of many Third World countries. Bank Group loans have always committed local capital to projects. This tying of local resources creates a process of future domestic commitment to running the projects single-handed. If the projects are not self-supporting then clearly the country will suffer continued and spiralling misallocation of resources. Over the years the Bank Group's strategy has changed, but its primary concern has always been to operate in the interests of international capitalist trade.

Operations and Policies of the World Bank Group.

The history of the World Bank Group's lending operations makes clear that changes in the Group's policies have occurred. Particularly, 1968 was a significant year in the Group's history. McNamara became President of the Group and immediately put all his energies and talent into reorganising the Group's structure and thinking. (See pages 57 - 59.) The idea of an international commission to examine the functions of foreign aid and the problems of underdevelopment - the Pearson Commission - was a McNamara brainchild. Also, the new strategy of rural development was initiated in this year.

What is clear from Table I is that the Group's operations have expanded dramatically since 1968. Between the years 1945 - July 1968, IBRD loans cumulatively totalled US \$11,246.9 million. In the next eight years alone, loans worth US \$21,604.5 million were made. The IBRD has moved into the very centre of the foreign aid system. Likewise IDA, established in 1960, experienced a sixfold increase in its credit-giving activities between 1968 - 1976.

Until 1968, the IBRD's priorities can be listed hierarchically as electric power, transportation, industry and agriculture. The projects here were usually macro-scale attempts to provide infrastructure and industrial foundations, at the time deemed necessary for future development. The IDA also followed this pattern except with regard to electric power credits which were not an important feature of IDA activities.

In monetary terms agriculture has become the most important sector for World Bank Group activity. Since 1968, some US \$6,800

Table I: IBRD and IDA Lending Operations by Major Purpose -
Cumulative Totals in US \$ millions.

	IDA		IBRD		BOTH	
	1968	1976	1968	1976	1968	1976
Agriculture	310.6	2974.0	942.3	5142.3	1252.9	8116.3
DFC's	39.7	276.2	664.7	3261.8	704.4	3548.0
Education	127.1	569.0	34.9	1013.8	162.0	1582.8
Electricity	122.2	782.1	3826.4	7670.4	3948.6	8452.5
Industry :	461.4	478.9	1117.8	2952.2	1579.2	3421.1
of which:						
Mining	-	2.5	197.1	566.1	197.1	568.6
Iron/Steel	-	-	414.3	844.0	414.3	844.0
Fertilizer/ Chemicals	-	423.4	112.0	563.0	112.0	986.4
Transport	617.0	2078.9	3639.1	8712.8	4256.1	10791.7
Telecomms.	74.8	470.0	144.1	794.2	218.9	1264.2
Water	34.0	291.2	74.2	1081.6	108.2	1372.8
			<u>1968</u>		<u>1976</u>	
Total IDA credits (Cumulative)			1788.4		10090.1	
Total IBRD loans		"	<u>11246.9</u>		<u>32851.5</u>	
Total Operations		"	<u>13035.3</u>		<u>42941.5</u>	

Source: Figures taken from 1968, 1969 and 1976 World Bank Annual Reports.

million has been loaned in this sphere. Transportation has remained another major interest, as has electric power. Industry has been relatively less favoured than other spheres, but the increased attraction of DFC's (Development Finance Companies) to Bank Group staff makes direct comparison difficult because much of the finance made available by the World Bank Group-inspired DFC's is specifically intended for small-scale activity.

In terms of relative increases (see Table 2) over the periods 1945 - 1968 (for the IBRD) and 1960 - 1968 (for the IDA), water

Table 2: Simplified Table showing amount (rounded) of cumulative lending between 1968 - 1976, and increase (as multiple) over lending between 1945 - 1968 (for IBRD) and 1960 - 1968 (for IDA).

US \$ millions.

	IDA	Increase Rate	IBRD	Increase Rate:	Both	Increase Rate
Agriculture	2600	X10	4200	X 5	6800	X 6
DFC's	240	X 7	2500	X 5	2940	X 5
Education	440	X 4	1000	X30	1440	X10
Electricity	660	X 6	3900	X 2	4500	X 2.5
Industry	18	Zero	1700	X 2	1700	X 2
Transport	1450	X 3	5000	X 2	6450	X 2
Telecomms.	400	X 6	680	X 6	1200	X 6
Water	260	X 9	1000	X15	1260	X12

systems, education, telecommunications and agriculture have been areas of major growth. IBRD lending for educational projects has expanded thirty-fold compared to the earlier period, and for water provision, fifteen-fold. IDA credits for agriculture have shown a ten-fold increase, and water supply a nine-fold increase.

The Tables do not provide a clear picture of the type of agriculture, industry, education etc. projects being financed. The motivation behind the expansion of these areas is easier to ascertain. We have already shown that the Bank Group's general perspective favours the extension and expansion of world trade, and of the activities of private enterprise. This perspective is reflected in the spheres in which the Group is active, in the types of projects constructed with the Group's aid, and in the functions of the Group's lending.

The example of Tanzania demonstrates that the agricultural sector has 'benefited' most from the Group's activity, and most other project loans (for education, transport, water supply and

industry) have been geared toward facilitating increased productivity in agriculture. The types of agricultural systems encouraged by the Group reflect its philosophy on the nature of development.

Individual member-countries of the Bank Group have their own views on the uses to which foreign aid ought to be put. The major industrialised countries control the Bank Group (with the US dominant) through their majority holding of voting rights and their power to appoint some of the Executive Directors. Bank Group staff also have some influence over policy and operations. Those at the Washington headquarters are responsible for the execution of the general policies and outlines agreed between the Executive Directors. Bank staff in the field are responsible to regional and central headquarters for research, monitoring and carrying out the specific projects and policies agreed in Washington. This system is not so compartmentalised as appears here. The staff see themselves as being the real experts, and a channel of information exists between staff working in the field, headquarters and the Executive Directors, ie. the flow of information and pressure is two-way. Staff have on occasion opposed the wishes and directives of the Executive Directors, and it is certain that in the past, the army of academics and technical experts working for the Bank Group have been able to convince the Executive Directors of the correctness of staff actions.⁷² This assumes a gap between staff thinking and Executive Directors' thinking. In recent years the US Government has attempted to limit the activities of the Bank Group, and has sought to harden the terms of aid given, but this does not demonstrate a fundamental ideological split. It demonstrates merely that the institutionalisation of the Bank Group has meant that staff have a vested interest in

maintaining its level of activity. The size of Bank Group activity and the influence of the staff has involved a degree of internationalisation, giving the Group an organisational logic of its own. Many of the staff are from the Third World, and an ideology of 'globalism' does exist within the Group. However, the divisions between staff and Executive Directors are superficial.

World Bank Group staff, especially in the higher echelons are fully committed to a capitalist ideology. At the very top staff are power strategists. McNamara's appointment has been viewed as "an extension of his authority as principal strategist of Pax Americana from national to world scope...He was now able to lay down explicit social-policy conditions to be adopted by all applicants for World Bank loans."⁷³

Obviously one man does not make the Group, but McNamara is supported by his political allies in the US, by many Third World Governments who need his support to obtain loans, and by the MNC's which benefit from Bank Group spending.

His appointment reflected a realisation that a new strategy for maintaining Western influence in the Third World was required. The new strategy is reflected in the earlier Tables - increased Group activity, both geographically and financially. However, the new strategy found its ideological feet through the Pearson Commission.

The Pearson Commission

At the beginning of his period of office McNamara called for a wide-ranging UN Commission on Development. The Report of the Commission on International Development was published in 1969 under the title of Partners In Development, authored by the Commission's chairman, L. Pearson.

The theoretical foundations of the Commission's approach were

essentially Rostowian. Thus, according to the Commission, the 'developing'⁷⁴ countries have yet to reach the point of 'take-off' into self-sustained growth. This will be achieved only with the advent of a technological revolution in these countries. Unfortunately, they do not have the resources to initiate this revolution, therefore, a transfer of resources from the richer countries, combined with great national effort is required to boost their economies into a position where take-off can occur.

The Commission provides figures showing that 2 per cent of the total income of developing countries was provided by foreign aid, but that it represented 10 per cent of total investment there. Twenty per cent of all imports were aid-financed (usually capital goods, food and raw materials).⁷⁵ "Except for oil-exporting countries, all fast growers have had substantial inflows of foreign resources."⁷⁶ In this model, overall policies ensuring greater national efficiency of resources are required. On an international level, mutuality and respect between donors and recipients - somehow ensuring stability and continuity - will be required along with the provision of greater funds.

The purpose of aid is, by this reckoning, to decrease inequalities and disparities in per capita national incomes by helping the poorer 'move forward'. Primarily, the Commission's overt reasoning for this concern with the development of the underdeveloped world is a moral concern for the less fortunate members of the 'Community of Nations'. The secondary reason is that enlightened self-interest is viewed as a valid basis for international relations.

"If the developed nations wish to preserve their own position ...in the world, they must play their full part in creating a world order within which all nations, and all men, can live in freedom, dignity and decency."⁷⁷

This argument encapsulates the view that 'trade follows aid', and that greater contact between nations lessens the threat of international conflict. Thirdly, the Commission argues that development is part of the process of independence sought by former colonies. Foreign aid is identified as one of the methods of achieving this goal.

"Can the majority of the developing countries achieve self-sustaining growth by the end of the century? For us the answer is clearly Yes."⁷⁸

Like Myrdal, the Commission saw a crisis in the foreign aid system. Official development assistance had risen between 1956 - 1961 from US \$3.3 billion to US \$5.2 billion; more slowly between 1961 - 1967 from US \$5.2 billion to US \$6.6 billion; and then declined in 1968 to US \$6.4 billion.⁷⁹ However, private investment and commercial lending had increased, especially in extractive industries and in particular to rapidly developing countries such as Brazil and Mexico. The poorest relied on foreign aid.

Despite the poorest relying on foreign aid, the terms on which it was made available had hardened, with 84 per cent of aid in 1967 tied to donors' exports - which effectively reduces "the real value of aid by at least 20 per cent".⁸⁰ Further, the decline in amount of official aid, its growing cost, the difficulty in obtaining aid, were heightened by the effects of inflation.

The explanation offered for the failure of the so-called 'development impetus' to be continued during the late 1960's is situated firmly in the unwillingness of the donors and recipients to co-operate. Political attitudes in the donor countries had been adversely affected by the failure of 'instant' development; by the use of aid for short-term political favours, for strategic advantage, and for providing cushioned, guaranteed markets for donors' exports.

The arguments offered for strategic foreign aid were weakened by the events of the Vietnam War, which spilled over into an attack on all forms of foreign aid. The vast sums of military and financial resources pumped into Vietnam were classed as aid. In fact 20 per cent of US foreign aid was going into Vietnam during the late 1960's. The arguments held true of other aid donors also. In essence, cynicism pervaded the relationships between donors and recipients, reinforced by misappropriation of funds by recipients' leaders and bureaucrats.

(The cynicism had a sound grounding in fact. Myrdal cites Gaud - President Johnson's Administrator of the US Agency for International Development:

"The biggest misconception about the foreign aid program is that we send money abroad. We don't. Foreign aid consists of American equipment, raw materials, expert services, and food - all provided for specific development projects which we ourselves review and approve...93 per cent of AID funds are spent directly in the US to pay for these things."⁸¹)

Other reasons are offered as explanation for the failure of the Development Decade also.

"There has...been a lessening of support for genuine development aid, in part at least due to the increasing complexity and seriousness of domestic (US) problems - the deepening commitments to abolish poverty and deal with such questions as civil rights, economic discrimination, and urban and environmental problems."⁸²

Further,

"It is not only among the developed countries that the climate has deteriorated. On the developing side too there are signs of frustration and impatience...There is a sense of disillusion about the very nature of the aid relationship."⁸³

According to the Commission, the blame could be laid at the door of the recipients, although their too-high expectations were changing into a more realistic approach.

"The developing countries have...come to recognise that their economic policies must look outward and strive for competitive strength; that agricultural growth is indispensable in order to raise levels of living for...their populations and to provide markets for their growing industries. The most cumbersome controls have been relaxed, and much more attention is paid to the mobilisation and allocation of resources through incentives to individual effort."⁸⁴

Perhaps this represents the clearest ideological expression of the Commission's approach. Development here means the development of free enterprise, a capitalist market economy. (Byre's excellent critique of the Commission makes the point that Imperialism had Kipling as its bard, and neo-colonialism has the Pearson Commission to provide an ideological tract on its behalf.⁸⁵) Nowhere in the Report is mention made of the mechanisms by which the world market operates, nor of the relationships of unequal exchange, nor of the power relationships between the MNC's and Third World countries. The concept of leverage appears not to exist.

Further evidence of the Commission's ideological setting is apparent in the recommendations for future strategy. These recommendations were recommendations to the World Bank Group, and particularly to the Executive Directors. The Bank Group set up the Commission to canvass the opinions of the capitalist world's leading development theorists. It was always borne in mind that the Group would initiate the policies recommended. Hence, the recommendations for future strategy were to condition future Bank Group activities.

An increase in the level of world trade was the primary recommendation. Trade needed to be freed by abolishing import taxes - which hold down consumption levels in the Third World - removal of tariff preferences against goods from the Third World, encourage-

ment of regional trade, increases in the export of manufactured goods from the Third World. These objectives were to be achieved by negotiation. No other offering was given in explanation.

A second major feature of the recommendations concerned the promotion of private investment. Foreign private investment and investors must be 'better treated', and a better 'investment climate' created based on 'favourable' industrial and financial policies - namely, reduction in taxation and dismantling of protection systems. What is really being called for here is that the state in Third World countries ensure that foreign investors are given a free hand in appropriating surpluses. In line with this, foreign aid is again seen as a prerequisite for private investment.

Increased volumes of aid were encouraged⁸⁶ with the proviso that the donors administered aid more stringently. The system recommended for restructuring the aid system was the further development of the multilateral aid system! For the Commission, only this system could ensure unbiased leadership - under the co-ordinating and guiding auspices of the World Bank Group - with an international corps of personnel dedicated to development free from parochial interest.

The Pearson Report set the stage for future Bank Group thinking. The changes in Group policies and operations reflected the determination of McNamara to bring to this organisation his known talent for corporate reform and modern technology. The Pearson Report gave the Group direction for its future activities. Its expanded operations reflect the reforms initiated by McNamara and the direction given it by the Commission.

Although general characteristics are discernible in the policies and operations of the Bank Group, various forces are in contention within the Group, and from without. (Those under greatest pressure are staff in the field, where parochial interests are likely to register as large as overall Group interests. It is partly for this reason that staff are moved from one area to another regularly - about every two or three years.) Changes in strategy and policy are not simply mechanical adjustments by the five powers which control the Group (US, UK, FRG, France and Japan). Changes are the result of a dynamic caused by necessary adjustments/compromises within the Group and with donors and recipients.

Hence, given the strategy and policy outlines laid out in the Pearson Commission, and the compromises resulting from interaction between the various actors, a simplistic approach to the policies and operations of the Group is inadequate. Perhaps a satisfactory starting point would be to examine the Group's own explanations for changes in its activities.

"As newly independent countries joined the Bank and IDA, and rapid rates of population growth put increasing pressure on the world's...resources,..the requirements of such sectors as agriculture, education and industrialization, were recognized by the Bank and IDA to be crucial to social and economic progress."⁸⁷

Toward this end,

"Great emphasis was..placed by the Bank on technical assistance to help developing countries in formulating effective policies..., identifying and preparing projects, establishing appropriate development institutions and in other complex tasks."⁸⁸

This 'new' impetus was well thought out. A recomposition and revamping of Bank Group activities could serve the purpose of outflanking criticism and opposition to bilateral aid, could show the

the Third World that the rich nations were preparing to make a concerted effort to aid their development, and could serve to bring a degree of stability to Third World countries facing domestic political unrest.

The Bank Group is not shortsighted. Particularly after 1968 attempts were made to envisage development progress over a long time span. The Group's first Five Year Plan (1968), sought to "assist the poorest and 'least developed' member countries".⁸⁹ Thus, "steps were taken to improve the qualitative impact of institutions' activities... (o)perations greatly increased in the areas of agriculture and education, and much more attention was paid to the social aspects of economic development, including population growth, employment,... (Also) the pattern of lending for urbanization projects was changed...to new concepts for relieving urban pressures."⁹⁰

The new trends covered:

"Agriculture. The emphasis...shifted from infrastructure (large dams and irrigation works) toward providing increased inputs of use to the individual farmer (farm credit, technical services, storage facilities, seeds, fertilizer, and pesticides), toward smallholder development..."⁹¹

Education. Curricula development envisaged greater use of non-formal teaching methods, and the relating of subject matter to local (agricultural) needs.

"Industrialization. A new dimension has been added to the Bank's work in...heavy industry (mining, steel, fertilizer, pulp and paper). Projects are planned in such a way that they will...be in line with industrial developments in the outside world. Also, a new emphasis has been placed on labor-intensive small-scale industrial enterprises and others that are primarily export-oriented."⁹²

Population planning (ie control) was to be fully encouraged.

Urbanisation was recognised as an area of great significance.

"The endless stream of homeless and jobless immigrants from

the countryside to the cities made it necessary to seek out new ways of dealing with urbanisation problems...The object is to help the urban poor to help themselves in building and improving their homes."⁹³

What these new trends really signify is that an important new dimension had been added to Bank Group thinking. Still the concern was with increasing productivity and production and thereby maintaining and extending world trade - a favourite Bank Group concern. Now added to this concern was a view to solve some of the problems of unemployment in the Third World. Rather than large-scale farms and industrial projects, labour-intensive projects were encouraged. It was hoped that such projects would curb the flood of migrants to the cities.

More significantly still, labour-intensive agriculture as came to be practiced in Bank Group projects meant export crop agriculture. Export crop production of a particular type. The costs of reproduction of labour are forced onto the subsistence sector, ie the crops are produced by peasant farmers; or by estate workers; or by organising smallholder production on large settlement schemes, thereby facilitating economies of scale for production whilst not breaking the peasant producers free from the shackles of pre-capitalist relations of production. This strategy has been experimented with in Tanzania.

"The Bank is now the largest single external source of funds for direct investment in agriculture in developing countries ... (There has been) a deliberate shift in the Bank's policy over the last five years (1969-1974, CJ) that has been reflected in changes in the lending program...The share of agriculture has increased from 6% of total Bank lending in fiscal 1948 - 60 to 16% in fiscal 1971 - 72 and 24% in fiscal 1973 - 4."⁹⁴

In the Bank Group's own words,

"the Bank's changing philosophy on agricultural development has resulted in:...poverty-oriented projects..getting an increasing share;...and projected net output increases well above the 5% target suggested by the President (McNamara in Nairobi, Sept.1973):"⁹⁵

The concern with agricultural development is encompassed in the catch-phrase, rural development.

"Rural development is a strategy designed to improve the economic and social life of a specific group of people - the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas."⁹⁶

The strategy requires, in part, the "transfer of people out of low productivity agriculture into more rewarding pursuits."⁹⁷

"The Bank's present approach to rural development has a sound economic basis...The problems of poverty in rural areas cannot, of course, be solved in the rural areas alone; a dynamic, expanding, non-agricultural sector is essential for providing employment opportunities for an increasing population... (i)ncreasing the on-farm productivity of small-holders remains a central...element in the Bank's lending program in the rural sector."⁹⁸

This concern with shifting some of the rural poor from agriculture to other activities is not contradictory to the theme of encouraging small-scale farms because in many areas land scarcity is already a problem, so a need for other employment opportunities is necessary. However, the theme stressed most often is that of increased productivity and increased production in the agricultural sector.

Although the strategy is concerned "with the modernization and monetization of rural society, and with its transition from traditional isolation to integration with the national economy"⁹⁹, the real concern is with more intense integration of pre-capitalist relations of production within an overall capitalist market.

The Bank Group identifies what it considers to be the critical

problem - the land:man ratio has been steadily worsening despite increasing migration from the land. Because of this it is argued that greater output must come through increased productivity per acre. This can be achieved through the provision of capital and new technologies to introduce more modern agricultural systems, within the existing relations of production.

"The new seed-fertilizer-water technology for wheat, rice and maize provides the first major opportunity for extending science-based agriculture to low-income, small-scale producers of traditional crops."^{I00}

An essential ingredient for the successful use of these new varieties is heavy application of fertilizers allied to carefully-controlled irrigation. Success is therefore, dependent on certain organisational conditions.

"The planning and implementation of rural development programs involve adequate regional planning, strong central co-ordination, effective local level organisation and the participation of the rural people in planning and implementation processes."^{I01}

The World Bank Group here recommends strong central co-ordination, recognising that the role of the state is crucial. It (the Group) will provide the initial capital required to organise the setting up of the machinery; it will also train the staff to run it; it will provide credit to the state to disburse to the farmers. The state's role is to mobilise the population. It is suggested that a super-office be established to co-ordinate national efforts in this area.^{I02} This appears to represent even the transcendence of the state. Instead, the super-office would direct the state on the policies it must follow. At the same time local level co-ordination - allowing for multisectoral programmes - is encouraged "through a substantial increase in decentralization."^{I03}

At this level, co-operatives are recommended because they ensure local participation and enable economies of scale to be made in the provision of services, and in marketing; and, they ensure that responsibility for credit etc. is based communally. Thus, the rhetoric of local producer-control is soon exposed as a hollow sham:

"Training facilities are needed to prepare full-time staff, and to improve the effectiveness of community leaders, school teachers, religious leaders and other agents of change."¹⁰⁴

Herein the producers - the peasants - are not recognised as initiators of change: they need leaders to change them. The Group's thinking here suggests that those already in positions of authority are interested in altering the status quo. The evidence from Tanzania (see Part Two) suggests that where local elites are 'given' a responsibility for initiating transformationist reforms, they frequently distort the direction of change to enhance their own position.

The picture being built up by the Group's literature is that of a 'global village', with the Third World producing export crops for use in the First World. The World Bank Group as the co-ordinator and operator of the machinery of manipulation brings upon itself power and influence not experienced since the days of Empire. The super-offices directing development in the Third World countries, occupied by Bank Group-trained staff, financed with Bank Group funds, will be responsible not to the local government but to the Group's Headquarters.

The Group has shown itself to be concerned with maintaining political and social stability. Even reforms (eg. land reform) recommended by the Group have never been transformational. Feeding a starving population and expanding the market economy have served

in the short-term to preserve this "stability with growth."^{I05}

"Recognizing the high priority of food production, the Bank looks upon the need to reduce poverty in rural areas and to increase food production as twin goals. (This may necessitate)...lending...for large-scale farmers when it is necessary to raise their production in order to increase domestic food supplies and/or contribute to exports."^{I06}

Three major programme designs are envisaged to make use of loans and credits for Group agricultural projects. First, a minimum package approach, where only a single basic item - eg seed - is provided. Second, a comprehensive approach, in the form of nationally integrated programmes or country-area development schemes (eg. wheat in Egypt). Third, sector/special programmes such as education or public works to aid development of the agricultural sector.

Unfortunately,

"little is known of the extent of farmers' needs for institutional credit, of the uses to which borrowed funds are put, or...of the impact of credit on output and productivity."^{I07}

Yet, at the same time the purpose of credit is clear.

"Credit is often the key element in the modernization of agriculture. Not only can the credit remove a financial restraint, but it may accelerate the adoption of new technologies. Credit facilities are also an integral part of the process of commercialization of the rural economy."^{I08}

For a producer to receive credit:

"The World Bank has consistently emphasised that the repayment capacity of a borrower should be determined by appraising the productive capacity of his holding, and that this should substitute as the essential criterion for securing loan decisions."^{I09}

This policy of 'giving most to those who already have' is reinforced by the method of evaluating the borrower's ability to repay the loan and interest rate.

"In strictly economic terms,...interest rates in agriculture

...should cover the costs of capital and...of associated services. (Then), the interest rate would represent the cost of making capital available, thus facilitating the allocation of capital in line with its most effective use. An interest rate to cover the cost of capital would include:

1. The opportunity cost of capital...
2. The costs of administering credit...
3. The costs of risks and defaults...

In sum, total real costs for an efficient institution could be between 15% and 22%....Costs of lending to small farmers ...may well be higher."^{II0}

"Insofar as the World Bank is concerned, it expects to work toward a long-run objective of positive interest rates which reflect the costs of lending."^{III}

These statements beg many questions, not least of which is, how is a poor peasant farmer - the person supposedly in whose interests these loans are made - to afford such exorbitant interest rates? Second, the Bank Group has generally made profits, so its cost of lending is small indeed. These statements clearly indicate the Group's concern with aiding the richer farmers. Where aid is to go to the poorest farmers, the co-operatives are to be used - wherein any individual default has to be paid by the whole community.

The Bank Group informs us that "to encourage better behaviour patterns"^{II2} lenders (the Governments to whom loans are made) must have greater control and supervision over the producers. This will be achieved through "special crop and project authorities"^{II3} providing supervision and advice.

"An important qualification might be that such credit should not only relate to the needs of producing the cash crop, but also to the subsistence crops grown for the farmers' own use. Repayments for both would be deducted from the cash crop proceeds."^{II4}

The two strands of World Bank Group thinking on agricultural prod-

uction are manifested here. Under the super-office monitoring general development come special crop authorities controlling production. Then, credit is provided to encourage export crop production and subsistence production, the cost of which is taken from the cash crop proceeds. At 22 per cent interest rate, it is difficult to imagine the farmer getting anything for the cash crops he produces. The aim is the production of cash crops from a subsistence crop base. Yet, the Bank Group is still not satisfied.

"The World Bank will encourage governments to develop systems of lending through co-operatives and/or groups of small farmers....At the same time, it should be recognised that co-operatives perform poorly in most developing countries and ways need to be found to strengthen them."^{II5}

"The Bank will continue to support special project authorities,...as instruments to draw farmers from subsistence to commercial agriculture. At the same time the Bank will encourage the development of apex institutions which can promote, oversee and service such enclaves within national programs."^{II6}

Toward this end the Bank Group envisages lending, between 1975-79, US \$7000 million for projects, costing an estimated US \$15000 million, of which half will go directly for agriculture and half for general rural development. However,

"a great number of low-income persons in rural areas...will seldom benefit from them...They will have to be aided by other means."^{II7}

Cleaver, commenting on the Green Revolution, of which post-1968 World Bank Group agricultural policy forms an integral part, reveals that

"the Green Revolution has been paid for and staffed by some of the major elite institutions of the American ruling class. The goals of this agricultural strategy based on a new technology are to increase social stability, spread capitalist

markets into rural areas and create new sales and investment opportunities for multinational agribusiness. So far the Green Revolution has been successful in raising food output in only a few countries. The immediate pay-offs in terms of increased corporate investment and sales have also not been as great as hoped. On the other hand new technology has been partially successful, and there have been sizable increases in food production in a few of the largest and most important of the Third World countries."¹¹⁸

The Green Revolution and Bank Group strategy are based on 'building on the best'. Pakistan, Mexico and Bangladesh are cited as good examples of growing disparities between rich and poor farmers, exacerbated by the credit and crop systems encouraged by the Bank Group. The overall outlook points to a considerable rise in rural unemployment, especially where mechanisation proceeds rapidly to make the most of new techniques and credit facilities. Rural unemployed migrating to towns to be unemployed lumpenproletariat may suit the interests of MNC's ready to capitalise on cheap labour, but it creates political and social instability.

"This is part of the specter that has produced urgent rounds of discussion of land reform and mechanization policy among ...planners of the Green Revolution. Sharply differing points of view are currently generating a heated debate...On one side are those who think that nothing can really be done to slow down the trends in land tenure and mechanization, even if it were desirable. Mechanization...is helping increase production, which is the primary aim of the Green Revolution. Land reform is impractical because the landed elite still hold too much power and can block any effective legislation. Whatever problems of unemployment may exist should be dealt with in separate programs like rural public works. On the other side are the reformists...Mechanization still has a long way to go, ...and most labor-displacing equipment is imported and could be blocked by prohibitive tariff duties or local taxes which would equalize private and social costs. (Worries about the

mechanization problem are leading some of the economists working on the problem to...damn the funding agencies which go on financing equipment imports, and the 'production is our business' attitude of international agribusiness when they are reproached for selling labor-displacing equipment.) Land reform must also be achieved because, even with the development of rural workshops (to make tubewell pumps and equipment geared to bullock power) and public works, there simply will not be enough jobs.

....One indicator of the seriousness with which the ruling class is listening to the debate is the large amount of new money now being poured into pertinent research by the foundations, AID, the OECD, the UN, and the World Bank."^{II9}

The World Bank Group appears to have found a partial solution in its agricultural strategy experiments in Tanzania. Large-scale 'development villages' acting as centres for the provision of services and credits, and ensuring economies of scale in marketing, collection and distribution of export crops have been created. Also the further extension of the system whereby the production of export crops is made and kept cheap by the cost of reproduction of labour being retained within the subsistence sector has eased some of these problems. Mechanisation is not an issue in Tanzania, labour-intensive production avoids the issue of surplus labour.

The history of World Bank Group involvement in Tanzania is one of manipulation and leverage. Whenever Tanzania has made attempts to break the dependency it has on the Group, the Group has always been in a position to take over control again within a short space of time.

The World Bank Group and Tanzania.

Introduction

"Aidan Foster-Carter....argue(s), with uncomfortable plausibility, that the portrayal of Tanzania as a country making the 'transition to socialism' is and always has been a myth, and that the reality is that it is one of the last of an old line of populist regimes, stretching from Sukarno through Nkrumah, and one whose days are also numbered."^I

THIS section looks in detail at the evolution of the present structures and processes of the Tanzanian political economy. Those structures of the Tanzanian political economy which the international capitalist system has created and/or directed, penetrated and integrated are outlined and analysed. The World Bank Group has come to play an increasingly important role in the country's political economy and this is one of the key features of the recent history of the country.

Several themes will be presented: Tanzanian class structures and the nature of the productive forces; socialist construction; the nature of the Tanzanian state and its 'freedom' from the international bourgeoisie.

Tanzania's political leaders frequently state that the country's interrelated goals of Freedom, Self-Reliance and Development can only be achieved through socialist construction of the underdeveloped dis-integrated economy and society. This section is above all an attempt to analyse and evaluate the Tanzanian experience.

"A new note of 'undisguised bias among many (of the Bank's)

top officials toward the more daring attempts in Africa at rural and industrial development' has been detected..... Tanzania received a \$310 million loan for resettling millions of peasants in planned villages and according to...(a Bank) official, 'an awful lot of things the Bank hopes to be doing in the future are now being done in Tanzania!'"²

Tanzania is one of the testing grounds for the World Bank Group's future development strategy. This becomes clear from an examination of the World Bank Group Mission Reports examined in this section. That the Tanzanian state is prepared to participate is a reflection of its own ambivalence and uncertainty over what constitutes socialist development. The Bank Group is prepared to provide relatively cheap long-term capital loans. The Tanzanian leadership believes it needs such capital. From a careful breakdown of World Bank Annual Reports from 1954 to 1976, it is evident that total Group loans and credits have reached US \$350.2 million for Tanzania, and US \$244.8 million for the East African Community (a third of which is reckoned to accrue to Tanzania). Over this period Tanzania received US \$139.1 million from the Group for rural and agricultural development.

Wherever the Bank Group has a large interest in a country it often sets up a regional headquarters. Tanzania is a country which ranks high on loans and credits from the Group, so a permanent Mission has been established in Dar-es-Salaam to monitor Group-financed projects, and to advise the Government on economic policies. Permanent Bank Group staff perform these tasks and help to produce in-depth studies for the Bank's use in the preparation of future strategy. However, the Group also sends regular Missions to its borrowers to evaluate the progress of economic development. These Missions are made up of academics and Group staff. After a short period discussing general issues with the resident Bank Group staff, the Mission proceeds to produce a report on the country. Usually, they visit various locations and hold discussions with local

interested groups. The evidence collected is then compared and contrasted with official Government documents and plans.

On completion of the Mission's visit various reports are presented. Before any report is presented a general meeting is called representing the Mission, the resident Group staff and the local Government. The Mission's findings are discussed and agreement reached on the final content of the reports. At this stage future Group strategy is also discussed, but actual changes are not yet instigated. All major decisions are made in Washington, by the Board of Executive Directors and the Policy Department. This involves complex procedures of negotiation between national representatives and the Group's policy-makers, the results of which have to be accepted by the Group's President and the Board of Governors.

Three World Bank Group Missions have reported on Tanzania: 1960, 1970 and 1974. In particular, the last two Mission Reports are discussed in this section. The 1970 Mission Report covers the years 1964-1968/9, and attempts to evaluate the progress - or more properly, the lack of progress - made during the period of Tanzania's First Five Year Plan. It identifies the key sectors of the economy and proposes specific changes in policy for the Second Five Year Plan, 1969-1974. Also it outlines the general type of development projects it finds suitable for Tanzania.

The 1974 Mission Report takes a more interventionist stance, largely because the Second Five Year Plan failed to achieve any of its major targets. The Tanzanian planners, and the 1970 Mission Report, had failed to predict actual development trends. They had miscalculated on almost every issue. In particular, the Ujamaa Programme had failed to bring about an increase in the production of export crops. The Programme was abandoned. This Mission Report accords the Government's shift

toward the development of individual smallholder production in specially-created villages, much praise. By 1974 socialist construction had been dropped and proto-capitalist production encouraged.

These Mission Reports are made in collaboration with the Tanzanian Government, hence their analyses carry much weight. To argue, however, that Tanzania is a pawn in the hands of the World Bank Group is to overstate the case. The evidence suggests a full measure of mutuality. Two interviewees - both of whom have worked for the Tanzanian Government³ and one for the World Bank Group - stressed this aspect. The Bank Group prefers persuasion to bullying. Thus, the ideological orientation of the Tanzanian policy-makers is of crucial import.

This raises another issue. Is it possible for an underdeveloped country to break its dependency and integration with the metropolitan capitalists? How much freedom of action does such a country have in directing its economy? The state mediates this dependency relationship; what powers does it have, and does it wish to break with the capitalist powers?

It is for this reason that the content of the World Bank Group Mission Reports will be outlined in such detail. They are a clear exposition of Group thinking on Tanzania. Their concern with, and identification of, key trends (in their terms) at least partly reflects the concerns and thinking of the Tanzanian policy-makers and administrators. The activities of the national policy-makers and administrators will also be exposed in detail.

A general concern, in the Bank Group and in the Tanzanian camp, is the problem of how to increase the production of export crops. The Bank Group is not primarily concerned with social issues. Its function is, in this instance, to produce technical reports, advice and finance, leaving the 'social' side of development to the local Government. More

clearly, the Bank Group has produced in the Reports, what it considers to be, objective analyses of Tanzania's economy. This 'technical' product shows that to achieve a given end, 'this or that ought to be done!! The Group rarely commands Tanzania to do anything; instead, it recommends and suggests that if certain steps are not taken then certain consequences are inevitable. The 'choice' is then left to the Tanzanian planners, bureaucrats and politicians about how best to implement or not implement these policies. The Group does not say 'Drop Socialism', but it does say that the policies being implemented are not solving the problems. It then offers alternative strategies to solve the agreed problems.

An informant explained that the Third Five Year Plan was postponed from 1974 to 1976 because of a balance of payments crisis. This Plan envisaged a balanced industrialisation programme, based on foreign aid. However, the required amount of capital to meet the recurrent expenditure targets was not available. It is arguable that the heavy emphasis on increasing production of export crops, the postponement of socialist policies, and the reorganisation of investment policy toward capitalist enterprise, which is evident from a reading of the 1974 Mission Report, are due to this crisis. Such a view is far too narrow. Tanzanian planners and Group staff were searching for solutions to the country's problems, but the underlying causes of the crisis were not spontaneous. They were the consequences of the colonial and post-colonial policies. The abandonment of attempts to initiate a socialist construction had occurred within two years of the Arusha Declaration. Mwongozo represented the final attempt by radical elements of the leadership to initiate a socialist struggle. (Chapters 4 - 6 of this section of this thesis deal in detail with the subject of the Arusha Declaration and Mwongozo).

The Bank Group has no specific strategy for Tanzania. We hope to prove that the Tanzanian leadership has no overall strategy either. The theme linking the two sides is the desire to increase agricultural

production. On both sides the policies pursued have been ad hoc and opportunist. Any wide generalisation is misleading because not all Bank Group projects have been based on, say, profit maximisation. This inconsistency enables the Group to be flexible in its dealings with Tanzania. The only real consistency appears to be the Group's determination to avoid conflict with the Tanzanian Government. Direct pressure on the Tanzanians is likely to be counter-productive.

The evidence suggests that the Bank Group has increasingly come to the fore in the construction of Tanzanian strategy and policy-making. How far this collusion has developed, and will develop in the future, depends on the independence of the Tanzanian planners. This in turn reflects their ideological stance, and crucially, the degree of manoeuvrability available to an ex-colonial economy which has become increasingly locked into the international economy. The Bank Group holds about one-third of Tanzania's total external debt. Obviously, this involves a great measure of control. This is reinforced by the areas over which the Group has most influence - the foreign exchange earning sector. The Group has invested heavily in the production of export crops; Tanzania faces a balance of payments crisis and is dependent on its export crops to bring in foreign exchange. So long as the Bank Group is prepared to supply funds, or is prepared to find donors who will provide them - as through the East Africa Aid Co-ordination Group - which ease the most pressing effects of the crisis, but which at the same time increase the country's dependence on ever-increasing levels of foreign aid, then initiatives toward self-reliant socialist development will always be undermined.

Many of the initiatives instigated by the Tanzanian Government have been double-edged. On the one hand they can be viewed as elements of the struggle toward socialism; on the other, they can be seen as tokens. Perhaps the key issue is whether socialism was ever a realistic possib-

ility, or whether the so-called socialist measures were merely a rationalisation of bureaucratic-bourgeois rule. Did the possibility ever exist? Was there an opening for socialist reconstruction which has since been closed through the entrenchment of the bureaucratic bourgeoisie? Certainly the Bank Group works through and with this group. A close relationship exists between the resident Bank Group staff and the local administration. In 1974, in the face of local famine, the World Bank Group, for the first time in its history, made a loan to a country to import food. Tanzania received US \$30 million.

We shall argue that, bearing in mind that the Bank Group operates in open collusion with the state apparatus in Tanzania, it is not enough to argue that there are differences of opinion between them - which there are - because without state collaboration the Bank Group could not operate in the first place. The bonds and links are greater than the differences. This again raises the issue of the role of the state in such societies. The Bank Group has encouraged and aided certain types of development, with the support and/or acceptance of the state, which are compatible with, and are a reflection of the development of a particular form of capitalist exploitation, involving the preservation of some old superstructural forms and the creation of newer ones which combine to heighten the exploitation of the peasants and workers.

Chapter One

World Bank Group Loans and Credits to Tanzania and the EAC.

The World Bank Group is the largest single holder of Tanzania's external debt. The Tanzanian Government has become dependent and reliant on the provision of foreign aid both for its development programmes and for non-development expenditure. The Bank Group organises the provision of most of this aid.

Table 1 outlines the development of the external public debt between 1968 - 1974, for Tanzania and the EAC, according to figures given in the World Bank Group Annual Reports. Tanzania's debt has grown five-fold, from US \$210 million in 1968, to US \$1100 million in 1974. The EAC's debt increased 75 per cent over the period. In more detail, it is noticeable that the proportion of debt held by private creditors decreased for both; and that for Tanzania multilateral debt has increased nine-fold, whilst bilateral aid has risen six-fold. For Tanzania, bilateral debt is still greater than multilateral debt. The converse is true for the EAC.

The growth in the amount of debt owed to multilateral aid donors is partly explained by the overall growth in the scale of multilateral operations in the Third World generally. That the composition of the EAC's external public debt is different from Tanzania's is explained by the different structures of the two entities. The EAC is made up of three East African countries - Tanzania, Uganda and Kenya. Loans made to the EAC are generally geared toward providing common services for the members of the Community. Roads, telecommunications, electric power etc. take up most of the loans. These projects are usually very expensive, large and 'unprofitable' in the sense that the returns on capital outlay are not forthcoming except in the extreme long-term. Hence, private donors and bilateral donors are not usually prepared to lay out

the amount of capital required. Table 4 shows that between 1954/5 and 1975/6, the average cost per project by the World Bank Group in the EAC was US \$24.5 million, whereas for Tanzania the cost per project was US \$11.3 million. Tanzania did receive finance for two major projects from bilateral donors. The Tanzam Railroad, built with finance and some labour from the Peoples' Republic of China, is estimated to have cost at least US \$400 million; and, the United States, in co-operation with Sweden, has constructed a parallel road. These two projects apart, Tanzania has been heavily dependent on multilateral aid to finance its development programmes.

Tables 2 and 3 show the extent of Bank Group holdings of Tanzania's public external debt. Nearly all the multilateral debt is owed to the Bank Group, although recently the IMF, UNESCO and other organisations have increased their involvement in the country - often in collaboration with the Bank Group. The extent of the Group's holdings of total Tanzanian debt - ie. Tanzania's own plus one-third of the EAC's - has risen with the extension of its activities.

These Tables underrepresent the extent of the Bank Group's involvement in Tanzania and the EAC. Relative to its per capita population Tanzania gets far more than its 'fair' share of World Bank Group funds. The EAC is ranked 34th in its total receipt of IBRD loans; Tanzania is ranked 29th according to total funding, but seventh by IDA credits.⁵

The 1976 World Bank Group Annual Report implies that more would have been given to both the EAC and Tanzania but for persistent wrangles between the partners of the EAC. Normal lending to each country and to the EAC was delayed between 1975/6, but "Normal lending was resumed to the members early in fiscal 1977," after, "the partners agreed to support their (joint) services and to meet their (joint) external obligations in an orderly and timely manner."⁶

Table 1. Tanzania and the EAC: External Public Debt Outstanding.
31Dec.1968 - 1974. US \$ millions.

	<u>EAC</u>		<u>TANZANIA</u>	
1968	Multilateral	- 61.7	Multilateral	- 31.8
	Bilateral	- 49.9	Bilateral	- 133.5
	Private	- <u>82.1</u>	Private	- <u>44.6</u>
	Total	- 194.6	Total	- 209.8
1969	Multilateral	- 95.1	Multilateral	- 59.3
	Bilateral	- 48.5	Bilateral	- 156.9
	Private	- <u>75.6</u>	Private	- <u>58.7</u>
	Total	- 219.4	Total	- 274.9
1970	Multilateral	- 146.3	Multilateral	- 99.6
	Bilateral	- 32.1	Bilateral	- 390.8
	Private	- <u>67.5</u>	Private	- <u>85.3</u>
	Total	- 254.8	Total	- 575.7
1971	Multilateral	- 144.4	Multilateral	- 109.3
	Bilateral	- 44.6	Bilateral	- 429.1
	Private	- <u>62.7</u>	Private	- <u>75.0</u>
	Total	- 251.7	Total	- 613.4
1972	Multilateral	- 175.7	Multilateral	- 123.9
	Bilateral	- 30.2	Bilateral	- 464.7
	Private	- <u>57.6</u>	Private	- <u>54.3</u>
	Total	- 263.6	Total	- 645.9
1973	Multilateral	- 205.1	Multilateral	- 160.9
	Bilateral	- 50.8	Bilateral	- 588.9
	Private	- <u>49.2</u>	Private	- <u>44.1</u>
	Total	- 305.1	Total	- 793.9
1974	Multilateral	- 202.9	Multilateral	- 295.6
	Bilateral	- 100.8	Bilateral	- 768.7
	Private	- <u>55.5</u>	Private	- <u>32.0</u>
	Total	- 359.2	Total	- 1096.3

Source: World Bank Group Annual Reports, 1968 - 1974.

NB. The totals include both disbursed and undisbursed loans/credits. For Tanzania the average proportion of disbursed:undisbursed loans/credits is between 4:6 and 5:5. The EAC ratio is about 3:7.

Table 2. Tanzania and EAC: Public External Debt Outstanding and Debt held by the World Bank Group. US \$ millions.

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
a. Total External Debt (Dec. 31)										
Tanzania	1124.8	2092.8	274.9	575.7	613.4	645.9	793.9	1096.3	n.a.	n.a.
EAC	n.a.	194.6	219.4	254.8	251.7	263.6	305.1	359.2	n.a.	n.a.
<u>Total Tanzanian debt</u> - including one-third EAC debt.										
	n.a.	274.7	348.0	660.6	697.3	733.8	895.6	1216.0	n.a.	n.a.
b. Debt held by World Bank Group (June 30)										
Tanzania	10.0*	31.7	53.0	60.5	102.8	113.5	134.3	184.3	282.6	347.7**
EAC	n.a.	51.0	51.0	86.0	138.2	142.2	185.5	212.2	208.6	210.8
<u>Total Tanzanian Debt held by World Bank Group</u> - ie plus one-third EAC debt.										
	n.a.	48.7	70.0	89.2	148.9	160.9	196.1	255.0	352.1	418.0***
c. Total External Debt held by World Bank Group **** as percentage of total. (Dec 31)										
Tanzania	18.5	20.2	20.7	14.2	17.6	19.2	20.1	21.3	n.a.	n.a.
EAC	n.a.	26.2	31.2	44.0	55.8	62.2	65.2	58.6	n.a.	n.a.
<u>Total Tanzanian External Debt held by the World Bank Group</u> , as percentage										
	N.A.	22.6	22.9	18.0	22.2	24.3	25.2	25.0	n.a.	n.a.

Sources: World Bank Group Annual Reports and A. Coulson 'Decentralisation and the Government Budget.' 1975.

* Coulson p31.
 ** US \$6 million was committed but was not effective by June 30, 1976.
 *** Ditto.
 **** The figures for total external debt are given for 31 December each year, but debt to the Bank Group is dated June 30. For the sake of clarity I have assumed that any addition to the debt owed to the Group was spread evenly throughout the year, so that half the increase has been given by December 31.⁴

Table 3. Tanzania and EAC: External Public Debt Outstanding. Percentage held by Multilateral Donors and the World Bank Group. (From Tables 1,2.)

	1968	1969	1970	1971	1972	1973	1974
<u>Multilateral</u>							
Tanzania	15.2	21.6	17.3	17.8	19.2	20.3	27.0
EAC	31.7	43.4	57.4	57.4	66.7	67.2	56.5
Total Tanzania	19.1	25.9	22.5	21.1	24.9	25.6	29.9
<u>World Bank Group*</u>							
Tanzania	20.2	20.7	14.2	17.6	19.2	20.1	21.3
EAC	26.2	31.2	44.0	55.8	62.2	65.2	58.6
Total Tanzania	21.6	22.9	18.0	22.2	24.3	25.2	25.0

*For explanation of disparity between total multilateral debt and WBG debt see notes to Table 2.

Table 4. World Bank Group Aid to Tanzania and the EAC. By Sector, 1954/5 - 1975/6.

	IDA	IBRD	No. of projects.	
	US \$ million			
<u>EAC</u>				
Transportation	-	165.9	5	
Telecommunications	-	55.9	3	
E.A. Development Bank	-	<u>23.0</u>	<u>2</u>	
		244.8	10	
<u>Tanzania</u>				
			IDA	IBRD
Agriculture	109.1	30.0	9	2 (one joint project)
Transport	49.2	7.0	5	1
Education	34.2	-	5	-
Services	8.5	40.2	1	3
Industry	6.0	30.0	1	2
Other	<u>6.0</u>	<u>30.0</u>	<u>1</u>	<u>1</u>
	213.0	137.2	22	9
Total		350.2		31

World Bank Group Loans to Tanzania and the East African
Community. 1952 - 1968/9.

The relationships between the members of the EAC are complex and the cause of much tension. Briefly, the British East African High Commission was set up in 1918 by the British to facilitate easier administration. Since then the three members have been subjected to different development strategies by the colonial administrators and the independent governments. White settler populations in Uganda, and especially in Kenya, ensured that a greater degree of capitalist development occurred there than in Tanzania. Generally, colonial policy aimed at developing Kenya as the industrial submetropole and Tanzania as the export crop producer. The history of each country partly reflects the consequences of this policy. Tanzania and Uganda have for several years had a trade deficit with Kenya. Since 1961 Tanzania has applied protective tariffs against Kenyan goods, and has attempted to develop import-substitution industries to challenge Kenya's supremacy. The 1967 Treaty for East African Co-operation has regularised this situation by allowing transfer taxes to be charged if members' deficits become too great.⁷

Until 1962 Tanganyika, along with the other two countries, came under the auspices of the British East African High Commission (EAHC). After Independence the EAHC changed its title to the East African Common Services Organisation, or the East African Services Authority. Its title is now, the East African Community, EAC.

All loans made to the EAC are equally guaranteed by the member countries. This does not mean that the benefits are evenly distributed. For example, the provision of telephone services in West Kenya is unlikely to directly benefit Tanzania. However, the members are each obliged to pay one-third of the costs of all loans and repayments.

The IBRD first took an interest in this part of Africa in 1952 when it commissioned a report investigating the prospects and outlining transport projects worthy of its attention. The fruition of this interest came in 1955 when a loan of US \$24 million was made to the East African Railways and Harbours Authority, through the EAHC and guaranteed by the United Kingdom.

Transport expansion was part of the programme, begun in 1949 by the EAHC, designed to ease the growing strain on the area's transportation system brought about by the post-World War II economic boom in the area. Ocean port tonnage doubled between 1945 and 1955. The IBRD's Annual Report for the fiscal year 1955 (July 1 1954 - June 30 1955), claims that the area was experiencing a boom in import - export trade as a result of rising incomes and a growing demand for capital goods (imported) necessary for economic development. The transportation programme was split into four-year periods, and the cost of the 1953 - 1957 period was estimated at US \$100 million, most of which was to be raised on the London capital market. The IBRD loan was intended to supplement other loans for the provision of deep-water berths at Dar, Mombassa and Tanga; the purchase of new locomotives, rolling stock and rail-signalling equipment, rail lines and rail workshops; and finally, the purchase of road vehicles and spares.

It was not until the mid-1960's that the Bank Group's activity really took off in East Africa. No loans were made between 1955 and 1963. Then in 1964 Tanzania received its first direct financing from the Group, totalling US \$18.6 million. One loan for education formed part of a programme to increase and expand the number and size of secondary schools. The IDA provided US \$4.6 million of a total programme cost of US \$6 million. The time was opportune for an education programme because the provision of education represented a powerful political demand locally, and because the phasing out of expatriate civil servants necessitated

an increased supply of secondary school graduates to replace them. The programme, begun in 1962, aimed to increase the number of secondary school places to 24,300. IDA's credit would provide places for 6,900 children. It was hoped that two new boarding schools would be built and 53 other schools improved. Of the latter, 12 were Government boarding schools and 27 voluntary-agency boarding schools. The others were day schools.

The second credit from the IDA amounted to US \$14 million. The project planned was the construction of an all-weather interconnected highway system. The quality of the existing roads was extremely poor, which in the Bank Group's view placed a severe constraint on the country's economic development prospects. The project provided credits for the construction/improvement of eight major roads, covering 734 miles. These routes served primarily cash cropping areas, and it was envisaged that the improved roads would decrease transport costs and facilitate faster easier transit for agricultural produce to the consuming areas and the ports. Three of these roads radiate from Dar es Salaam through most of the major towns and the most productive regions. One extends from Dar to surrounding areas where a high potential for market gardening existed. Two are for the Lake Victoria region; one serves the good agricultural region along the Mozambique border. One serves the Mbeya - Lake Nyasa region.

Also, for the second time the International Finance Corporation made a loan of investment capital to Tanzania. Its first investment occurred in 1960 when US \$2.8 million was loaned to Kilombero Sugar Co. Ltd., a company owned in partnership by foreign interests and local private businessmen. The terms of the loan were: seven per cent on US \$2.1 million, which matured 1967-73, plus payment of US \$0.7 million at a rate dependent on the profit level during 1973-75. (Other contributors included the Commonwealth Development Corporation and the Netherlands Overseas

Finance Company). The 1964 loan was a supplemental investment of US \$ 1.93 million.

Table 5. IBRD/IDA Financing for Projects in Tanzania and the EAC, 1963/4 - 1968/9

Project		IDA	IBRD	Total Value (cumulative)	No. of projects.
		(US \$m)			
<u>EAC</u>					
1965/6	Transport	-	38.0	62.0	2
1966/7	Telecomms.	-	13.0	75.0	3
<u>Tanzania</u>					
1963/4	Education	4.6	-		
1963/4	Transport	14.0	-	18.6	2
1965/6	Agriculture	5.0	-	23.6	3
1967/8	Services	-	5.2		
1967/8	Transport	3.0	-	31.8	5
1968/9	Agriculture	1.3	-		
1968/9	Education	5.0	-	53.1	9
1968/9	Transport*	8.0	7.0		

* Joint IDA/IBRD project.

Source: World Bank Group Annual Reports.

The World Bank Group did not finance any projects in the area in 1965. But, in 1966 the EAC received its second loan from the IBRD. Like the first loan it went to the EAR & H Authority for rail-road and harbour improvement, and totalled US \$38 million. Tanzania also benefited from an IDA credit of US \$5 million for short-term financing of agricultural inputs (fertilizers and pesticides) for use by co-operatives.

The following year was significant in several respects. The new Group President was appointed in November 1967. (NB. The Bank Group's year begins in July and ends in June.) Also, Nyerere issued the Arusha Declaration, arguing for self-reliance, socialism and development in Tanzania, and followed it with a nationalisation programme. The state's role in the economy was to be extended to take control of the 'commanding heights'. By 1967 Tanzania had received only US \$23 million from the

Bank Group (excluding the IFC investments and a third share of the EAC's US \$75 million,) Yet, by 1976 the respective figures were US \$350.2 million and US \$244.8 million. 1967 was a watershed for Tanzania, for the World Bank Group and for the relationship between the two, although only the EAC received any money this year. US \$13 million was loaned by the IBRD for a telephone and telegraph system costing US \$26 million.

The first IBRD loan to Tanzania came in 1968. A single loan of US \$5.2 million was made for the Tanzanian Electric Supply Company to improve its services. The IDA gave credits of US \$3 million for further improvements to the road system.

Tanzania was able to borrow US \$21.3 million from the Group in 1969. One IDA credit for US \$1.3 million aimed to increase the supply of locally produced protein through a project to develop livestock production by aiding state ranches to provide breeding cattle and to fatten stock. A second credit for US \$5 million was given toward increasing the number of teacher-training places available, and to make education more 'relevant to the needs of the local population', i.e. to improve agricultural education. A joint IBRD/IDA funding operation was approved for the reconstruction of part of the Great North Road, between Dar and Zambia, especially the Morogoro -Iyayi section. The US Government provided US \$4.6 million, the Swedish Government US \$15 million, the IDA US \$8 million and the IBRD US \$7 million.

Thus, Tanzania received, either in hand or as promises, US \$53.1 million from the Bank Group, nearly all of which went on infrastructural improvements, during the period up to the end of the First Five Year Plan. US \$32 million was loaned for transport projects; US \$9.6 million for education projects; US \$5.2 million for services; and US \$6.3 million for agricultural development. The loan by IFC to the Kilombero Sugar Company was geared toward private enterprise. In 1968

the Government was obliged to take it over as a loss-making enterprise.⁸

It is difficult to make any sweeping generalisations about the Bank Group's lending operations in Tanzania during the 1960's. The projects they financed were developmental in the sense that the infra-structural investment aided the development of export-oriented growth. If the finance had not been made available it is probable that the development strategy would have concentrated on internal nationally-oriented policies. It could be argued that the provision of foreign capital increases the options open to development planners, insofar as more capital means more projects; but it is the nature of these projects which is of greatest importance.

Foreign funds do not operate in a vacuum; rather, they absorb domestic resources. Very rarely does a government rely totally on foreign capital to finance either a project or a programme. The donors would not allow it because they need to be assured of the recipient's commitment, and they often seek an import component to be written into aid agreements. Although the precise figures for the ratio of foreign resources to domestic resources in foreign-aided projects are not available for Tanzania, it should be borne in mind that during the First Five Year Plan, it was hoped that foreign funds would account for 78 per cent of the Central Government's development expenditure. In fact, 65 per cent of the expenditure had to be raised locally. This meant that while projects and programmes tended to rely more on local capital than on foreign capital, the projects concentrated on long-term benefits rather than immediately productive activities.

World Bank Group Loans to Tanzania and the East African
Community. 1969/70 - 1974/5

The period of the Second Five Year Plan (1969-1974/5) witnessed an extension of Bank Group lending activities in East Africa.

Table 6. IBRD/IDA Financing for Projects in Tanzania and the EAC, 1969/70
- 1974/5

<u>EAC</u>	No. of loans/credits	Value (US \$m)
Telecomms.	2	42.9
Transport	3	103.9
Other (E.A. Dev't. Bank)	1	8.0
Total	6	154.8
<u>Tanzania</u>		
Agriculture	7	104.8
Education	2	13.6
Industry	2	21.0
Services	3	43.5
Transport	3	24.2
Other (Special loan)	1	30.0
	20	237.1

Source: World Bank Group Annual Reports, 1969/70 - 1974/5.

The EAC borrowed nearly US \$155 million over this period. All the capital, except for US\$8 million, went into transport and communications projects. Telecommunications here refers to the East African Posts and Telecommunications Corporation. The EAPTC received loans from the IBRD of US \$10.4 million (1969/70) and US \$32.5 million (1972/3). Information on the precise nature and purpose of these loans is not available to the public, but the 1973 World Bank Group Annual Report states that these loans were the second and third instalments of a long-term programme to improve telephone services in the three member countries.

Transport stands out as the major area of interest for the Bank in

its dealings with the EAC. The three IBRD loans committed for this sector were: East African Harbours Corporation - US \$35 million in 1969/70; and US \$26.5 million in 1972/3 - for the provision of three new berths at Dar, and improvements to the ports of Mombassa and Tanga. Also, Canada provided US \$26 million for the 1972/3 project, whose total cost was US \$70.4 million. The other loan was to the East African Railways Corporation, totalling US \$42.4 million in 1969/70, for rolling stock, sheds and spares.

Throughout the history of the relationship between the EAC and the IBRD, the general direction of Bank financing has been geared toward improving overall communications. This suggests that there was no general contradiction between the Bank Group's policy toward Tanzania and the EAC. The overall thrust, with regard to the latter has been to develop better methods of transport for the import and export of commodities. All roads may lead to Rome, but in East Africa, all roads lead to the Coast. The same holds true of all rail and telecommunication lines. Another motive, besides the provision of infrastructure to aid the development of foreign trade, can be attributed to the Bank Group's activities in East Africa in general. The Western powers perceived the need to counter Chinese influence in the area, and feared Russian penetration in the advent of the struggles for the liberation for southern Africa. The western powers were concerned to finance projects which were immediately tangible and which were at least superficially development-oriented. In fact, only one loan was made to the EAC for industrial development. US \$8 million was loaned to the East African Development Bank, in 1970, to encourage private enterprise in the region by providing credit for small firms with expansion plans.

Tanzania, in its own right was blessed with good fortune so far as the Bank Group was concerned. The IDA was most active. This branch's loans (credits) were (at the time) made on terms of 0.75 per cent

interest p.a., a grace period of ten years, and maturity in 50 years. The IBRD's terms were, in 1970 - 6.5 per cent interest p.a., a grace period of five years, and maturity in 25 years. By 1974/5 IBRD terms had hardened to 8.5 percent interest p.a., and a maturity of 20 years. Thus, it suited Tanzania, when possible to obtain IDA credits rather than IBRD loans. Over the period of the Second Five Year Plan, IDA credits totalled US \$127.1 million, and IBRD loans US \$110 million.

By breaking down this total as in Table 7, it is clear that the agricultural sector is the sector which attracted most of the Group's attention. This is, in fact, a reflection of the attention laid on the agricultural sector in the 1970 World Bank Group Mission Report. Further, it is this sector which emerged out of the Group's own recomposition in 1967/8 as being the key sector of Third World economies. A concern with the agricultural sector dominates the coverage of the Group's 1974 Mission Report on Tanzania.

Of the US \$104.8 million loaned to Tanzania for 'agricultural development', cash crops take the lion's share. In 1970/1, the IDA committed US \$9 million toward a project costing US \$14.7 million which aimed to increase the output of flue-cured tobacco. The Tanzanian Tea Authority was granted IDA credits totalling US \$10.8 million, in the following year for a project aimed at increasing the production of tea twenty-fold, through increased smallholder production. It was planned that five tea factories would be built, along with the establishment of nurseries and extension services. Funds would be supplied through the Tanzanian Rural Development Bank to the Tea Growers' Co-operatives which represented some 14,000 families.

Livestock production has always been an integral part of East African agricultural activity, but this sector did not receive Bank Group funds until 1972/3 when the IDA granted credits. The credits were linked to export potential. The aim was to increase production under a Live-

Table 7. World Bank Group Financing for Projects in Tanzania and the EAC.
1969/70 - 1975/6.

Project	IDA (US \$m.)	IBRD	No. of projects
<u>EAC</u>			
1969/70 Transport	-	77.4	2
Telecomms.	-	10.4	1
1971/2 E.A. Dev't Bank	-	8.0	1
1972/3 Transport	-	26.5	1
Telecomms.	-	32.5	1
1975/6 E.A. Dev't Bank	-	15.0	1
		<u>169.8</u>	<u>7</u>
<u>Tanzania</u>			
1969/70 Transport	7.5	-	1
1970/1 Services	-	30.0	1
Education	3.3	-	1
Agriculture	9.0	-	1
1971/2 Transport	6.5	-	1
Agriculture	10.8	-	1
1972/3 Education	10.3	-	1
Agriculture	18.5	-	1
1973/4 Services	-	15.0	1
Agriculture	17.5	21.0	2
Industry	6.0	-	1
1974/5 Industry	-	15.0	1
Special	-	30.0	1
Transport	10.2	-	1
Services	8.5	-	1
Agriculture	19.0	9.0	3 (one joint project)
1975/6 Industry	-	15.0	1
Education	11.0	-	1
Agriculture	28.0	-	2
Special	6.0	-	1
Total	<u>172.1</u>	<u>125.0</u>	<u>24</u>

stock Development Programme, costing US \$24.7 million, of which the IDA would supply US \$18.5 million. Increased beef production - in particular

on large ranches - was envisaged, to the order of 21,000 tons, along with improved marketing and processing services, so that import savings from this sector would increase by US \$6 million p.a. Also export earnings were expected.

A Cashewnut Development Programme lasting five years at a cost of US \$30.3 million was part-financed by the IBRD (US \$21 million) in 1973/4. It was hoped to increase employment in this sector through extra cultivation and a greater degree of domestic processing of the crop. Output was expected to increase by 20 per cent, and cash income for the smallholder farm producer to rise by 25 percent.

In the same year (1973/4) a credit for US \$17.5 million was committed with the intention of providing credit to small farmers in 'ujamaa' villages to buy fertilizers and pesticides. This credit formed part of a seven year scheme - the Geita Cotton Development Project - costing US \$23.8 million, the aim of which was to increase cotton and maize production.

Fiscal year 1974 saw an expansion in Group funding of projects in Tanzania. The largest project was the Kilombero Sugar Estate Project, which received towards its total cost of US \$55.8 million, an IBRD loan of US \$9 million, an IDA credit of US \$9 million, a Danish loan of US \$17.3 million, and a Dutch loan of US \$11 million.⁹ In its early years the Kilombero Sugar Company was a privately owned (British-Tanzanian) firm which had obtained loans from the IFC in 1960 and 1964. In 1968, after many years of loss making it was nationalised, with the owners being fully compensated.

It is this programme which reveals clearly the strategy-experiment that the Bank Group has instigated in Tanzania, with the collaboration of the Tanzanian planners. The structure of social organisation within the agricultural sector is made clear: A major large-scale estate is to be expanded, "with ujamaa farming on outgrower lands"¹⁰, ie. the main

purpose of the 'ujamaa' village is to provide a labour reserve for the estate, whilst at the same time providing the major source of subsistence, ie the outgrower farms would provide the food for the estate workers. The estate workers and the outgrower farmers would be if not the same individuals, then at least members of the same families. Herein, commercial agriculture is mixed with subsistence agriculture. This apparent 'dualism' - and the term is used only to describe the superficial appearance - helps to keep the costs of production below their 'normal' level, by loading the costs of the reproduction of labour onto the peasants. This meshes nicely with the Bank Group's strategy of lowering the prices of agricultural goods in the belief that this will increase world demand. Further, such a strategy is supposed to benefit Tanzania by making it competitive over other rival producers. This in turn assumes a world agricultural division of labour.

(The following chapters deal with these issues in greater depth. The intention here is only to provide an outline of the extent of World Bank Group activities in Tanzania.)

The second project receiving Bank Group loans in this year was the Kigoma Development Project - immediate cost US \$13 million - to which the IDA gave US \$10 million, and the UN Capital Development Fund US \$1.5 million, (for health and water supply). The intention here is to produce a concerted development strategy for a single area. This reflects Bank Group experiments with the 'demonstration effect' on development. Resources are concentrated in an area, which is then 'developed'. It is hoped that other areas will see the benefits of this programme and will attempt to initiate similar, although smaller-scale projects, using the same methods and policies. A technical/economic spread effect is expected to occur, leading to backward and forward linkages. A further strand in this thinking is that a country like Tanzania does not possess the high-level manpower, nor the resources necessary for widespread

'transformationist' approaches to development. Hence, the plan is to concentrate one's resources into a single area, 'develop' there, and then move on to the next area, after self-sustained growth has been achieved.

The methods employed in the Kigoma Project are based on the 'resettlement' of the region's population of 0.5 million, into 'Ujamaa' villages,¹¹ where farmers can possess individual crops of maize, beans, cotton or groundnuts. The Kigoma Co-operative Union is responsible for buying and collecting all village production, whilst credit facilities are provided by the Tanzanian Rural Development Bank.

The IDA credit was intended to help develop the credit and marketing systems, improve village extension services, clear Tsetse fly, improve the level of social services, and enable agricultural research to take place.¹² Part of the credit to improve marketing was spent on improving 370 kms. of feeder roads and providing a rail spur to the East African Railway line. The effect of the latter has been to facilitate the movement of the export crops to the ports.

Projects for education receiving Bank Group support over the period of the Second Five Year Plan (1969-74) reflected an interest in agricultural education. The IDA provided US \$3.3 million (1970/1) for farm-training centres and an agricultural institute for extension workers. Community education centres were to be established in 'Ujamaa' villages. In 1972/3 US \$10.3 million was provided by the IDA for a series of education projects. Secondary and teacher education was to be expanded and diversified; new medical education facilities were provided at Dar University.

Loans for Industrial Projects.

The Bank Group's support for Tanzania's industrial development strategy

was limited to two projects. In 1973/4, the IDA gave the Tanzanian Investment Bank credit for US \$6 million, to provide investment and loans to specific productive enterprises. The Annual Report of the Bank Group made much of this credit because it was the first time that the Bank Group had financed public enterprise.

The 1974/5 loan from the IBRD was concerned with the processing of domestic textiles. US \$15 million was provided by the IBRD and the same amount by the Kuwait Fund for Economic Development Fund. Production at the French-financed Mwanza Textiles Ltd. plant was increased so that by 1980 no cotton fabric would be imported; other factories were improved.¹³ It was hoped that 12,000 extra jobs would be created in this sector, - yet no indication of how the factories were to be organised was given.

The Tanzania Electric Supply Ltd. borrowed US \$35 million for the development of its H.E.P. station at Kidatu. The first loan was given in 1970/1 (US \$30 million), and the second a supplemental loan, of US \$5 million, in 1973/4. Both were agreed by the IBRD at an interest rate of 7.25 per cent. This project was expected to cost US \$54 million, with Sweden providing much of the remaining required finance. In fact, this project was a specially organised joint-project between the Bank and Sweden.

Service Sector Loans

In 1974/5 a credit of US \$8.5 million was provided for 'sites and services' by the IDA. One thousand serviced 'sites' (plots of land) were provided for house-building by self-help groups, in Dar. Further, 9,000 squatter settlements in the major towns were to be helped with 'improvements'.¹⁴ The regional centres of Mwanza and Mbeya were to be further developed.

A nutritional scheme (pilot) was initiated in Dar as the Tanzania National Food and Nutrition Centre. The final cost of the projected package was estimated at US \$16.7 million.

Transportation Loans

Roads and highways are the arteries and veins of trade. The Group loans and credits to Tanzania are all concerned with increasing the quantity of trade. Improved transport often facilitates increased trade. US \$7.5 million was given by the IDA in 1969/70 for road development. In 1971/2 an IDA credit for US \$6.5 million was committed for the improvement of 300 miles of feeder roads around Lake Victoria, which is the major cotton-growing area, and also an area where ranching was being developed. The World Bank Group Annual Report 1972 is explicit on its policies in this area (transportation).

"The process by which subsistence agriculture is transformed into production for the market is closely bound up with the improvement of the transport system. For this reason, the Bank Group's lending in this area (East Africa),has always included a high proportion for transport, especially roads."¹⁵

Hence, transport projects were geared to encourage cash cropping, and more particularly in Tanzania, export cash cropping.

The final credit for this sector came in 1974/5 (US \$10.2 million), and was part of a project costing US \$12.5 million, for the reorganisation of the Ministry of Communications and Works, (with European and US consultants). The credit also covers the maintenance of 3,000 kms. of primary roads.

A special loan of US \$30 million from the IBRD was immediately disbursed early in 1975. It was thought to be imperative because by December 1974 foreign exchange reserves were less than enough to cover one month's supply of imports. The Bank Group attributed this to the effects of the 'oil crisis', world inflation and a poor harvest allied to the disruptive effects of the Ujamaa Programme. It is worth mentioning here that the cost of wheat imports was a key factor in this crisis, yet throughout the 1970 Mission Report, the development of wheat produc-

tion in Tanzania was discouraged.

Looking at the figures for World Bank Group loans and credits to Tanzania and the EAC over the period of the First Five Year Plan, then one is bound to conclude that the Group's view of the nature and structure of development does not favour self-reliant development, based on socialist transformation of economy and society.

A break-down of Group aid over the period of the Second Five Year Plan reinforces the impression that the Group's primary concern is to ensure an adequate supply of export crops. Of course, a monocausal explanation for this concern is too simplistic, but a strand can be identified between the Group's general philosophy and practice, and its activities in Tanzania. Tanzania is a testing-ground for Group theories. Its concern is to help Tanzania to increase its GNP, and given its commitment to capitalist enterprise, this involves the development of capitalist activity. Clearly, the issue then becomes what type of capitalist activity? Is the Bank Group concerned with furthering the interests of local capitalists or foreign capital? Is there any distinction between these groups in their relationships to Tanzanian workers and peasants?

The answers to these questions can be answered only by a detailed examination of Tanzania's political economy. An insight can be gained from the Group's own documents. Besides providing technical services and finance capital, the Group also offers its planning expertise to recipient governments. Its Missions' Reports examine the country's development plans and offer recommendations for future action. These Reports are of major importance: they represent Group thinking and strategy. These issues are examined in the following chapters.

Chapter Two

A History of the Tanzanian Political Economy: To Independence.

The Modern Pre-Colonial Period.

A persisting, albeit false, image of precolonial African societies is that a single system of agricultural production existed - some form of 'pure' subsistence production.

A paper by Iliffe¹ outlining agricultural change in Tanganyika during the 19th and 20th centuries shows that:

- a. Significant changes in the organisation and technique of agricultural production were occurring before the period of formal colonisation;
- b. Population growth and its changing patterns of distribution were provided by, and provided a major stimulus for, agricultural change;
- c. Historically, the advent of the Arab and European plantation system were key elements in the commercialisation of agriculture, with major, although localised effects on the African population.
- d. Regional inequality and the active underdevelopment of some areas have been linked through, and with, the growth of commercial farming.

Early 19th century Tanganyikan farmers were involved in various agricultural systems, influenced heavily by the local environment. Five forms in particular are identifiable:

1. Shifting cultivation - in areas with low population densities and poor soils/environment. This system relied on little labour: millet and sorghum were grown for two or three years, then the land was left fallow for six to twelve years.
2. Pastoralism.
3. Banana cultures - in the ecologically well-favoured areas of

Usumbara, Buhaya and Kilimanjaro.

4. Intensive cultivation - in the irrigated areas of Engaruka.

5. Integrated livestock and husbandry - around Lake Victoria
such a complex system was established supporting a population of 500
people per square mile.

It has been suggested by Coulson that Group 1 and perhaps 2, were organised on a communal production basis; and the rest were integrated into a feudal system.²

That the organisation and techniques of production were never permanently fixed is evidenced by the advent of new crops in the early/middle 19th century, whose spread is accredited to traders. Maize and rice were particularly important. Gradually, maize came to replace bananas as the staple diet in some areas, eg. the Usumbaras, so that by the end of the century it had spread throughout the country and firmly established itself in areas which had the best soil and environment.

Contemporary with the introduction of the new crops were changes in population. In the already more densely populated areas, any increase in population encouraged the extension of cultivated land and more intensive cultivation of cultivated land. Further, immigration from other areas (eg. South Africa, Mozambique), migration, warfare, slave trading, famine and disease affected population growth. Thus, population growth was historically and geographically differentiated.

Iliffe maintains that the outline given above describes the major features of indigenous agricultural differences and changes during the early 19th century, and warns that:

"it is important to remember...that it was not colonial rule that introduced Tanganyika to capitalism and the world economy. This had already happened through the establishment in Zanzibar in the early nineteenth century of a slave plantation economy producing cloves for the world market and acting as the focus of a long-distance trading system which gradually penetrated

the mainland."³

The working of the Zanzibari economy drained labour from the mainland - as slaves and as porters for caravans - and created a market for the mainland's agricultural produce. The plantations needed a large food supply and the mainland's agricultural systems altered to meet the demand. The effects were differential, but production in the Coastal Regions became commercialised - especially in the production of rice, millet and sorghum. Linkages from this commercial agriculture spread inward. Commodity trade, transport routes and an internal slave trade engendered a domino effect. As the Coast supplied Zanzibar so the hinterland began to supply the Coast with other crops after the 1850's. By the 1880's trading in grain, slaves and cattle had reached inland to Lake Tanganyika.

The 'introduction to capitalism' is posited earlier by Coulson. A thriving network of trade had been established on the Coast as early as the 10th century, and in the interior by the 15th century, dealing in gold, slaves and ivory, controlled by Arabs. After the 15th century the East African coast became strategically important in the Portuguese-Arab conflict to gain control of the routes to India. However, it was not until the 18th century that the interior was opened up to goods from Europe.

A crucial feature of the trade activities during this period was that the production of East African exports rarely involved the development of skills and techniques on which further local development could be based. In return for their exports the Africans were given low-quality textiles, glass beads, obsolete arms and ammunition and alcohol. Consequently, some local societies were disrupted, eg. it was cheaper to import textiles than to produce them locally, so in time skills needed in the production of textiles were lost.

The combined effects of - changing population; shifting population;

changing production techniques; increased contact with external forces; increasing local differentiation; - all interacted to encourage the restructuring of some local socio-political formations, particularly the strengthening of centralised, larger village settlements under the control of strong chiefs - ie. feudal social structures were extended and strengthened. By the time the Germans took over East Africa (1883-5), inequality, differentiation and exploitation were well established, although to varying degrees in different areas. Many of these features were crystallised during the colonial period and have been a major feature in the failure of the political leadership to inaugurate socialist policies successfully.

The Colonial Period:

The German Period: 1884 - 1918.

The primary objective of the Germans - and later the British - in Tanganyika was to induce the native population to produce more surplus. The objective was achieved through tax enforcement, the establishment of European capitalistic farms and plantations using local labour, and/or through the provision of imported European goods to stimulate the production of export crops; (the sale of the latter would enable Africans to buy the former). The latter method involved production by Africans on African land under African control.⁴ This led to the development of two modes of production, one based on a migrant labour system, and the other on a distorted peasant economy.⁵ The key feature of both modes of production was that the costs of reproduction of labour were firmly rooted in the subsistence sector.

The advent of the Germans saw two forms of European settlement - besides military settlements. Planters were employed by European

companies to lay out and manage plantations of tea and sisal. Settlers were individual pioneers who frequently established coffee estates and mixed farms, usually in the more temperate regions. The settlers in Tanganyika arrived individually and unsystematically, whereas the earliest European planters settled along parts of the Pangani River in the 1880's, cultivating tobacco and sugar.⁶ During the 1890's, European coffee estates were established in East Usumbara, but the major developments occurred after 1898 when sisal was planted along the line of the Tanga-Mombo Railway. Also, in areas with temperate climates, such as Western Usumbara and on the foothills of Kilimanjaro and Meru, European settlers established estates.

It has been suggested that but for a rubber boom between 1907 and 1913 European plantation agriculture would have died out.⁷ Even so, as late as 1904 rubber collected by Africans in the South from wild plants was the greatest single export crop. By 1912 sisal and plantation rubber comprised 50 per cent of the country's export income.⁸

With the development of the plantation sector a rival African sector grew up at the same time, which Iliffe maintains was able to resist domination by the European sector. The plantations were unable to dominate all other sectors at this time because of the limited extent of European activity. The plantations, generally, were unable to cause the proletarianisation of the peasantry through land alienation and underpricing. Most peasants were only marginally dependent on wage labour, and with high prices on the world market for commercial crops, local producers were able to produce as efficiently as the plantations. Given this scenario, a high degree of autonomy for the peasants was inevitable. This feature was reinforced by the fact that for local producers food production was more profitable than working on the plantations. Only the highly mechanised plantations were likely to be more efficient.

The limited size and intensity of European settlement and the fail-

ure of the Germans to operate an advanced colonial system which could subjugate the African producer, enabled many Africans to maintain their economic independence.⁹ However, where European settlements were well-established, such as in the Pangani Region, labour reserves were established and migrant labour imported. Where plantations existed and the local labour supply was limited, compulsion through direct labour dues or through taxation was used.

The British Period: 1918 - 1961

After the First World War, Tanganyika was taken over as a League of Nations Trust Territory, under British administrative control. This effectively ended German influence, whilst the British - at least initially - were unable or unwilling to fully initiate their own brand of colonialism because their mandate was always open to international scrutiny. Consequently, some Africans were able to establish or re-establish themselves as independent producers. This was particularly true in Kilimanjaro. Richer African farmers were able to take advantage of the delay between German control being removed and the introduction of British control, to move into the commercial agricultural sector as major producers. Hence, Tanganyika was one of the few African countries

"where neither the European nor the African farmer was able to dominate the economy in the colonial period. Instead, the economy contained simultaneously a major plantation industry and several important areas of African cash crop production, so that a constant struggle took place between the two, with the European farmer seeking to reduce the African to a proletarian and the African seeking to retain the maximum amount of economic independence."¹⁰

By 1939 three economic regions can be identified:

a. Areas concerned with the production of crops for export - the

sisal estates and other cash cropping areas - and the towns.

b. Surrounding areas supplying the export areas and towns with food and services.

c. Peripheral zones providing labour or remaining isolated.

This pattern of regional specialisation, based ultimately on the export sector, structurally resembles the type of pattern developed during the pre-colonial period.

With the advent of British administration, the development of cash crop agriculture began a new phase. The stimulation of African production (commercial agriculture) resulting from a complex of factors offered new opportunities for inequality within African societies.

"As the normal pattern of differentiation in cash crop areas (developed)...: a mass of small growers from among who a few larger producers...emerged as...employers of labour."¹¹

The increased dependence of growers on export crops is evidenced by the degree to which production between the World Wars became inversely related to price, especially for the major crops of sisal, coffee and cotton. (See Table 8.) In 1924, output of export crops/goods reached 30,000 tons valued at £1.3 million. By 1930, output totalled 84,500 tons, plus 13,300 carats of diamonds, valued at £2.6 million; i.e. output nearly trebled - excluding the introduction of diamonds as an important export - yet income only doubled (including diamond earnings). By 1939, after a period of price regeneration, export output totalled 130,500 tons, plus 1.16 million skins and fur-skins, plus 3,600 carats of diamonds, to earn £3.7 million. Over the period as a whole, output at least quadrupled - excluding diamond production - whereas value increased less than three-fold.

"The phenomenon could be put down to increasing needs for imported clothing, cigarettes, blankets, shoes and Kerosene which for some...had become necessities rather than luxuries."¹²

Production for the world market and the local market depended in part on the level of development of the communications' network. In areas

Table 8. Growth of Tanganyika's Exports: 1913 - 1939.

Year	Sisal	Cotton	Coffee	Ground -nuts	Hides/ Skins	Furs/ Skins	Diamonds	Total Value
	(	'000 tons				('000)	('000)	(£ ms.)
						nos:	carats	
1913	21	2.2	1.1					
1918								
1919	17							
1920	17							
1921	8	1.1	3.8					
1922	10	1.5	4.3	12.5	1.4			1.3
1923	13	1.5	4.0	16.5	1.9			1.7
1924	18	2.5	5.3	18.7	2.4			2.6
1925	18	4.5	6.0	9.1	2.4			2.9
1926	25	4.9	6.5	15.9	1.3			3.0
1927	33	3.9	6.6	14.1	2.4			3.3
1928	36	4.9	10.4	10.6	2.8			3.9
1929	46	4.9	8.9	7.8	2.1		23.3	3.7
1930	50	3.7	11.5	17.3	1.7		13.3	2.6
1931	56	2.4	9.3	3.1	2.0		7.8	1.6
1932	61	3.2	11.4	15.9	2.6		1.4	2.2
1933	70	5.1	12.7	19.2	3.9		1.4	2.5
1934	73	5.6	14.8	8.0	3.1		1.2	2.6
1935	83	10.0	18.6	16.4	3.1	1000	1.4	3.4
1936	81	11.3	12.1	22.8	3.1	1600	2.7	4.5
1937	91	11.5	13.6	22.3	3.2	1600	3.2	5.0
1938	101	8.9	13.7	3.8	3.0	1100	3.6	3.7
1939	93	11.6	16.6	4.5	3.5	1100	3.4	4.3

Source: IBRD : The Economic Development of Tanganyika, 1961. Table 3, p20.

where communications were good, peasants were able to produce cash crops to pay their taxes and to increase their incomes. In areas with poor communications, labour migration prevailed. Yet, with improved transport etc., some areas which traditionally supplied labour continued to do so.

The migration of labour had an unequal impact. Pastoralists were

were not affected, whereas societies which were unable to commercialise production because of transportation costs were severely affected. By the mid-1950's one of every thirteen adult male Tanganyikans was a long-distance migrant labourer at any time.¹³ Most plantation workers were from societies - often neighbouring countries - which previously had supplied labourers for portering for traders. Men migrated primarily to earn cash - often by young men seeking cash to pay the taxes and to invest on their own cultivation plots.¹⁴ Such migration usually entailed the migrant spending up to eighteen months away from home. The areas providing this labour "suffered from an attendant underdevelopment which still prevails today."¹⁵ A vicious circle of underdevelopment was set up. Local communities found that commercial production was unprofitable, so the most able workers left the area, taking with them initiative and innovation. As a consequence some areas suffered involution and depopulation, for example, parts of Tabora and Kigoma. As this happened the control over the Tsetse Fly slackened, reinforcing the spiral of underdevelopment. Of course, there were exceptions. During the 1950's, with a commodity boom, some areas flourished with the introduction of new crops introduced by returning migrant workers. This was true for Bugufi (coffee), Ngoni (tobacco) and Sukuma (cotton). In other areas peasants withdrew from commercial crop production: the Mwanza cotton producers.

Thus,

"In the full sense,...no African society in Tanganyika was fully proletarianised by the plantation economy during the colonial period. Those close to plantations were usually able to respond by commercialising their own agriculture. Those more distant were drawn into migrant labour if the opportunity for earning money at home was absent, but once that opportunity came to exist, they were generally able to return to cash crop production. No Tanganyikan society lost its economic independence in the sense that the Kikuyu did in Kenya or the Sotho in Southern Africa:

that is, none lost the capacity to transform its own agriculture once it was linked to a wider market and could specialise its production. The plantations formed a sector in the Tanganyikan economy which influenced the development of many other sectors, but they never succeeded in dominating the economy."¹⁶

In some areas overpopulation led to overproduction on limited land leading to decreased productivity. In Western Usumbara farmers were forced to shift from the cultivation of bananas to the less nourishing cassava, because of overcultivation.

Significantly, Usumbara had been one of the most sophisticated political and economic units in Tanganyika, but because it became bypassed by the colonial communication network it became underdeveloped. This highlights an apparent paradox which is really not a paradox: where colonial contact was established an area often became underdeveloped as surplus was extracted from it. On the other hand, an area which failed to make contact - ie. was not incorporated into the wider system - may become underdeveloped, because its productive capacities are not developed to the full. In fact, isolation may be done to a society, thereby preventing the development of productive forces. In some situations these phenomena - incorporation and isolation - are merely two sides of the same coin, being structurally linked. Frequently they are not dichotomous. 'Isolation' may pull labour and resources out of an area just as 'incorporation' pushes surpluses out. Finally, isolation has often meant isolating an area from other areas with which it previously had contact. Hence, isolation or 'no contact' may not be in practice precisely what they represent semantically.

By 1939 the agricultural structures were fixed, minor variations notwithstanding, until Independence.¹⁷ The export sector had developed greatly by volume although not by value (see Table 8); food production had expanded with the introduction of new crops (wheat and potatoes) and

new techniques; technological advances in transport and tools were introduced. But, more significantly, the Tanganyikan economy had fallen more under the control of the colonial power, involving greater government intervention in the agricultural sector. Essentially, Tanganyikan producers were experiencing the internationalisation of their market relations. The Depression of the 1930's reduced consumption and employment. Coffee prices fell by 33 per cent in 1933, yet output increased by 500 per cent in some areas. This was due to producers attempting to stabilise their incomes, and to Government policy of increasing the export of coffee to the growing British market. Sisal output doubled, whilst in 1935 the wages of the sisal plantation workers were halved to Tsh15 - 18.¹⁸ Sisal growers (the plantation owners and managers) organised to lower wages and prevent price cutting. The latter policy failed because most growers were contracted to London merchants from whom they borrowed capital, and who controlled the terms of prices etc. The merchants made a killing. Few sisal owners were bankrupted by the Depression because the Government gave support for increasing production by cutting wages. The contract system which tied workers to the plantations was only one of the many ways in which the sisal producers were advantaged:

"The first was there means of access through their colour and their education to government officials who could be persuaded to use political methods to assist them. Sisal planters had no need to riot. The second was the fact that sisal exports were generally only a little less than half the total value of Tanganyika's exports during the whole period."¹⁹

Even when prices rose they were able to use their power to hold wages down.

In the face of the Depression, and in line with their ideological commitment to the 'Three C's' - the pillars of Civilisation, of Christianity, and of Commerce - the British attempted to introduce reforms

which would smooth out the worst inefficiencies in the country's agricultural system. Attempts were made to introduce new improved agricultural practices which would prevent overcultivation; enforce minimum levels of cassava production to ensure a staple food supply; establish marketing boards and co-operatives to provide a better input-output system. These policies were frequently opposed by Africans because they affected traditional land tenure patterns and practices, and because they represented bureaucratic interference in production.²⁰ Where kulaks were able to establish co-operatives on their own initiative opposition was less marked. However, during the Second World War many of these policies were fully introduced, in the interests of the 'war effort'. Yet, "Nowhere...had commercial crops done more than supplement subsistence agriculture. They had not replaced it and thereby induced greater specialisation from which, perhaps, increased exchange and economic growth could have resulted....Moreover, not only were commercial crops merely added to subsistence farming, but they do not seem to have altered the methods of subsistence to any notable extent, save to reduce land available to it. The profits of commercial agriculture were devoted to housing, education, trade, or further cash crops, but,... at the most basic level of food production Tanganyika's agriculture was little changed in this period."²¹

Consequently, increasing surpluses were being produced to the advantage of plantation owners, some African farmers, international and national traders and the colonial administration. To the peasant producer producing cash crops to supplement his subsistence income or to pay taxes, this income was a boon rather than an imperative necessity. This raises an important issue in that the individual's motive for producing a good may not meet with the logic of aggregate production of that good. One farmer facing a small decrease in price paid for his produce may not withdraw from production because of the fall. The trader/merchant who forces this fall in price on the farmer may make large profits if the

number of farmers under his control is large.

Coulson takes a far harder line on the effects of cash cropping; as a direct consequence of the spread of cash cropping some areas were becoming increasingly underdeveloped and involuted. Government became more involved in agricultural production, providing improved communication systems and directing reforms to make the production of certain crops more efficient, especially of staple food crops and export crops.²² The attendant structures were undergoing a process of crystallisation, wherein the possibility and probability of local development of the forces of production became increasingly distant. Structural change in agriculture, involving the transformation of the whole sector, freeing resources and surpluses for further development did not occur. Rather, a freezing of subsistence agriculture occurred, while some advances were made in commercial agriculture based primarily on a vent-for-surplus and the intensification of exploitation of plantation workers and landless peasants.

After World War Two economic activity increased, along with greater developmental efforts by the colonial government. The expensive Groundnut Scheme of 1946 (£35.9 million) was founded on the assumption that African producers were unable to supply Britain's increased need for oil and fats. The overcapitalised mechanised scheme was a failure, which Coulson attributes to bad planning, an authoritarian bureaucracy and a failure to allow developments based on African initiatives. Other development schemes were attempted. Between 1945 - 1955 soil conservation - including the resettlement of the population - through legal compulsion was a main aim. Attempts included the Mlalo Rehabilitation Scheme; Uluguru Land Usage Scheme (the forced terracing of land); Mbulu Development Scheme (to reduce cattle herd size and to increase the

available land area for ranching); Sukumaland Development Scheme (the resettlement in Geita and Maswa of people from the overpopulated areas of Mwanza and Kwimba, and the forced production of cotton; terracing of hill-slopes and the destruction of 'surplus' cattle). Although some of these projects were successful in terms of their administrative aims, resentment from the Africans was intense, because of the bureaucratic interference in their lives which loaded extra work on them.

Bowles, writing of the period 1945 - 1954, observed an increase in the production of major exports based not on new technology, but through an increase in cultivated acreage, often at the expense of soil erosion and decreased food production.²³ Attendant on the growth in income from the increased production of these crops was a growth in the levels of imports and consumption. Tanganyika imported mostly UK goods, particularly obsolete machinery and cotton goods.

Sisal became the key export crop - produced on the large estates. Until 1954 prices were high. In 1948 sisal earned 55 per cent of the country's export earnings; in 1949, 57 per cent; 1950, 50 per cent; 1951; 60 per cent. In 1951 the value of Tanganyika's sisal exports was equal to Kenya's total export earnings. Thus, "From the British point of view sisal was...the most successful European enterprise in East Africa..."²⁴

By 1954 the bubble had burst for sisal. However, the prices for non-plantation cotton, cashew nuts and coffee all rose, providing a fresh stimulus to African production which lasted until 1961. By 1961 the price of coffee fell to half the 1954 level, and the price of cotton fell by 12 per cent. The merchants made most of these fluctuations. Producers increased production to stabilise their incomes and to meet their contractual obligations with the London dealers.

During the Second World War, British colonial governments fixed the

prices paid to producers for their crops. In particular, monopolistic Marketing Boards were established (or strengthened) with the supposed aim of stabilising producer incomes. In fact, they tended to function as a means of taxing producers. As the prices of the particular commodities covered by the particular marketing board rose, only a proportion of this rise was passed to the producer. The remainder was used for research and development of the commodity; for development projects in areas where the commodity was produced; for a stabilisation fund in case the price fell or in the event of a poor harvest; and finally - but of growing importance - as a source of general development revenue. Most of the surpluses gained by the marketing boards were invested on the London Stock Market. The fixing of commodity prices during and immediately after the War, at rates well below market prices meant that the British economy was rebuilt on the profits of its trade in cheap colonial commodities, and on investments by its colonies in London.²⁵

"Both..(the Post Office Savings Bank) and the Government pension funds were under obligation to invest their deposits on the London stock market. If the Government itself wanted money it borrowed it back in the same London stock market, but paid a higher rate of interest than it got on its own deposits. The commercial banks financed the buying of crops from the peasant sector up to 1960. In that year they and the Post Office Savings Bank organised the transfer to London of over 55 million shillings for departing expatriates....

It is clear that they (the colonial policies and institutions) must be seen together as a system for extracting surplus from Africa. Every institution had its role to play in this, and virtually nothing was done which did not advance this end."²⁶

In effect the UK controlled Tanganyika's economy with a minimum of direct political control. "The extent of control by British traders was the extent of dependence by Tanganyika on Britain's economy..."²⁷

"The remarkable fact is that exports rose much faster than imports and much of the foreign exchange earned was not spent at all, let

alone on development projects. In the years from 1951 to 1961 there was a surplus balance in ten years out of eleven, and in seven of those years there was a surplus balance of over £8 million, around 10% of the total volume of trade. The total trade surplus over those eleven years was approximately £77 million. While some of this was spent on services, the remainder presumably reflects Britain's interest as a centre for the investment of surpluses rather than Tanganyika's interest as a user of capital."²⁸

Further,

"The great expansion of cash crops had made the country's prosperity increasingly dependent on the industrial nations."²⁹

Finally, Iliffe observing colonial policy toward African producers notes that,

"It was an attempt to solve a number of problems which had emerged in the agricultural systems...:the growing shortage of land owing to population growth and cash-cropping without major technological change,...or the tendency toward involution,...But the policy attempted to solve these problems without altering the basic forces which brought them into existence."³⁰

By the mid-1950's policy changes were introduced in the face of political pressure and changes in the world prices of various Tanganyikan crops:

"The basic principle of the late 1940's had been to preserve the peasant cultivator and stabilise his farming system, insisting, for example, on communal land tenure. By the mid-1950's the peasant cultivator was losing favour. The reason for this was probably mainly political: the emergence of a class of wealthy African farmers in the place of a peasantry, it was believed, would increase political stability in rural areas...The Report of the Royal Commission on Land and Population in East Africa, published in 1955.....saw the problem of development as one of hastening the transition from subsistence to commercial agriculture....To achieve this aim, it concluded, 'economic and social policies must be based on the realisation that the development of East Africa basically depends on the extent to which the indigenous populations can, with the help of necessarily small numbers of migrant people, be integrated into the world economy'. Government policy should therefore support the demands of the most progressive

farmers, especially by encouraging the replacement of customary land tenure by individual freehold. 'Policy...should aim at individualisation of land ownership and mobility in the transfer of land..' "³¹

"What happened was that the government...unable to stabilise the old African agricultural systems in the face of economic change,...decided to throw them wide open to the forces of the market,..(to be) 'integrated into the world economy'...Individual landownership and the widespread landlessness were consequences which would have to be accepted."³²

Consequently, the expansion of cash cropping for export in a period of relatively high world prices moderated the effects of inequality. Although not a uniform effect, marginal crops and areas were developed, but generally, greater commercialisation was achieved in many areas only by richer farmers using tractors and hired labour and ousting poor peasants. The rise of the 'master farmer' represented the rise of true capitalist farming.

During this period African nationalism took off. African resentment of Asian traders and middlemen, of an interfering government, of the marketing boards, led to strident demands for Africanisation. African farmers formed their own co-operatives and attempted to boycott both the Government and Asian-controlled systems. In 1952 KNCU successfully organised its own coffee auctions. In 1954 Mwanza cotton farmers formed the Tanganyikan African National Union in response to the increased role being taken by the Lint and Seed Marketing Board in the marketing of the crop. In particular they resented their prices being limited while the world price was high. The role of kulak farmers was crucial because they were more integrated into the commercial system than other peasants. It was this group which had initiated moves to set up their own co-operatives before 1939. They resented efforts being made to pass control over the co-operatives into the hands of bureaucratic administ-

rators. This resentment was related to, and reflected in, demands for Africanisation. What was being sought did not represent an attempt to withdraw from the capitalist system.

"It was very commonly...larger and more commercial farmers who led the co-operative movement whose development was such a feature of this period."³³

In all areas differentiation was moving apace, and in some areas capitalist development and underdevelopment were well on the road to crystallisation at the time of Independence. Throughout Tanganyika uneven development existed. However, despite eighty years of colonial rule the country was still overwhelmingly an agricultural economy dominated by the subsistence sector. Capitalist enterprise in agriculture was limited in intensity, but served as a target for the development policies of the administrations. The relations between the rural capitalist class and the ruling administrations is a theme which runs throughout the debate over Tanzania's development/underdevelopment. The basis for this relationship was laid down during the colonial period. The colonial administrators' policies in the agricultural sector set the stage for strategies and policies initiated after Independence. It will be shown that a continuity exists between colonial policies and the policies followed during the next fifteen years.

Industrial Activity:

Industrial activity - which has been severely limited in scope - has reinforced the disintegrated, underdeveloped structure of the economy. There had been little mass production of manufactured goods because the level of cash wages and incomes had been too low to create a demand which would make the setting up of such industries locally worthwhile, on a

capitalist basis. Mass production of textiles only began in 1957, and the local production of manufactured agricultural implements did not start until after Independence. All this in spite of the discovery of ample deposits of iron and coal during the German period.

The World Bank Group, reporting on Tanganyika immediately before Independence, argued that,

"Manufacturing development has been proceeding rapidly in recent years, (up to 1961) and may be expected to continue a high rate of expansion, though without becoming a major employer of labor....

Tanganyika's immediate comparative advantage appears to lie in agricultural production. Although unemployment among Africans who move into the towns creates local social problems, there is no overall problem of lack of opportunity to work for a living... Consequently, efforts to accelerate further the growth of manufacturing by means of protection or other special expedients do not seem appropriate, and industrial development in Tanganyika should continue to depend on the growth of the internal market, and thus...on the development of agriculture."³⁴

A more plausible insight into the nature of Tanganyikan industrial activity is offered by Coulson.

"But what about the industrialisation which has taken place in Tanzania since the 1950's? In terms of growth it has been impressive, but most of it, instead of being aimed at mass markets as in the early stages of capitalist development, has been aimed at luxury markets: toilet preparations, the processed foods, the household goods that...characterise the more developed present stage of capitalism in the West."³⁵

Coulson's argument rests on the notion that some mass consumer goods such as those listed above, and others such as beer, cigarettes, radios etc. are of secondary importance to the need to produce capital goods and producer goods.

The World Bank Group:

The Group's approach to Tanzania on the eve of Independence was explicit - the creation of an African bourgeoisie united with a significant foreign bourgeois element. Herein the Group appeared to have taken over the role of advising and directing the Tanganyikan development strategy from the colonial administrators. In fact, the Group's Reports

have all been heavily concerned with advising the Government on the 'correct' development policies.

The Group's concern has always been with the development of capitalist activity.

"The recent growth of Tanganyika's manufacturing industry,... has depended predominantly on non-African enterprise and capital, both resident and foreign...The emergence of an African business community will necessarily be a gradual process...As the participation of Africans in commerce and the service trades develops, this should provide the nucleus of a business class which can shift to small- and medium-sized industrial activity as opportunities arise. The same may apply to Africans who achieve success as settled farmers. Also, the growth of a class of African artisans and technicians in industries should form the basis from which small businessmen may be recruited in time."³⁶

Clear in this quotation is the implication that successful capitalist development is both feasible and inevitable, although on a lower scale than in the developed countries. Constraints and contradictions are ignored.

Below, culled from the IBRD's Report on Tanganyika's prospects in 1961, are some of the Group's observations and recommendations to the then newly-independent state.

"...the proportion of total output which does not enter the market economy is...40 per cent. In many parts of the territory, particularly in the South, subsistence activities...appear to outweigh monetary activities. In certain Northern areas, by contrast, monetary activity greatly predominates. Many Africans in Tanganyika have only minimal contacts with the monetary economy. The great majority...are in an intermediate position, depending upon subsistence production for many of their staple wants, but selling some goods and services for money, so that in varying degrees they are partly in the 'subsistence' economy and partly in the 'monetary' economy...Production of cash crops...is an activity taking second place to the production of food for the family...Nevertheless, preoccupation with self-sufficiency is breaking down..."³⁷

Essentially the observations made here are that at Independence,

subsistence was still the major preoccupation of most Tanganyikans, although regional differentiation exists. (The north is the area of major European settlement). This appeared to be breaking down as cash cropping and the cash nexus spread. At this time the Group is concerned simply with the development of commercial agriculture, and the destruction of subsistence agriculture. The attempt being made was to create a fully capitalist economy. The link between the monetary sector and the subsistence sector was not analysed. The former was intended to replace the latter. Only later, in 1968, did the Group begin to see the benefits of fixing the monetary-subsistence sector link as a permanent structure of agricultural production in underdeveloped economies. In this Report the directives were simple.

"...the pace and shape of future development in Tanganyika are highly dependent on public action, notably in the central task of improvement and transformation of African agriculture, in providing, improving and maintaining communications over the large distances of the territory...(But) limitation of financial resources remains the main restriction on the public development effort and...to a major degree, on the development of the economy as a whole."³⁸

Here, it is stressed that the weakness of the existing productive structures can only be overcome by strong state action. This is an acknowledgement of the centrality of the state in the functioning of the economy in Late Capitalism.

Group recommendations include,

"the adoption of an increasing scale of two different types of community development approach to rural development, one intensive and the other extensive."³⁹

This was intended to allow for different levels of agricultural development in the different parts of the country. Thus, "In places it will be desirable to continue the present policy of concentrating extension

effort on the few progressive African farmers."⁴⁰ Generally,

"What is needed is to replace modified shifting cultivation and extensive pastoralism by methods making more intensive and more permanent use of land. The aim must be to convert African agriculture from its present status of being little more than a traditional occupation, undertaken mainly for subsistence and resulting in land deterioration, to farming as a business activity on efficiently-run, planned farms of economic size, justifying the injection of capital, achieving a much higher level of productivity and appreciably raising standards of living..Extension work.. converting peasants into yeomen farmers using the land on a permanent basis...securing..high..yields..while essential to secure immediate increases of production, cannot make a sufficiently rapid and widespread impact on land-use problems.

...The Mission recommends (along with the extension approach)..a 'transformation' program..(with) radical reform of methods and organisation ..the settlement of new areas..(with the introduction of) superior methods and organisation..be seized to the greatest possible extent."⁴¹

These two approaches to rural development were intended as a method of individualising (further) agricultural production, in order to ensure internal specialisation and the division of labour (differentiation). "Individual (land) tenure should lead to the release and encouragement of new genius and to new experiments in finding the most productive use of land,"⁴² and therein favour specialisation. However, the process "depends on the reduction of the traditional preoccupation of the African cultivator with self-sufficiency in food."⁴³

The IBRD saw a bright future for European settlers and planters. "Estate agriculture on alienated land makes a valuable contribution to the economy..and policies hostile to the continuance of estate agriculture would be short-sighted..Public authorities should be prepared to provide help for established estates...The estates..have..value in demonstrating to Africans relatively advanced methods of production."⁴⁴

For sisal production - grown almost entirely on estates involving a high degree of hand labour, hardships were envisaged, and because

"wages have recently increased, and the industry has a fair amount of labor troubles....it is important that efforts should be made to economize in labor."⁴⁵

Did the Tanganyikan administrators follow these recommendations? Did the Group's policies toward Tanzania change during the next fifteen years in response to the specifics of the Tanzanian situation, and to changes in global Bank Group strategy as outlined in the previous sections? Further, were the structures created before Independence transformed ?

Chapter Three

From Independence To Arusha

Bienefeld has written:

"Tanzania's policy has evolved in a progressive direction in response to the contradictions which followed inevitably from its early orthodox development strategy...These contradictions have been resolved in a progressive way..."¹

The orthodox development strategy - that which was set out along lines laid down in the 1961 IBRD Mission Report was, according to this view, followed until the Arusha Declaration in 1967. This does not mean that the change in strategy was a sudden event. It was the result of historical and class forces, and the changeover, if there was one started before 1967, and lasted long after. Bienefeld's optimistic interpretation of events since 1967 will be criticised in the following chapters.

Basil Davidson writing of the newly-independent states of Angola, Guine and Mozambique, observed that they "rejected their colonial inheritance in the economic field". The export of cash crops continued because their economic inheritance gave them no alternative. But, they made sure that export growth should not be made the chief regulator of their economies.² The evidence suggests that Tanzania failed to achieve this break. This may partly be explained by the ideological stances of the Tanzanian leaders. Many were content with Independence. As nationalists they were often anti-imperialist, in the sense that they opposed the imperialists who appropriated surpluses which the nationalists believed was their (the nationalists') own. However, competition for control over appropriated surpluses did not make nationalists socialists. Of greater importance to Tanzanian development strategies and their failure, has been the balance of class forces and the attendant structure of the state.

"The colonial period...left Tanzania with a class structure...-

foreign capital in the rural as well as urban sector, and a small sector of capitalist farmers and a class of agricultural labourers; a largely urban petty-bourgeoisie of officials, teachers and small traders; and a set of 'peasantries' ranging from highly stratified ones in areas of long standing cash crop production or recent pioneering settlement, but little differentiation in other regions."³

Shivji has described Tanzania between 1961 - 1967 as a "neo-colony par excellence"⁴, meaning that foreign ownership of the means of production was predominant, with in this case, British international corporations taking the lion's share.⁵ Production of luxury goods, raw materials and export crops saw the increased exploitation of workers and peasants, essentially remaining in a pre-capitalist social formation, by capitalists.⁶

Between 1961 - 68 administrative expenditure rose by about 90 per cent whilst production increased by around 30 per cent, ie. the state apparatus experienced a disproportionate expansion. Von Freyhold's description of the Tanzanian state at Independence, which had been "constructed for the benefit of the metropole" follows from this.

"Among its more notable apparatuses were a Treasury with the task of raising internal revenue and negotiating with foreign donors, a Planning Department charged with listing projects foreign donors and investors could be expected to support, a Department of Agriculture mainly concerned with telling the peasants what and how to produce for the world market, a Community Development Department that told people to adopt more 'modern' habits, a Labour Department staffed with a large number of officers with military experience and dedicated to joint consultation and industrial peace, a Department of Industries mainly concerned with attracting foreign investors, a Police Department whose most effective units were concentrated near large-scale enterprises and already to assist any employer in trouble."⁷

Because the size of the private African bourgeoisie was so small, the state took its place in running the country:

"The alien 'local capitalist class' was...replaced by economic apparatuses of the state controlled by the governing class and managed by a social stratum of people who owe their incomes and social position to the governing class and were prepared to support it."⁸

The fledgling African bourgeoisie waged before, and immediately after Independence, a class battle against the existing bourgeoisie to take over the reigns of political power. In Tanzania the African bourgeoisie fought this battle under the banner of Africanisation and socialism.

Two major themes are apparent from here on. First, the intensification of exploitation of the peasants and the further development of capitalism in some rural areas. Second, the increasing strength and spheres of activity engaged in by the state. With regard to the latter, a major element was the bureaucratic attempt to increase agricultural output regardless of the nature of the attendant developments. Essentially the strategy was elitist and authoritarian. Whether the policies helped or hindered the growth of capitalist forces was not of paramount importance to the bureaucrats. They sought growth with or without transformation. As technocrats without the necessary skills and techniques, they failed to come to terms with the fact that development is a process of transformation of economy and society. The existing structures were a product of the historical forces, throughout which a central theme had been present. Colonial administration capped Tanganyikan economy and society. It appropriated much of the surplus produced there. After Independence few things changed - many of the new bosses were in fact the old bosses. More particularly, the World Bank Group became a surrogate colonial administrator, especially after 1967.

An observation of the trends during the period 1961--66 offers "an historical sketch of the trends over 1961 - 66 during which period inequality...was increasing markedly, the basis for an

African bourgeois elite with intermixed political and personal interests was being laid, and the degree of progress toward absolute poverty eradication was uneven and faltering."⁹

At Independence a coalition between the various elites (bureaucrats, intellectuals, capitalist large farmers, businessmen) ruled the country. Those radicals among the leadership were isolated from the populace by their alliance with other, reactionary, elites. Previously TANU and the Tanganyikan Federation of Labour (TFL) had been allied during the Independence struggle, but following Independence and the TANU Government's alliances, the TFL split with TANU over the issue of Africanisation. Nyerere and TANU argued for gradual Africanisation, especially in the public service sector, whilst the TFL sought immediate African takeover. In 1962 the Government responded by issuing a declaration that Africanisation would be completed by 1980. Hence, within two years of Independence a crack had appeared in the alliance between the 'progressive' leadership and a key section of the population.

Other aspects of the early 'orthodox' strategy were a reliance on foreign aid for development projects and a belief that socialism was possible through harnessing capitalist development under a colonial civil service, and with British officers running the Army.¹⁰ By 1964 a new theme had been introduced: Nyerere sought 'citizen-isation' of the Civil Service rather than Africanisation. This was an attempt to overcome the problems of shortage of skilled manpower in public employment. Almost immediately the Army mutinied, with trade union support, on the grounds of their particular grievances - the attitude of the British officers toward them, and because the colonial education policies had effectively discriminated against Africans, so that 'citizen-isation' would benefit Asians and Europeans more than Africans. As a result of the mutiny, which was speedily put down, the TFL was banned. A new Government-cont

-rolled union took its place - NUTA - the National Union of African Workers. The Government appointed some of the top officials and strikes were banned because they were 'anti-patriotic'.

NUTA was corrupt and bureaucratic. Bienefeld maintains that at this time it was only the personal popularity of Nyerere and Kawawa which prevented the workers' dissent being translated into action. Rank and file discontent took the form of critiques of government strategy for the development programme as a whole.¹¹ As dissent grew, the Government conceded reforms. In 1965 changes from above were attempted. Workers' Committees were established, but they had no involvement in the organisation of production. The managers retained absolute control in this field, so essentially the Committees became 'discipline panels'. Thus, within the industrial sector as well as the agricultural sector, the pre-Independence trends were continued.

The amorphous coalition of ruling elites represented, and held, differing ideological positions. Evidence of popular discontent with the failure to transform society after Independence was apparent to all sections of the leadership. It was the radical element, led by Nyerere, which appeared to gain the upper hand as a result. This group succeeded, despite great opposition from other sections of the leadership, in introducing a progressive wages policy, salary cuts for state officials, and a national service for development. The Arusha Declaration which followed was essentially the product of a progressive leadership - a very small committed group - attempting to achieve solutions to the contradictions of a 'neo-colony par excellence': high unemployment levels; a tiny industrial base; a large agricultural sector concerned with production for export; an extended tertiary sector; a local bourgeoisie integrated into the system of international corporate business as directors, managers or representatives of foreign interests in the country. These

features ensured that political instability was never far from the surface.

The popular discontent threatened the leadership with a loss of its popular political base, both in the rural areas and in the urban centres.

Rural development had long been a major interest of Tanzanian leaders and planners, and of outside bodies. Nyerere, in 1961, published a pamphlet: Ujamaa - The Basis of African Socialism, which laid great stress on development through the so-called traditional extended African family. In December of the same year, in his Presidential Inaugural Speech, the need for a villagisation scheme was emphasised. During 1962 and 1963 nearly one thousand settlement schemes were initiated, about half of which were started by the TANU Youth League. The most famous of these became the Ruvuma Development Association, where groups of farmers set up co-operatives and collective farming. By 1967, twenty villages, with twenty-three families each sharing the work and returns, were members of the Association.

Ellman writing on the development of the Ujamaa policy, found that the Village Settlement Period (1961-1966) was an attempt to fully implement the Bank Group's guidelines on the development of agricultural production. At the same time, i.e. in the initial phase, the actual establishment of village settlements was not in the hands of the administrators.¹² Problems arose because of the lack of planning in the early schemes. The logistics were not fully planned, so various bottlenecks developed which helped to stifle the early enthusiasm. Better planning was required, and this necessitated the participation of the bureaucracy. It was now that the bureaucracy attempted to implement the 'World Bank approach', whose object was to concentrate capital investment and technical manpower on target groups of farmers settled in the most fertile areas. It was intended to introduce farming systems based on increasing

-ly intensive and permanent use of land and (imported) resources - fertilizers, tractors - under the auspices of the Rural Settlement Commission. Each scheme contained 250 families, with £150,000 per scheme invested in the provision of roads, water, buildings, farm machinery, agricultural inputs, and cash for credit. The investment was to be repaid out of increased income resulting from increased yields.

By the end of 1965, the total number of settlement villages in the Settlement Scheme reached 23, covering 15,000 acres of crops and involving 3,402 families.¹³ Generally these villages contained individual plots, but which needed neighbourly co-operation to run well. However, where the crops were farmed extensively, eg. wheat or cattle, communal production was practiced.

The workings of these villages were heavily supervised by extension officers employed by the Government. Consequently, spontaneity was hindered further. But, most importantly, during the three years of their existence, £2 million was invested but the returns were extremely poor. The Röss Report of 1966 found that the forty settlement schemes - there had never been more than forty, but the number had varied below this figure - had been a waste of resources, had been over-capitalised and badly planned, and that they had tended to make the settlers dependent on external resources. The schemes run by the Government were not aimed at socialist transformation.

"(An) amazing warping of the village settlement programme .. (occurred whereby)...the agricultural bureaucracy was largely oriented to 'progressive farmer' emphasis and distrusted both broad front and communal efforts, and the 'implementation' package proposal of the World Bank experts was simply not checked to see whether it was 'as ordered'. It certainly was not. Villages remained, as did greatly enhanced levels of infrastructure and service provision. Communal management had given way to a neo-Gaullist or neo-McKinsey type of 'participation' in which an outside expert manager would to all intents and purposes run the

village as if it were a plantation. The broad front approach was necessarily dropped because the cost per family of the 'revised' approach was dauntingly high, while the need to work hard and to be self-reliant to prosper was virtually removed from members. The whole episode is an object lesson in the dangers of using foreign expertise to formulate a programme without giving it clear guidelines and providing for built-in checks by local expertise committed to and comprehending the basic political economic goals. As a result the successful villages...contributed to the break down of previously quasi-feudal, relatively egalitarian social and production systems, not to their transformation toward more modern variants at higher levels of technology and of productive forces."¹⁴

In some areas of high potential where land scarcity was a problem and where hired labour was used to work the farms owned by other farmers, "a rural elite of improving landlords (and 'progressive farmers') was emerging, allying with the rural bureaucracy, dominating rural institutions (notably many co-operatives) especially in respect of their salaried posts, and using this economic base to gain control of a high and increasing share of TANU, local government and other political leadership positions with a feedback effect of manipulating land allocation."¹⁵

Thus, the Village Settlement Scheme had failed to achieve an equitable transformation of rural society and economy because the bureaucrats were not concerned to implement such a policy. Instead the World Bank approach was adopted, which despite radical-sounding phrases, was intended to increase rural differentiation to the detriment of the poorer peasants. The encouragement given to the richer peasants and farmers by the bureaucrats is a theme which runs through Tanzanian colonial and post-colonial history.

Overall, the evolving contradictions and failure of the 'orthodox' strategy were aggregating to the extent that Shivji was able to argue that

"the upshot of these contending factors is that a neo-colonial formation of this type may either relapse into army takeovers or may 'evolve' into a different socio-economic formation -

'bureaucratic capitalism'."¹⁶

This 'bureaucratic capitalism' entails state control of the economy in collusion with international capitalism.

"All this has important effects on the process of class-formation and on... consciousness... On top of the administrative bureaucracy of the civil service-type running the state machinery, there arises the economic bureaucracy. The economic bureaucracy is involved directly in the managing and running of the production process. The administrative bureaucracy has roots in the economic base itself, which makes its position and interest in the status quo much stronger and deeper. In addition state ownership allows the bureaucrats to dull the consciousness of the exploited masses of the population thereby serving very well the interests of the international bourgeoisie...while...the army, police and the newly-educated elite...is propitiated by extra privileges and facilities."¹⁷

The Arusha Declaration was a political response to these contradictions of falling prices for the key export crops, the failure of the Village Settlement Scheme to mobilise the peasants to increase production, the failure of foreign investment to arrive in the required quantities, inflation, rising discontent of the peasants and workers. The consequences of this 'change' in direction were not fully apparent even as late as 1970, when Shivji wrote:

"Tanzania appears to be in a situation of flux - a situation of latent but definite class struggle. On the one hand, there is the economic and political bureaucracy (objectively backed by international bourgeoisie, the country being still in the neo-colonial framework), and on the other are the workers and peasants as represented in their most vocal and conscious elements - largely small groups of intelligentsia, including a few enlightened leaders."¹⁸

One change which did occur after 1967 was that the World Bank Group's level of intervention increased dramatically. In 1961 it had produced the first of its reports on the country's economic prospects, and made several recommendations concerning future Government policy and strategy

for development. Many of the recommendations were contained in the country's First Five Year Plan (F5YP, 1964 - 1969); some of the policies were introduced, viz. the Village Settlement Scheme; and the Group provided cheap finance for the development programme. (See pages 107 - 112).

The apparent change in strategy and policy heralded by the Arusha Declaration coincided with the advent of the fresh Group approaches to rural development. It would appear that Arusha in principle, represented a defeat for the Group strategy as practised in Tanzania since 1961. One of the key issues then became one of whether the supporters of the policies associated with the Bank Group could regain ascendancy in Tanzania.

Whatever the reality of the other changes after Arusha, the increased activity of the Bank Group represents a denial of socialist transformation and reconstruction of economy and society. The new World Bank Group strategy facilitated the emasculation of the principles outlined in Arusha.

The 1970 World Bank Group Mission Report on the First Five Year Plan:

The First Five Year Plan covered the period between 1964 and 1969. Its genesis is to be found in the earlier Mission Report of 1961. Hence, although straddling the Arusha Declaration it represented pre-Arusha thinking.

The 1970 Report¹⁹ was primarily concerned with the failure of the First Five Year Plan (F5YP) to raise GDP by the target figure of 6.7 per cent p.a. The Report outlined some of the most perceptible trends of the economy over this period. Of these, the most important was the differential growth rates of the various sectors. The share of GDP produced by the agricultural sector fell from 57 per cent to 50 per cent (1964-8), whereas the manufacturing sector's share rose from 4.1 per cent to 6.4 per cent. The service industries experienced a rapid growth of 6 per cent p.a. over the period 1964-69, so that in 1968 they represented 41.7 per cent of monetary GDP. The primary sector grew at 3.2 per cent p.a. between 1960-68, whereas the secondary and tertiary sectors averaged an annual growth rate of 9.7 per cent. (See Tables 9 and 10).

Manufacturing, construction, commerce and transport showed high rates of growth for two reasons, according to the Mission Report. First, import-substitution industries were growing; and, second, transit trade with Zambia had increased after the Rhodesian UDI, and the introduction of economic sanctions.

Agriculture, on the other hand, had suffered a decline in wage employment from 50 per cent of all employed labour in 1964, to 33 per cent by 1968, largely because of the decline of the sisal industry. This decline resulted in an absolute decline in total wage employment. In 1964 wage employment in agriculture, mostly on the sisal estates, totalled

Table 9. Industrial Origin of GDP at Current Factor Cost, 1964 - 68.
(US \$m)

	1964	%GDP	1965	%GDP	1966	%GDP	1967	%GDP	1968	%GDP
Agriculture	383.0	57.4	371.3	54.2	405.5	53.0	405.6	51.3	410.9	50.0
Mining	17.0	2.6	17.0	2.5	22.3	2.9	22.5	2.8	15.5	1.9
Primary Sector	400.0	60.0	388.3	56.7	427.8	56.0	428.1	54.1	426.4	51.9
Manufacturing	27.2	4.1	32.8	4.8	39.6	5.2	46.5	5.9	52.8	6.4
Construction	21.6	3.2	21.2	3.1	24.1	3.2	29.1	3.7	31.0	3.8
Public Utilities	4.9	0.7	5.2	0.8	6.7	0.9	7.1	0.9	8.4	1.0
Commerce	84.0	12.5	92.2	13.5	107.4	14.0	109.2	13.8	119.5	14.5
Rent	31.1	4.7	34.5	5.0	38.7	5.1	41.0	5.2	42.3	5.2
Transport	27.6	4.1	30.2	4.4	34.6	4.5	38.5	4.9	41.7	5.1
Services	71.3	10.7	81.2	11.9	86.1	11.3	91.6	11.6	100.0	12.2
Secondary/ Tertiary	267.7	40.0	297.2	43.3	337.3	44.0	363.2	45.9	395.5	48.1
Total GDP	667.7		685.5		765.0		791.3		821.9	

Source: Taken from Table 2.1, Vol. 1, 1970 Mission Report. Per centage added.

about 165,550. One of the aims of F5YP was to increase employment by at least 200,000 extra jobs by 1980, but as early as 1965 it was clear that the target was over-ambitious. With the fall that year of sisal prices, employment fell as marginal estates closed and labour-saving devices were introduced. In 1966 employment was lower than in 1964, and the situation was exacerbated by poor harvests. Non-agricultural employment in 1963 reached 174,900, and in 1968, 242,500 - again short

Table 10. Credit from Commercial Banks By Sector, 1964 - 68.

	(US \$m)				
	1964	1965	1966	1967	1968
Agriculture	27.3	39.0	44.5	24.5	44.3
Industry	7.8	10.5	16.3	16.1	20.0
Commerce	24.2	37.0	44.3	42.4	47.5
Construction	....	....	....	3.5	5.8
Transport	....	....	....	1.5	2.2
Government	23.0	29.1	0.6	....	....
Household	....	....	....	0.8	0.9
Other	9.5	11.6	13.8	....	....

Source: Derived from Table 6.1, vol 1, 1970 Mission Report.

of the target figure of 370,000. The major feature of the period of F5YP was that the secondary and tertiary sectors (see Table 9 for definitions of the sectors) became the major employers of labour. The possibility of dramatic increases in non-agricultural employment was seen as unlikely by the Mission, although no explanation was offered. The Mission concluded that the main thrust of economic development in Tanzania must originate in the agricultural sector, but with emphasis also on the growth of tourism and services.²⁰

The period covering the F5YP was a disappointment to Tanzanian planners not only because GDP grew at 4.5 per cent p.a., rather than the expected 6.7 per cent p.a., but also because the standard deviation of the former figure was 3 per cent, demonstrating Tanzania's vulnerability to short-term stimuli such as weather and price changes for its major exports. Table 11 shows that certain crops experienced high growth rates (in value) over the period, whilst sisal, the major crop suffered a decline of 23 per cent in value on a decline of 2 per cent in quantity. Overall agricultural output grew at only one per cent per annum, due largely to the negative effects of the decline of the sisal industry.

The world price of sisal had fallen in 1965 and 1966, followed by two years of bad weather, with the joint effect of decreasing sisal's share of monetary agricultural output from 37 per cent (1963) to less than 16 per cent (1968). Consequently, diversification of crops became inevitable both as a policy objective and as a pragmatic response to sisal's increasing unprofitability.

Along with the diversification of agricultural output, the F5YP saw

Table 11. Quantity and Value of Marketed Agricultural Output: 1963 - 1968
(US \$m; '000 tons)

Item	1963		1968		% growth rate 1963/8	
	Quantity	Value	Quantity	Value	Quantity	Value
Sisal	214.3	61.9	193.8	21.7	- 2.0	- 23.0
Cotton	45.7	21.3	50.7	24.4	2.1	2.7
Coffee	28.2	18.8	49.2	32.6	12.1	11.7
Cashewnuts	56.4	3.9	105.0	11.6	13.3	24.0
Sugar	49.2	6.4	81.0	10.5	10.5	10.3
Tea	4.9	5.0	7.8	6.7	9.8	5.9
Tobacco	2.3	1.1	7.1	4.2	25.0	30.0
Pyrethrum	2.3	1.7	4.7	2.7	15.4	9.6
Wheat	18.8	1.1	27.4	2.1	7.8	13.4
Groundnuts	11.9	2.5	14.0	1.8	3.3	- 6.7
Others	....	<u>21.6</u>	....	<u>18.1</u>		
		145.4		136.4		

Source: Table 6, vol1, 1970 Mission Report

many other changes in the structure of the rural economy, according to the Mission, namely that, 'transformationist' and 'gradualist' approaches to rural development were attempted. The 'transformationist' element was instituted through the Village Settlement Scheme; the large ranching estates; attempts at mechanisation; and the extension of economic infrastructure to the rural areas. On the other hand, 'gradualist' policies

were introduced through the provision of credit facilities, water, transport and commercial services to peasant producers, and the extension of research and development facilities for agriculture. In essence, the former approach sought to radically increase production through the destruction of traditional methods and organisation of agriculture, and the introduction of advanced techniques. The latter sought merely to make the traditional systems more efficient.

Without attempting to explain the reasons, the Mission noted the abandonment of the transformation approach in 1966. For the rest of the F5YP Tanzania was said to have concentrated on the gradualist approach, especially assistance to small farmers. Extension, marketing and production services were increased as were attempts to encourage diversification. As proof of the success of this 'new' policy, the Mission reported that the value of the marketed output of peasant producers rose from US \$71.2 million in 1964, to US \$98.6 million in 1969, whereas the value of estate-produced crops fell from US \$74.2 million to US \$35 million over the same period.²¹ Further 'proof' of the adoption of this policy is given by Seidmann:

"Investment (by private capitalists - CJ) in plantations and agricultural processing has tended to decline as aid agencies and African government-sponsored programmes have stimulated African peasants to produce cash crops for exports..."²²

Agriculture has always been the most important sector of the Tanzanian economy, but other sectors have experienced higher growth rates. Over the period of the F5YP, the mining industry relied almost entirely on diamonds for its earnings, with 80 per cent of the sector's marketed value earned from them. During F5YP both the output and the price of diamonds fell. Generally, mineral output increased by one per cent p.a., but its share of GDP fell from 3.3 per cent to 2.9 per cent.²³

Manufacturing grew at an average annual rate of 11.2 per cent between 1964 and 1969, and by 1968 this sector produced 7.4 per cent of monetary GDP. Employment grew from 22,212 to 35,359, with the increase due mainly to the processing sector expansion. Consumer goods accounted for most of the sector's employment and output, but oil refining, cement, aluminium goods, plastics, and metal processing all showed an increase. The Mission stated that the gross capital stock in industry stood somewhere between US \$168 million and US \$196 million, 50 per cent of which was created between 1964 and 1969, with major investment in textile mills, refineries and a cement factory, the total cost of which was US \$42 million.²⁴ Capital good manufacturing also showed an increase from US \$40 million (1963) to US \$93 million (1968).

Total investment for development during the F5YP reached US \$593.6 million, representing 86.2 per cent of the target figure. Central Government Development expenditure only achieved 82 per cent of its target.²⁵ Within this general picture the Mission Report noted that expenditure over the period was unevenly spread - the first two years witnessed a very low increase in development expenditure, but the rate and amount of expenditure increased thereafter. The Mission argued that the cause of this unevenness lay in the chronic shortage of skilled manpower needed to implement a balanced development programme.²⁶

It had been projected that 78 per cent of all Central Government expenditure for development would come from external sources. In fact, internal sources provided 65 per cent of total Government development expenditure. By 1967 it was clear that this was not the only reason that all expectations for the F5YP were unrealistic. Prices for the major exports all fell, especially sisal, due largely to overproduction in a limited market. Tanzania's deficit in foreign exchange between 1962 - 1967, was \$22 million - ie. more than was invested in Government-owned

industry between 1968-71. The only major areas of investment were either capital-intensive or export-oriented enclaves.²⁷

It was clear to Tanzanians, and to the Mission that changes were necessary when producing the Second Five Year Plan (S5YP). The Tanzanian ideas on a 'new' strategy were contained in the Arusha Declaration, which was proclaimed before the F5YP had run its full course. The Declaration set in motion the nationalisation and public control of banking, insurance, importing and wholesale trade, processing and manufacturing, and the production, processing and export of sisal.

The takeover of the import-export trade by the State Trading Corporation, in 1968, had an immediate effect. In 1966 the net outflow of profits and dividends from Tanzania totalled US \$19.3 million; in 1967 the figure was US \$16.8 million; and in 1968, US \$8.8 million. In giving these figures Seidmann argues that this decline after the STC took over demonstrates that the extent of 'fiddling' of rebates by foreign firms, averaged between 5 - 10 per cent of the total value of imports.²⁸

In 1966, total investment and commitments in the National Development Corporation (NDC) group were US \$71.4 million, with US \$16 million provided out of the NDC's own surpluses. By 1968 the respective figures were US \$178.2 million and US \$39.2 million. The increased investment from the NDC's own resources were due to the acquisition of private companies and shares in the investment of existing private companies. However, after 1969 and the full development of the Parastatals, investment in agricultural processing, livestock, hotels and game lodges was transferred from the NDC to the relevant parastatal. The NDC was left with its main activity covering manufacturing and mining.

The Mission Report noted that despite the increased state intervention, the Government favoured private investment in manufacturing and tourism, and looked favourably on joint public corporation/private enterprise ventures.²⁹ The Government's purchase of 51 per cent shares in

several large industries did not necessarily entail that they were nationalised in the full sense of the term. Management of the firms was often left in the hands of the foreign or private interests. It was hoped - by the Mission - that despite this concession, Government participation would ensure that investment would be 'better directed'. This suggests the heretical view - for the Bank Group - that private investment is not always the best method of encouraging economic development.

Central Government Funding

Central Government increased its involvement in the economy, demonstrated by its increased levels of recurrent and capital expenditure: respectively, US \$99.3 million and US \$20.4 million in 1963/4; US \$181.2 million and US \$59.4 million in 1968/9. (See Table 12).

Table 12. Central Government Revenue and Expenditure. 1963/4-1968/9.
(US \$ million)

	1963/4	1966/7	1968/9	Total
<u>Recurrent Revenue:</u>	<u>100.5</u>	<u>143.5</u>	<u>181.2</u>	<u>826</u>
OF WHICH:				
Taxes	68.7	101.6	146.2	
Interest/rent/other	10.5	14.0	14.3	
Aid Appropriation*	21.3	21.9	20.6	
<u>Recurrent Expenditure:</u>	<u>99.3</u>	<u>143.5</u>	<u>181.2</u>	<u>826</u>
OF WHICH:				
Social Services	35.0	40.0	50.1	
Economic Services	18.5	36.0	43.3	
Administration	43.9	61.2	74.2	
To Dev't Budget	1.9	6.3	13.7	
<u>Development Budget**</u>	<u>20.4</u>	<u>41.2</u>	<u>59.4</u>	<u>230</u>

*Loans from abroad accrue to the Development Budget, but aid-in-appropriation is treated as Recurrent Revenue.

**Excludes EAC investment.

Source: Derived from Tables 5.1, 5.2 & 5.3, vol 1, 1970 Mission Report.

Recurrent revenue almost doubled over the period - US \$100.5 million

in 1963/4, and US \$181.2 million in 1968/9. This revenue was raised mostly through taxation - income taxation, corporation tax, excise and import duties -- whose revenue doubled over the period.

The major part of recurrent expenditure went on economic services for agriculture, roads, education and public health. The development expenditure however, is separately classified as capital expenditure. For the period under examination, expenditure targets for development spending were not reached. During the F5YP, US \$185 million was spent by the Central Government on its development budget. Allowing for inflation, the Mission estimated that, in real terms, only 67 - 72 per cent of the target figure of US \$224.1 million was reached. Particularly in the early years of the Plan the shortfall was great, but toward the end of the period lack of financial resources proved to be a constraint on development.³⁰ The failure to achieve expenditure targets was not general. The two large-spending Ministries, of Communications, Transport and Labour, and of Agriculture, Food and Co-operatives, spent more than their allotted funds, whereas, National Education, and Land, Housing and Urban Development realised only 50 per cent of their targets. The Ministry of Commerce and Industry spent only 23.7 per cent of its target. In terms of relative spending, the Ministry of Communications, etc., received 36.6 per cent of total development expenditure, which it spent mostly on roads, followed by urban water supplies and aerodromes.³¹ The Ministry of Lands, etc., absorbed 16.2 per cent of all development expenditure; Education 11.3 per cent; and agriculture 10.4 per cent.

External Trade

Tables 13 - 17 give details of Tanzania's merchandise external trade during the F5YP. Agricultural products clearly dominated exports, and, manufactured goods along with transport machinery accounted for

Table 13. External Trade - 1964-1968. (US \$ million).

	1964	1965	1966	1967	1968*
Exports	214.3	196.0	250.0	233.6	240.5
Imports	167.1	187.0	226.0	221.0	256.9

*1968 includes Zanzibar.

Source: Table 3.1, vol 1, 1970 Mission Report.

Table 14. Imports to Tanzania by major category. (US \$ millions).

	1964		1965		1966		1967		1968	
	Value	%	Value	%	Value	%	Value	%	Value	%
Consumer Goods	74.0	44	76.1	41	92.4	41	75.0	34	79.4	32
Intermediate Goods	25.9	15	28.7	15	35.6	16	41.0	19	39.6	19
Transport Equip't.	15.7	9	18.1	10	27.6	12	29.7	13	32.5	13
Capital Goods	47.6	28	59.9	32	63.7	28	71.0	32	93.4	37
Miscellaneous	<u>4.1</u>	4	<u>4.2</u>	2	<u>6.6</u>	3	<u>4.2</u>	2	<u>4.0</u>	2
Total	167.3		187.0		225.9		220.9		248.9	

Source: Derived from Paragraph 10, vol 1, 1970 Mission Report.

most of the imports. The Mission noted that import-substitution industries grew over the period, but that as a whole Tanzania was becoming more dependent on Kenya as a major supplier of her manufactured goods.³²

Imports grew at a faster rate than exports during the F5YP, with the averages at 18.4 per cent p.a. for capital goods, followed by intermediate goods (11.2 per cent p.a.) and consumer goods at 2.2 per cent p.a. The value of capital and transport goods doubled between 1964 and 1968.

Merchandise exports rose in value from US \$214.3 million in 1964 to US \$228.4 million in 1968 - excluding Zanzibar. Generally, before 1964 sisal, cotton and coffee exports provided over half of all exports, with sisal taking the largest single share. Yet by 1968 the situation had changed dramatically, with sisal exports showing a major decline, both absolutely and relative to other export crops. Cotton became the leading foreign exchange earner, followed by coffee, refined oil products and

then sisal.

Table 15. Tanzania: Imports by major categories. (US \$ millions).

	1964	1965	1966	1967	1968
Food & Live Animals	15.4	17.8	22.3	21.0	19.5
Beverages/Tobacco	6.9	5.2	4.1	4.3	2.0
Crude Materials	1.9	2.0	2.0	2.2	4.1
Animal/Vegetable/oils/ Fats	0.7	1.5	2.0	1.7	2.4
Chemicals/Fertilizers	14.6	16.0	18.5	15.3	16.4
<u>Manufactured Goods</u>	59.0	65.5	79.3	72.7	77.7
of which:					
Textiles	26.6	28.8	40.1	22.4	
Iron & Steel Goods	8.5	8.5	8.1	19.5	
Other Metal Goods	7.8	12.5	11.2	12.0	
<u>Machinery/Transport Equipment</u>	37.3	45.4	59.1	66.6	73.7
of which:					
Cars	3.8	3.4	4.6	3.8	
Other Transport	11.9	14.8	23.1	25.6	
Other Machinery	19.9	25.9	30.5	36.5	
<u>Miscellaneous</u>	21.1	22.0	23.7	17.5	30.1
<u>Mineral Fuel/Lubricant</u>	10.7	11.5	15.2	19.5	23.7
Total Imports:	167.2	188.0	225.9	220.9	249.0

Source: Derived from Table 3.3, vol 1, 1970 Mission Report.

Table 16. Exports by Main Categories: 1964, 1965 & 1968. (US \$ millions)
('000 tons)

	1964		1965		1968		Overall	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Coffee	32.7	31.0	27.8	24.0	48.4	37.1	202.4	166
Cotton	44.5	27.7	55.3	34.2	61.9	39.3	306.3	186
Sisal	208.9	61.2	210.2	40.1	186.1	22.3	1002.2	184
Diamonds*	664.0	19.0	828.4	19.9	682.7	18.9	4067.4	115
Cashews	55.8	9.2	63.6	11.6	78.4	14.3	338.7	62
Meat/Preparations	5.6	6.0	5.6	5.3	4.9	6.0	30.5	32
Cloves	8.1	8.5	8.5	6.4	11.5	8.4	59.3	44
Oil seeds/Nuts/etc	63.4	8.5	47.6	8.0	34.9	6.3	238.5	37
Tea	4.4	4.3	4.2	4.1	6.6	6.3	27.4	27
Hides/Skins	5.5	3.6	7.0	4.2	6.8	4.3	31.1	22
Petroleum Produce	....	....	....	....	....	22.9	....	300
Tobacco ('000 lb)	385.0	0.1	5674.0	1.4	11060.0	5.6	29383.0	121
Other	....	27.0	.....	28.4	.....	30.1	....	141

Total Value US \$1437 million

Source: Derived from Table 3.2, vol 1, 1970 Mission Report.

* '000 carats

Table 17. Tanzania's External Trade 1964 - 68. (Excluding trade with the EAC)
(US \$ millions)

<u>Exports</u>										
Destination:	1964	%	1965	%	1966	%	1967	%	1968	%
UK	61.1	29.9	61.1	29.1	68.1	29.1	66.2	28.7	53.9	24.3
Other Sterling Area	40.5	19.9	42.2	22.8	46.4	19.8	58.0	24.9	66.9	30.1
EEC	43.7	21.4	33.7	18.4	31.4	13.4	35.0	15.2	30.3	13.6
North America	23.4	11.5	16.4	8.9	23.7	10.1	16.4	7.1	13.0	5.9
Japan	7.8	3.8	4.9	2.7	13.6	5.8	9.4	4.1	15.5	7.0
Other	27.4	13.5	33.2	18.1	50.6	21.6	45.4	19.7	42.3	19.1
Total	<u>204</u>		<u>191.5</u>		<u>233.6</u>		<u>230.4</u>		<u>222.0</u>	
<u>Imports</u>										
Source:	1964	%	1965	%	1966	%	1967	%	1968	%
UK	42.6	32.4	47.2	31.6	57.7	30.3	53.5	28.4	59.4	27.7
Other Sterling Area	17.6	13.4	18.3	12.3	19.2	9.9	16.0	8.4	20.7	9.6
EEC	22.8	17.4	31.8	21.3	40.9	21.5	48.2	25.6	52.4	24.4
N. America	8.4	6.4	8.8	5.9	13.4	7.0	19.2	10.2	13.3	6.2
Japan	21.1	16.1	14.0	9.4	13.0	6.9	9.7	5.1	18.3	8.6
Other	18.9	14.3	29.4	19.6	46.1	24.3	41.9	22.2	50.4	23.5
Total	<u>131.5</u>		<u>149.6</u>		<u>190.3</u>		<u>188.4</u>		<u>214.6</u>	

Source: Derived from Table 3.4, vol 1, 1970 Mission Report.

Tanzania's pattern of trading partners also changed (Table 17), although the United Kingdom remained the leading partner with an average of 25 per cent of Tanzania's trade. The EEC had become an important source of imports but the relationship was not reciprocated in the export field. The Sterling Area's share of trade was important because it took

30 per cent of the country's exports in 1968, but provided only 9.6 per cent of its imports.

The changing patterns reflected Tanzania's increased expenditure on development projects. The EEC, US and Japan were able to provide the goods required for construction and transportation projects at lower cost than the UK, despite the UK's historical advantage of being colonial ruler less than a decade previously. Another factor accounting for the decline in the UK's share of trade was the political crisis arising from the British Government's failure to take strong action against Rhodesia. The rise in the amount of trade with other Sterling Area countries was a sign of the growing trade with other Third World countries.

The direction and trends of the economy over the period of the First Five Year Plan discernible from the figures presented by the first volume of the 1970 Mission Report, makes clear Tanzania's worsening economic plight. Structural changes toward development had not occurred, and changes both in strategy and policy by the planners were needed. Even so, integrated policies were not followed. This was highlighted by the attempt to diversify agricultural production. Plans had been made to diversify production in 1961, but the slump in sisal prices forced immediate ad hoc measures to be taken.

The Mission's evidence suggested that the overall movement of the economy had been toward gradual growth - the extension of the market economy into areas previously only marginally integrated into commercial activities.

'Muddle through' appeared to be the motto of Tanzanian planners

during the period of the F5YP. Yet, some changes were planned - viz. the Village Settlement Scheme. The Scheme reflected commonly-accepted ideas on 'modernising' agriculture during the early 1960's. However, the Scheme's high cost and low returns, added to its unpopularity with the people subjected to it ensured its abandonment.

Above all, the F5YP reflected an acceptance of the 1961 IBRD Mission Report on Tanzania's prospects. Its recommendations were based on the need for greater state intervention in the development of the economy. Within this framework, the scenario envisaged involved the development of a capitalist farmer class; the breakdown of the preoccupation of peasant producers with self-reliance; the adoption of a dual approach to rural development (estate/large-scale agriculture and individual peasant production); a high degree of foreign capitalist investment in the economy. The theory behind the Plan was that the peasants would produce the surpluses, which when allied with foreign investment and know-how would provide the resources required for the initiation of a modernising developing economy.

Despite the evidence to the contrary, the 1970 Mission Report was optimistic. It argued that despite Tanzania's balance of payments position was worsening, it was worsening in the most beneficial way. Namely that the structure of the economy went through a period of structural change resulting from an effort to shift away from almost total dependency on a single crop. Instead, efforts had been made to diversify agricultural production and to seek the development of import-substitution industries. This had caused some short-term hardships and trade deficits, but the decline in the share of the import bill taken by consumer goods, and the increase in the share taken by intermediate and capital goods were seen as signs of future development.

Other events had been occurring in Tanzania which challenged the ascendancy of Group thinking on development strategy.

Chapter Four

The Arusha Declaration

A brief outline of the debate on socialism in Tanzania

Within the ranks of the radical writers the debate has raged over the successes and failures of the socialist experiment. The numerous contributors have tended to fall into two major groups, and both have been careful (until recently) not to argue that the struggle for development and self-reliance has been finally resolved. One group argued that although the struggle has not been a one-sided catalogue of successes, certain trends are discernible; namely, that the size and power of the national bourgeoisie has been successfully limited; state control of the commanding heights of the economy has taken place; the development of class consciousness among the peasants and workers has moved apace, as exemplified by Mwongozo; a tremendous potential for a socialist development / transformation of society and economy had been opened up by the successful collectivisation and Ujamaa-isation of the peasants. They stress the point that any struggle for transformation is necessarily a dialectical process, the results of which may not be immediately apparent, and that on the issue of strategy, it is sometimes necessary to make alliances with non-immediate class enemies in order to strengthen one's hand.

The opposing grouping has always taken a less optimistic line, which in recent years has hardened considerably. Their position holds that the class struggle in Tanzania is being won by those who are in league with international capitalism. Any gains made locally are seen as incidental to the determining trend, because essentially the state, its functionaries and its agents (the bureaucracies) are the enemy of the working class and peasants. Apart from particular atomised individuals

the state apparatus is attempting to distort and prevent a socialist transformation, so as to further the particular class interests of the 'bureaucratic bourgeoisie' - which may include economic nationalism. This 'bureaucratic bourgeoisie' controls the Party, Government, Administration, and trade unions, and beneath the thin veneer of socialism, has succeeded in entrenching itself so deeply that only a proletarian-peasant revolution may succeed in destroying this class's power. What the former group of writers identifies as being the saving graces of the Tanzanian experiment, the latter group sees as being clear techniques for the exploitation of the masses. Nationalisation has meant state control and not worker/peasant ownership and control of their means of production. Ujamaa has not resulted in self-reliance, development and democracy; nor voluntaristic increases in diversified productivity. Workers' Committees have seen no increase in industrial democracy. Instead, authoritarianism, commandism and repression with greater bureaucratic control have all increased. Within this trend, the most important sector of the economy - agriculture - has become ever more export-oriented, with the World Bank Group encouraging the state to pursue a policy which aids this development. The organisation of crop production has involved greater exploitation of the peasants through forced resettlement in villages which have been established to provide cheap and plentiful labour either for estate production or for individualised production of export crops. As Williams argues:

"State control can be enforced on corporate communities more effectively than isolated farmers. In Tsarist Russia, the redemption payments were extracted from communes; Stalin collectivised the farmers to enforce grain procurement on villages. In Tanzania, peasants have been resettled into villages so that the state can provide amenities, impose taxes, and supervise production more easily....

Conformity with official priorities and directives and pro-

visions of economic plans can be imposed more easily when the state controls access to land, irrigation and other resources necessary to production. Hence, the continued attractions, to the bureaucrats, despite repeated disasters, of settlement schemes where farmers are dependent on the state for their livelihood..and subordinated to the supervision and control of officials."¹

That this policy was implemented too harshly is evidenced by World Bank Group pressure on the state to take a more subtle approach. Hence, the reality of Tanzania's Ujamaa policy and programmes for rural socialism is that the structures being constructed favour those forces which are opposed to socialist construction. Objectively, the trends have always been toward exploitation and inequality, and taking the ideology of certain political leaders as the point of departure for an analysis of the Tanzanian experience was always likely to end in disillusionment.

Clearly a key question must be: Who has benefited from the policies followed since the Arusha Declaration?² and the more optimistic writers argue that oversimplification is too easy. They wish to distinguish between a policy and the execution of that policy; i.e. they accept the good and proper intentions of the policy-makers, and seek to explain the worst excesses in terms of either traditional hangovers, individual corruption, or overenthusiasm in the execution of correct policies.

There has recently been a convergence of opinion. The world capitalist recession of the early 1970's caused major problems in Tanzania, and the policy-makers appear to have coped with the problems not by following socialist policies, but have turned more eagerly than before to policies outlined and sanctioned by the Bank Group. Many of the writers acknowledge that a water-shed was reached in 1974, and even the formerly optimistic writers have turned to consider the 'internal' features within a wider framework of imperialism and international class

struggle.

The Arusha Declaration

By 1967 the reality of the 'orthodox' development strategy - the underdevelopment of society and the dis-integration of the economy - was apparent to the radical elements in the Government. The Leadership was forced to solve key policy questions concerning a development strategy for the country. To achieve a successful process of development where ought the initial emphasis to lie - industry or agriculture? What type of industry was feasible - heavy or light? Were the techniques of production to be labour-intensive or capital-intensive? If agricultural collectivisation was deemed essential to the development strategy, what methods for collectivisation ought to be employed? And of course, a theme central to the 'technical' aspects of any development strategy- what is 'development' meant to do? This raises issues about ideology, mobilisation and organisation.³

By 1967 some of these issues had already been resolved. The major priority, since Independence - at least at the level of policy guidelines - had been to increase agricultural surpluses as a necessary preliminary to some form of industrialisation - import-substitution. Historically, Tanzanian agriculture had always been labour-intensive, and most of the mechanisation which had occurred relied overwhelmingly on imported machinery, i.e. an integrated agricultural-cum-industrial strategy was non-existent. A heavy goods sector did not exist either, because the economy had evolved along lines laid down during the colonial period -

a small industrial base and a large agricultural base. The problems of developing a capital goods sector in a country like Tanzania were therefore very great. The capital costs are so prohibitive as to prohibit such developments on a capitalist basis in the foreseeable future. Suggestions that small-scale heavy goods production be established fail to grasp the fundamental contradiction in Tanzania's development strategy - Tanzania is not mistress of her own house. Whatever the degree of collusion between the international bourgeoisie and the national bourgeoisie, Tanzania's freedom of action is severely restricted by the structures of international capitalism. A 'catch twenty-two' is at work. If Tanzania was able to establish small or medium-sized capital goods sectors to meet the requirements of its people, we suggest that it would first need to be on the road to socialist construction. This is not to deny that some heavy industry will be established. However, such industry is likely to be controlled, and partly owned by, and profitable for foreign interests. Whoever owns or controls the heavy goods sector holds a key to Tanzania's future.

The choice of technique of production was also already established. Labour-intensive techniques prevailed. Lawrence maintains that this need not be a barrier to successful industrial development.

"In the long run, advanced capital intensive technology will grow in domination, even in the rural areas. Part of the longer run objectives of socialist development involves a reduction rather than an increase in manual labour, and a society where man is in control of machines, but where machines do the repetitive uncreative work."⁵

The two remaining decisions were of the greatest importance. The decisions taken here effectively determined the answers to the previous problems. The strategies of agricultural production and the issue of ideology and organisation. Here the resources were at hand - the land and labour. How they were mobilised and organised potentially provided the key to any meaningful answer to the country's problems, and to the future development of the economy along socialist lines. The Arusha

Declaration and the policies which followed were attempts to initiate alternative development strategies. The central issue remains.- were the new approaches a structural break with the international capitalist system, and did they halt the domestic trend toward capitalist differentiation?

Cliffe maintains that the Arusha Declaration - a victory for the progressive radicals in the Government and Party hierarchy - represented a logical and coherent alternative to the foreign- and capitalist-dominated strategy for tackling the country's underdevelopment.⁶ It was felt that the danger of further damage being done by international corporations directing the economy could only be overcome if national control of the economy was achieved. This in turn would occur fully only through the creation of socialist institutions throughout all levels of production and decision-making. National economic independence, by this view, is possible only through socialism, i.e. participation, decentralisation, structural change in production and use-patterns; and the elimination of exploitation.⁷ Further, the Declaration was a clear statement of objectives: the equality of human beings; the avoidance of exploitation of man by man; the democratic organisation of society's development; the development of society based on the efforts of the workers and peasants, and not on foreign or expropriated capital.

Socialism and self-reliance were the two key related elements of the new development strategy. Nationalisation, to gain control of the 'commanding heights' of the economy was initiated. The establishment of producer co-operatives in agriculture was accelerated. A Leadership Code was introduced banning Party, Government and public sector employees and leaders from personal involvement in private enterprise. This latter measure was intended to prevent self-aggrandisement, to attack petty-bourgeois power and state-sponsored class formation, and was further

enhanced by the freezing of higher official salaries and the introduction of a progressive income tax. The emphasis throughout was on equity and equality within Tanzania.⁸

Nsari observes in ironic fashion that, Arusha, at a stroke, transformed Tanzania into a nation of peasants and workers. All the major means of production were to be owned and controlled by the peasants and workers through their government and co-operatives. The ruling Party was to become the Party of peasants and workers.⁹ Leys¹⁰ maintains that the Leadership recognised many of the implications of the existing system but they failed to grasp the strength of the bourgeois nature of the Tanzanian state, and the degree of capitalist penetration. Both these critics have raised an important issue: The ideological position of the Leadership, their strength (and how to combat it), and the class structure of the Tanzanian state. This complex issue forms the essential elements of the debate around the nature of the Tanzanian political economy. (See below Chapters Five and Six).

Parastatals were established to control a significant part of the industrial sector. In their day-to-day activities they were meant to be quasi-autonomous, outside the mainstream of ministerial and departmental hierarchies. They were intended as technically specialised bodies, concerned with the operation of developing the various economic sectors, covering production, commerce and services.¹¹ The key parastatal was the National Development Corporation, which was responsible for all economic activities except finance, trading (responsibility of the State Trading Corporation), and sisal (under the auspices of the Tanzania Sisal Corporation).¹² The NDC comprised forty companies and twenty-five subsidiaries.

A common feature of all the parastatals at the time was their highly centralised and bureaucratic organisational structures. The NDC

was of major importance. It was given the role of being the 'motor of the development process' in the industrial sphere, along the lines laid down in the Declaration. An apparent contradiction is presented here: the major practice of the NDC, from its earliest days, was to enter into joint ventures with foreign investors.

The new trend of part-ownership was a method used by private and foreign capital of avoiding the dangers of wholesale nationalisation. It also introduced an extra degree of certainty to foreign capital that repayment and interest would be safeguarded. To the state such agreements ensured that foreign investment continued to flow into capital-deficient enterprises whilst giving the state a supposedly controlling share in the enterprise. Frequently, management agreements between the state or the parastatals, and an individual firm allowed the private firm to retain control of the venture, with fixed interest rates and ample compensation for short-term losses. It is not uncommon for the private firm to have control over all overseas processing and marketing of the product, and of supplying imported elements required in the production process, thereby giving them much scope for making super-profits by arranging the import and export prices to suit their interests. Seidmann states that after the nationalisation of trade in 1968 foreign firms were obliged to sacrifice their 5 - 10 per cent take of the value of Tanzania's total imports gained through regulating import-export prices. The firms were prepared to give up this prize in return for the commitment of state capital to joint projects, and with the promise that the labour force would 'behave itself'. The parastatals were concerned with achieving profits and surpluses, and with developing their own interests, which usually involved increasing their own power and influence against other parastatals.

The thinking behind the Declaration was based on a concern above all

to increase agricultural production, especially food for the local market, and with overall output increases, in order to provide reinvestible surpluses. At the same time, the ideology and organisation of agricultural production were correctly identified as crucial.

Nyerere's pamphlet 'Socialism and Rural Development' of 1967, laid the framework for the basis of rural and national development. He noted that development had occurred, but that it was of a capitalist type, favouring individual aggrandisement at the expense of the underdevelopment of others. Selfishness and individualistic greed had increased so that society comprised a few wealthy people and an overwhelming majority of poor people. The rise of the urban centres, with a drawing out of resources, especially labour, from the rural areas encouraged further development of wage-labour employment and a greater division of labour, and differentiation, between people and between urban and rural areas. The provision of social services, education and Western-type entertainment facilities in the urban areas acted like a magnet to many people in the rural areas, especially the rural unemployed. The flight of youth to the towns, a decline in production for subsistence, and an attendant increase in cash cropping demonstrated changing socio-economic structures.

Green warns of taking the urban-rural gap too literally. He observes that the urban-peasant income gap in 1974 was approximately 5:1, but the figures are fairly meaningless, and that intra-urban and intra-rural disparities are greater than those between the two sectors.

"A rural family raising most of its own food, building its own house, and achieving a net cash income of SHS1250 - 1500 a year is better off than a minimum wage earner at SHS4080 cash income and limited (if any) income in kind if he has the same size family. However, in this case the range of services and goods available, the chance of advancing to a higher income level, and the greater availability of public consumption (primary education, health, pure water) in urban areas has an inverse effect in favour of urban dwellers."¹³

In the rural areas the growth of GDP did not represent progressive development of the productive forces for the benefit of the whole society, because the rich farmers had appropriated for themselves the benefits of increased production. Nyerere saw this, and also that class differentiation and crystallisation was accelerating, especially in areas where land was scarce. Here a farmer-employer class stood in opposition to a labouring class. Production of greater output was being achieved through increased exploitation of labour. It was feared by the progressive radicals that unless the (limited) amount of capitalist, small-scale agriculture was rapidly curtailed, then any hope for the creation of an egalitarian qua socialist society would be destroyed.

In Nyerere's view a dichotomy existed between socialist agricultural production and the imperative need to increase production immediately. No substitute was available for the hard work and sacrifices needed from labour to increase production. This of itself entailed complex relations between the producers (labour); between producer and consumers; and between the producers and the state (which directed production and distribution). The new agricultural strategy outlined by Nyerere attempted to overcome the supposed paradox between the reconstruction of agricultural production and the need to increase production immediately. For Cliffe,

"the change sought is a revolutionary one and will involve not just the adoption of farming techniques, but the reorganisation of land-use patterns and thus a basic alteration in the economic relations between individuals; the consequent social changes, together with a shift of residence where appropriate, will constitute a total transformation of the rural community - a multi-dimensional and interrelated set of processes which involve a change in the mode of production, in both technical forces of production and in the social relations of production."¹⁴

Raikes views a transition to socialism and self-reliance as the "convergence of resource use and the needs of the mass of the people."¹⁵

This requires that the masses control the means and processes of production; and, the development of an integrated industrial base producing low-level capital goods and producer goods, and development of local skills and technology. China and Vietnam are cited as evidence of the great releases of productivity and creativity released in peasants and workers when they take control of their own productive processes.

"Given non-exploitative social organisations and suitable political assistance and education people can mobilise themselves for tremendous feats of productivity and creativity, but they cannot be mobilised 'from above' while exploitative or authoritarian social relations continue."¹⁶

Nyerere's concern to raise productivity immediately did not allow for a single socialist approach. Ujamaa was to help fuel socialist transformation, but other approaches were also taken on board. Raikes saw the danger of this duality. Political mobilisation was required not administrative action.

"The latter may well achieve the concentration of the population in nucleated villages, but it will certainly not provide the release of productivity required for a major investment drive."¹⁷

Commenting on the development of the Ujamaa Village policy in 1969, Nyerere reiterated many of his remarks made in 1967. A fundamental change in rural economic and social organisation was required involving the co-operativisation of production, marketing and distribution, along communal lines - with all Government policies mobilised to achieve it.¹⁸ However, to achieve the immediate production increases, Nyerere still favoured the introduction of modern techniques on large-scale state farms. These farms were to become an important feature of the Second Five Year Plan. They were to be organised under the auspices of the Ministry of Agriculture, Food and Crops, and were to be supplemented by farms owned by Co-operative Unions. A major feature of these farms was that they were subjected to a high degree of administrative/bureaucratic control. A

partial explanation was that a large capital investment was needed for their establishment, and the desire by the Government, to ensure a high level of managerial skill and a 'highly disciplined labour force'.¹⁹

It was recognised that such enterprises were not likely to transform the countryside along socialist lines, but the aim was to ensure increased production of estate-grown wheat and export crops.

This emphasis on large-scale estate agriculture contradicts nicely Nyerere's statement in 1967 stressing the need for the 'traditional African family' living style, ie. Ujamaa villages, which were to be rid of the old inequalities and inadequacies.

"We have already seen ...the great dangers of heavy initial capitalisation and the great burden of debt which it leaves for the farmers. And the truth is that in any case our nation does not have the large amounts of capital. We have to create our own, and we can do this if we work together using at the beginning simply the resources we have already - that is our labour, our land, and our willingness to work together."²⁰

Hence, Tanzania was still to follow two modes for developing the agricultural sector. The large-scale farms required heavy capital investment, mechanisation of production and the resettlement of the local population. The workers on these estates were to become simple wage labourers.

On the other hand, a gradualist approach was continued through the development of villages without a fundamental reorganisation of the means of production nor in the processes of production, insofar as few true Ujamaa villages were established, at least between 1967 and 1969. Yet, a 1969 Presidential Circular stressed that Ujamaa villages were essential to the transformation of the rural sector.

According to this Circular, the Government and Party machinery was to be organised to assist the establishment of the villages, and thereafter to give them priority in credit provision and servicing and exten

-sion services. The aim was to shift from co-operative marketing to co-operative production. Other features included the infusion of Party cadres to rural areas to help educate the population on the need for communal production. The Ministry of Regional Administration and Rural Development co-ordinated the push toward the creation of these villages.

McHenry²¹ comparing the Chinese, Soviet, Mexican and Tanzanian experience of collectivisation draws attention to certain common features. The use of a myth concerning the 'traditional' form as justification for collectivisation was used by all the countries. Nyerere isolated the 'good' and 'bad' aspects of 'traditional African socialism' and then argued that the best aspects had been incorporated into the plans for Ujamaa. Second, in all the examples, peasants were offered social services and credit facilities if they moved into settled villages - i.e. techniques for villagisation were used to increase the numbers of peasants in villages, and so to increase the importance of villages in terms of the share of production they were responsible for, and the ease of providing marketing, supply and production services as well as social services. In all cases the governments sought increased production.

The reason that Ujamaa villages were not 'transformationist' in that the relations of production nor the techniques of production were structurally reconstituted on socialist lines, lay in the nature of their establishment. The term was not well understood, thus, a whole range of activities were declared 'Ujamaa' by administrators.²² The term 'communal production' was not understood either. In traditional African villages it meant individual landholding, with mutual aid schemes. In Nyerere's thinking communal production meant communal landholding and communal organisation of work and rewards. That these features were not a central plank of the administrators' understanding of the policy objective implies that for many of these administrators - who were responsible for initi-

ating the policy - Ujamaa meant nothing more than villagisation.

The Second Five Year Plan (S5YP, 1969 - 74) was initiated in 1969. It was a strategy supposedly based on the Arusha Declaration and the policy statements which followed it. The policy of Socialism, Self-Reliance and Development was to be initiated, or so it was thought. The Ujamaa programme was intended to form a central plank in the Plan, although the state farms were still encouraged.

The 1970 Mission Report examined this Plan, and offers an insight into World Bank Group thinking on the 'revolutionary' aspects of Tanzania's development strategy.

Section IV of The 1970 Mission Report: Projections for the Second Five Year Plan.

The Mission argued that the broad objectives and strategy for this Plan (S5YP, 1969 - 1974), were laid down in the Arusha Declaration. It sought "balanced socio-economic growth",²³ with greater investment in directly productive activities in order to increase the country's resource base. The need was identified to increase the consumption levels of the lowest income-earners and to narrow the growing urban-rural gap in living standards. This was to be achieved by increasing investment in rural areas.

The greatest emphasis was placed by the Mission Report on the paramount need to increase the quantity, quality and variety of agricultural output. (This concern was centred on the production of export crops, although as food shortages became more common-place, food production was added to the concern. Seidman provides a corrective to the Mission's altruism:

"Despite the fact that World Bank spokesmen admitted the limitations of export agriculture due to world market problems, however, it continued to help specific African countries produce export crops in 'sheer desperation' even when, like coffee.. they are in surplus on the world market."²⁴)

Under S5YP the initiative for rural development was to come from the rural population with Government support in terms of finance, staff, infrastructure and well-planned agricultural education.

The S5YP's target for total investment for development was approximately US \$1,130 million, with private investment projected to play a decreasing role, and development of rural areas as the key objective.²⁵ Generally, the Mission believed the S5YP to be realistic, although it favoured US \$1,041 million as the target investment figure. If implem-

Table 18Tanzania: Second Five Year Plan Project of Total Investment
(US \$ millions)

Central Government	427.9
Parastatals & Co-operatives	322.1
Private	301.1
EAC	81.2
Total	<u>1132.3</u>

Source: Derived from Para. 137 vol 1, 1970 Mission Report.

ented, it would have resulted in a 6.5 per cent p.a. increase in GDP between 1968 - 73, at 1968 prices. However, central to this calculation was the Mission's belief that coffee prices were likely to rise over the period. The general balance of payments position was foreseen as moderately optimistic, based primarily on a coffee boom and an increase in invisible trade. Given this vista Tanzania would not suffer from debt-service problems, but aid always was meant to form a key element of Government development planning.

It was expected that a change would take place in the make-up of GDP, with manufacturing, construction and public utilities showing much higher growth rates than agriculture, communications and transport. The breakdown of investment structure was expected to differ from that of the F5YP.

The Central Government investment target, excluding a contribution of US \$91 million to the parastatals, totalled US \$428 million. The parastatals and co-operatives' target was set at US \$322 million; the EAC US \$81 million; and private investment US \$300 million. Looking in greater detail at these figures; although the parastatals comprise 25 bodies, NDC, TANESCO, NAFCO, TTC, and NHC²⁶ accounted for 85 per cent of this sector's investment target. The full target for this sector was expected to be raised from Central Government budgeting (30 per cent), their own resources (30 per cent), and from foreign long-term loans, supplier credits and equity capital (40 per cent). Of the total Govern-

ment investment of US \$519 million, 57 per cent was to be raised locally. The Report noted that nearly all private investment would come from local sources for private enterprises because foreign private investors would find the NDC a much safer, more profitable investment.

The Mission estimated that the S5YP's financial targets were over-ambitious, and set the figure at US \$1,040 million, of which 31 per cent (US \$323 million) was to be raised externally, whilst the rest would rely on local resources, "therefore, favouring self-reliance."²⁷

Table 19. 1970 Mission Projection of Investment for S5YP.

	(US \$ million)	
	Value	%
Ministerial Dev't Expenditure	400	38.4
Parastatal Organisations	259	24.9
EAC	81	7.8
Private	301	28.9
Total	<u>1041</u>	100.0

Source: Derived from Para. 172, vol 1, 1970 Mission Report.

Further disparities between the Mission's projections and the S5YP existed over estimates of recurrent revenue and expenditure.²⁸ The S5YP budgeted for a recurrent budget surplus of US \$87 million over the period, derived from total recurrent revenue of US \$1242 million, and recurrent expenditure of US \$1155 million. Such a surplus would have required a growth rate in revenue of 9.3 per cent p.a. According to the S5YP revenue from taxation was to grow by 9.7 per cent pa. on the 1969/70 figure. The Mission claimed that this figure was a gross over-estimation because all avenues for increasing recurrent revenue through taxation had already been exhausted by 1969/70. The Mission offered US \$70 million as a more realistic target for the total recurrent budgetary surplus.

The revised investment plan - ie. the Mission's figures - are reproduced in Table 20.

Table 20. 1970 Mission Report Estimate of Central Government Development Expenditure & Source of Finance. (US \$ millions)

<u>Investment</u>		<u>Financing</u>	
Ministerial	400.0	<u>Internal Sources:</u>	
Contribution to		From recurrent Budget	67.9
Parastatals	<u>73.5</u>	Internal borrowing	147.0
Total	473.5	Other local	<u>45.5</u>
		Total	262.2
		<u>External Sources</u>	
		Grants	14.0
		Loans	<u>197.3</u>
		Total	211.3

Source: Derived from Para. 168, vol 1, 1970 Mission Report.

The table demonstrates that 45 per cent of total Central Government development expenditure was, according to the Mission, to be raised from foreign aid. This contradicts the earlier claim that Tanzania's development was to be heavily dependent on self-reliance. The picture is clarified by the Mission's projection for the monetary value of projects not receiving external finance. US \$262.2 million was the limit set on internal sources for Central Government development plans, but US \$108.5 million would be required for projects which the Mission believed would not be financed externally.²⁹ Hence, US \$153.7 million of internal resources were to be invested in projects attracting foreign aid - a ratio of 42:58. This of course, made no allowance for the costs of foreign aid in terms of debt-service etc.*

*The provision of foreign aid did not fit the timetable of S5YP exactly because aid is rarely disbursed in one lump sum. Aid committed for F5YP was still being disbursed during S5YP. The 1970 Mission recommended that the Tanzanian Government prepare a list of high-priority projects for presentation to the East African Aid Consultative Group immediately, which would be examined by representatives of the aid donors under the auspices of the Bank Group's Permanent Mission for East Africa.³⁰

The Mission saw the Parastatals as a means by which the Government maintained a substantial participation in all productive and distributive activities. In 1969, in order to make the co-ordination of the development programme administratively more efficient, the Parastatals were reorganised; to give a clear line of authority from a parent ministry. The two key ministries were the Treasury, and the Ministry of Commerce and Industries. The net effect of the reorganisation was to break up the NDC into the Tanzania Tourist Corporation, the National Agriculture, Food and Co-operatives Corporation and a small NDC.

The Mission estimated that over the period of the S5YP, the Parastatals would receive one quarter of all investments. Including US \$20.5 million investment by the National Development Credit Agency (NDCA) and the National Small Industries Corporation (Government-financed for the benefit of the Parastatals), this sector's total estimate was expected to reach US \$279.5 million.³¹ Most of the investment was to be raised from internal parastatal savings - US \$140.4 million; Central Government contributions - US \$73.5 million; and direct foreign investment - made up from loans, equity participation and supplier credits - US \$45.1 million (i.e. 16 per cent of the Parastatals total investment).

As of June 1969, US \$92.1 million worth of foreign finance was available for S5YP,³² of which the West provided US \$70.3 million, and the USSR and PRC, US \$21.7 million.³³ Hence, another US \$119 million was needed (excluding the finance required for the Tanzam Railway). For the projected target of US \$323 million in foreign resources required for the S5YP, Central Government was to take US \$211 million; the Parastatals - US \$45 million; the Tanzam Railway - US \$28 million (approximately)* and direct private investment in private firms - US \$14 million.

* Most of the finance required for the Tanzam Railway (about US \$400 million) had already been promised.

Agriculture

The S5YP was geared, in principle at least, to reorganise the agricultural sector, thus the Mission Report's examination of the prospects for the Plan necessarily covered the agricultural sector in detail. Most of this Report was taken up with the issue of how to ensure increased production of export crops by small farmers/peasants rather than by agriculture organised on capitalist lines.

As shown earlier (Part One, Chapter Two, pages 74 - 94) World Bank Group thinking on agricultural/rural development changed in the late 1960's.

"The new World Bank - IDA emphasis on agriculture, in contrast to earlier years, is on small farmers rather than plantations. The latter, it is argued, tend to be 'politically vulnerable' and their relatively heavy fixed costs make them economically vulnerable in a period of softening demand and prices."³⁴

This is not to suggest that the Bank Group alone was responsible for this 'new' perspective. The S5YP itself, was heavily committed to agricultural development, but the tension lay in what type of agricultural development, based on what assumptions.

According to the Mission, four types of crops were identified in the S5YP - export crops; import-substitution crops; high-nutritional value crops; staple foods - all of which were to be expanded. However, the Mission pinpointed an immediate determining constraint.

"The most important determinant of the success of the agricultural program will be the availability of trained and experienced manpower."³⁵

A possible solution to this problem was offered:

"It is important that external donors recognise that...it would be desirable to incorporate a technical component in their aid programs... In some instances the role of the external donor could usefully begin right at the outset, in identifying and preparing projects in which they have a potential interest. In the absence of such 'pre-investment' assistance, Tanzania

will experience difficulty in submitting a steady supply of projects for the consideration of external donors."³⁶

Herein lies a key point. Foreign technicians were to be used to prepare project-studies and to carry them out. This begs the obvious question of the ideological and therefore, practical commitment of these technicians to a socialist development programme. A dependence on foreign technicians to perform the tasks of constructing socialist development projects is indirect contradiction to the notion of self-reliance. Seidman noted that the Bank Group set up an Agricultural Development Service in East Africa to supervise its projects, whose staff included eighteen expatriates with long experience in the colonial service, some as successful capitalist farmers. On the issue of their ideological perspective, it is not what is in the minds of the planners/supervisors which is crucial, but how they conceived their projects and in what total environment/perspective. Seidman saw in the setting up of the ADS, an attempt to pursue the same policies as the colonial power just before Independence - the development of "a 'stable yeomanry' among African farmers in an effort to maintain the status quo in East Africa."³⁷

The Mission projected over the period the output of soft wheat, oilseeds and livestock to fall, but of sisal, tea and tobacco to increase. On the other hand, expectations of price changes were for those of cotton, tea, pyrethrum, rice and oilseeds to fall, but the prices for cashewnuts, coffee and tobacco to rise. The key crop was coffee because Brazil, the largest producer suffered from poor harvests and frost damage which harmed production. This meant that the price of coffee would remain high for several years.

Of the eleven major crops, the Mission recommended extra effort on the development of tea, tobacco, cotton, cashews and coffee. No special efforts were to be expended on the development of wheat production, maize

and rice. In fact the efforts under way for the development of wheat production were recommended for curtailment.³⁸

"There appears to be too much concern for attaining self-sufficiency in food."³⁹

"Attempts to achieve self-sufficiency in crops such as soft-wheat should not be pushed too rapidly as long as they can be imported at reasonable prices....To import these items... would enable extension and other staff to be employed in activities where they would be most productive, eg cotton or cashews."⁴⁰

The Mission's explanation for this view was that wheat and rice were grown on state farms which are capital-intensive and plagued by low productivity. Importing cheap food would free resources for other activities. The Mission also warned that unless producer prices of export crops were kept high, there would be a shift to the production of rice, maize and oilseeds.⁴¹ This appeared to be the Mission's greatest fear - that Tanzania would seek self-sufficiency in food at the expense of export crops.

Export Crops: (See Tables 16 & 21)

1. Cotton:

Tanzania has a history of small-holder production, especially in the most productive regions - Lake Victoria and Tabora Region produces 97 per cent of harvested output. The average annual output for 1967-69 was 0.354 million bales, but the S5YP expected output to rise to 0.6.2/0.7 million bales by 1975.

The Mission projected a falling price on the world market for cotton, so to achieve the target, it recommended a concerted cotton campaign. This would involve the removal of all export duties on the crop and the provision of better services (infrastructure) in cotton-growing areas, and greater efficiency in collection and processing. This necessarily re-

quired the provision of inputs at subsidised rates. The Mission took the point of view that the cost of increasing the output of the crop be shared by all rate and tax payers, but that in effect, the lion's share of the benefits accrue to cotton producers. In sum, the Mission's approach was to increase output by incentive to increase the acreage then already planted by cotton farmers, and to bring new farmers into cotton production. Cotton was projected to earn 26 per cent of the agricultural sector's income over the period.

Table 21. Crop Husbandry Summary, Total 1964 - 1968.

Principal Cash Crop	Volume Marketed Output ('000 tons)	Value (US \$ millions)
Sisal	1076.0	190.7
Cotton	315.7	145.7
Coffee	219.8	151.5
Cashewnuts	407.5	46.0
Sugar	348.4	45.0
Tea	31.8	28.6
Tobacco	27.2	16.3
Pyrethrum	21.6	15.6
Wheat	137.4	11.4
Groundnuts	58.5	7.8

Source: Derived from Table 1, vol 11, 1970 Mission Report.

Note: disparities between this table and Table 16 lie in the fact that some crops are stored, and because Table 21 includes Zanzibar.

2. Pyrethrum:

Again small-holder production represented well over 90 per cent of the marketed output. Output over the S5YP was not expected to increase greatly because of the effects of a falling world price. Although the yields from estates were almost double those from small-holder farms, acre for acre, estate production took only a small share of the national output. The Mission pleaded against a shift to large-scale estate production. It suggested the introduction of productivity schemes be used as a means of increasing small-holder yields.

"The advantage of a shift (back - CJ) from estates to family labour is that Tanzania can be a low-cost producer if the new technology is adopted by small farmers."⁴²

This theme permeated all the Mission's thinking with regard to the production of export crops. Namely, that family labour, in this situation, is involved in the production of food for subsistence and the production of cash crops for the market, thereby lowering the costs of cash crop production because the responsibility for the reproduction of labour does not fall on the cash cropping sector.

The Mission introduced an environmental issue by arguing that world demand for pyrethrum will increase as the ecological dangers of synthetics such as DDT are fully realised, but that a fall in production costs would be necessary to give the country a competitive edge over its rival producers and rival crops.

Tea:

This crop had been largely an estate-produced crop, and it was hoped to achieve an output of 29 million pounds in 1974 - an increase of 9 per cent p.a. The Mission and the S5YP planned on increased output encouraged by an IDA credit to help finance an extra 12,000 acres of small-holder production. (See 115).

Sisal:

Employment in this sector fell by 70,000 between 1962 and 1969, but its prospects brightened with the setting up of a FAO study group to introduce quotas for the major producers. Tanzania's quota was set at 0.2 million p.a. - 11 per cent less than the 1965 figure. Before 1967 the large estates were generally foreign-owned and the Government centred most of its attention on small-holder production, but, after nationalisation under the Tanzanian Sisal Corporation, the state had taken either

holdings or ownership of 60 per cent of the industry's capacity. One effect had been that only the best estates had received government aid. The others were left to decline further.⁴³

The Mission also noted that massive over-capacity existed in the industry and that diversification of the declining estates was a pressing policy objective. However, the soil and climatic conditions under which it is cultivated are such that few crops will substitute for it.

In essence, the Mission admitted that it had no policy for sisal production between 1969 - 1974.

Coffee:

Between 1966 - 68, coffee had become the second largest export-earner. Although small-holders were responsible for 75 per cent of total output, one of the major reasons for increased output, according to the Mission, was the introduction of modern production techniques, particularly spraying and the use of fertilizers. This was especially so on estates where yields per acre were treble those of small-holders.

Tanzania is a member of the International Coffee Agreement, which set an export quota of 41,000 tons p.a. on Tanzania between 1969/70 - 1972/3. Generally, production was expected to exceed the quota, therefore Tanzania was encouraged to find markets outside the quota-area.

The Mission accepted the S5YP target figure of 67,000 tons by 1974, of which 65,000 tons would be exported. To ensure maximum benefit it was recommended that all marginal production be abandoned - but no distinction was made between estate and small-holder production.

Tobacco:

This crop was favoured for expansion by the Mission because of the availability of cheap labour to cultivate it. Tanzania was reckoned to be an ideal producer, and the IDA provided a credit of US \$9 million in 1970/1

for the expansion of production.

Import-Substitution Crops:

Wheat

Ninety per cent of Tanzania's wheat production originated from large commercial farms in Kilimanjaro and Arusha; and, half the country's total consumption was imported (1962 - 1968). In the S5YP the Government continued its attempts to develop wheat production, on state farms, through small-holder production and through ujamaa production. The Government hoped to achieve self-sufficiency by 1974. State farms were projected for development or expansion at: Sumbawanga - 50,000 acres (1970); Ilembu (1970/1); Syutila (1972/3/4); Ilini - 5,000 acres (1974); Mara - 1000 acres (1970/1); Milundikwa - 2,700 acres (1969); Rwamkoma - 400 acres (1969/70). Also, at the Basotu Wheat Scheme in Arusha, NAFCO was to manage an area of 5,000 acres, projected to expand to 30,000 acres by 1974.

When this Mission Report was prepared, wheat was relatively cheap on the world market, and the Mission felt that it would better serve Tanzania's interests to import 'cheap' wheat than to use local resources to produce the crop more 'expensively'. Accepting that the development of food crops was politically important to the Government, the Mission recommended the limited development of small-holder production rather than estate production. The World Bank Group's disapproval of Tanzania's desire to develop wheat as a major crop was highlighted by its unwillingness to loan for the development of the crop. Almost every other crop has, during the past 15 years, received Bank Group support.⁴⁴

Rice:

One of the aims of the S5YP was to achieve self-sufficiency and perhaps surplus in this crop, on 13,000 acres of state farms. The Mission acc-

ected this proposal, but again argued that import prices were, and would remain, low enough to make the need to achieve self-sufficiency marginal.

Such optimism contradicted the Mission's own Table:

Table 22. Paddy Production and Imports, 1962 - 1968. ('000 tons)

	1962	1963	1964	1965	1966	1967	1968
Production	80.9	99.0	109.2	92.9	129.2	108.5	n.a.
Imports	n.a.	2.4	1.6	4.5	14.9	2.5	16.6
Value of Imports (US \$ million)	n.a.	0.4	0.2	0.6	2.2	0.5	2.8

Source: Derived from Table 14, vol11, 1970 Mission Report.

Herein, the quantity and cost of imported rice had risen, while domestic production fluctuated.

High-Nutrition Foods:

Dairying, beef cattle, sheep, goats, pigs, poultry and fish were all earmarked for development over the period. Bilateral and multilateral aid donors had always been willing to aid the development of this sector, with projects ranging from aid to small-holder pastoralists to aid to large-scale ranching estates.

No mention was made of the reasons why foreign donors have been willing participants in this sector, nor whether production was export-oriented, or was geared to internal consumption.

Staple Foods:

These were covered by the S5YP's targets for sorghum, millet, maize etc. and contrary to the Mission's arguments, were an integral part of the S5YP's development strategy. Generally, the production of staple foods was expected to be left in the hands of individual small-holder producers.

The Mission's assessment of the agricultural sector's projections in the S5YP, produced a figure of US \$84.6 million net increment to GDP, as opposed to the Plan's own figure of US \$86 million. The Mission also forecast that by 1973, export crops would have doubled, showing an increase from 1968's figure of 81.6 per cent of all exports, to 86.5 per cent of all exports.

THE UJAMAA PROGRAMME:

The Mission's analysis of the policy of the Ujamaa Village Programme as laid down in the S5YP, was instructive of their stance on the nature of development. No attempt was made to describe or define Ujamaa other than to call them small communities involved in farming and relying on local initiative.

"A major question is whether the Ujamaa program will result in a diversion of human and capital resources from on-going activities - eg, cotton, tea and livestock extension programs - to a new but unproven venture."⁴⁶

Again the fear was present that Ujamaa would pose a threat to the full development of export crops. The apprehension was balanced by a degree of optimism - 'Ujamaa' production was thought to be well suited to the areas opened up for flue-cured tobacco, cotton and tea production, and such production (undefined by the Mission Report) could also prove useful for the production of handtools and ox-carts!⁴⁷

"Ujamaa villages are not designed solely to expand commodity output, although there could be many advantages in organising the production of commodities on a ujamaa basis, as has been done successfully in the case of tobacco."⁴⁸

"However, it would be advisable to regard the program as an experiment during the present Plan."⁴⁹

Also,

"Much can be learned about the nature of social and economic

change in rural areas from a careful monitoring of the Ujamaa Program."⁵⁰

It was surely significant that the major and potentially most revolutionary alteration in Tanzania's political economy merited less than a single page of the Mission's report. Various explanations can be given. Perhaps the Mission was ignorant of the potential impact of the Programme; perhaps the Mission was aware that the Ujamaa Programme was not revolutionary and was likely to have a negligible impact on raising the output of export crops. More likely, it was the Mission's - which is the Bank Group's - ambiguity concerning the Ujamaa Programme which explains its lack of analysis. It would appear that the Mission reflected the general uncertainty shown within the Bank Group over its primary concern - the product or the relations of production? That is, the Group sought increased productivity; does it therefore not care which productive relations are employed to achieve increased productivity? The two aspects are inseparable, yet the Bank Group's concern with the technology of increased productivity tended to relegate the social relations aspects to a secondary position, at this time, (1970). Yet, this is too simplistic because the Mission did recommend the adoption of small-holder production precisely because the relations of production were such as to limit the costs of production. Hence, the ambiguity.

The Industrial Sector:

Industrialisation during the S5YP was intended to absorb US \$182 million, with the NDC projected as the Government's main instrument for furthering industrial development, with an investment target of US \$109 million. Many of its projects were drawn up in collaboration with foreign interests. Yet, the Mission reported that the declining scope for private investment brought about by the Arusha Declaration except in the

areas of housing, transport and construction, and in peasant agriculture, "inhibits industrial development".⁵¹

The main thrust of the development of manufacturing during the period was to increase the quantity and quality of local-produced small consumer goods, and some intermediate goods, eg. processing plants. Growth had already been established in this field by 1969, so future growth was not expected to be great. The Mission estimated that a realistic investment figure would be US \$140 million.⁵²

"In fact, most of the industries which are considered feasible have already been identified, and many are being established."⁵³

The development of manufacturing industries was hoped to cover import-substitution, processing and, to provide an exportable surplus. Clearly, the questions to be asked here are, first, what are the products that these industries produce? These are mostly luxury or semi-luxuries, such as beer, cosmetics and other high-priced consumer goods, often based on imported constituent element, geared to a small high-income urban populations. Second, a Mission suggestion that exportable surpluses will be sold overseas was dubious, given the cost-effectiveness of the industrialised countries' exports in this area; and, that other countries in East Africa will also be developing their own import-substitution industries.

The Service Sector:

This sector, incorporating transport and communications, was singled out as the sector most likely to have achieved its growth targets by 1974.

This assessment was based on the further development of the Zambian through-traffic link; and on tourism. Ambitious road and airport schemes were earmarked for full development during the S5YP, to meet the expected growth in transit trade, tourism, and the need for greater provision of feeder roads for agricultural development to ensure greater ease of transportation of export crops.

One of the major explanations for the rapid development of the road system lay in the Western aid donors self-felt need to make up for their failure to build the Tanzam Railway. Instead they are building a parallel road to supplement the railroad.

The Private Sector:

After the Arusha Declaration, the relative importance of 'purely' private enterprise had declined, but its participation in projects with the NDC increased. The S5YP targeted US \$300 million (26 per cent of total investment) as the private sector's investment, 88 per cent of which would be concentrated in housing (US \$84 million), road transport (US \$105 million), and construction (US \$73.5 million).

Table 23. S5YP Estimate of Private Sector Investment
(US \$ million)

Housing	84.0
Other Building	38.5
Transport	105.0
Construction Equipment	35.0
Other Machinery	<u>38.5</u>
Total	301.0

Source: Derived from Para 164, vol 1, 1970 Mission Report

"The Government believes that, with the exception of those enterprises listed in the Arusha Declaration, private enterprise continues to have an important role, and several examples of collaboration with the parastatal organisations - notably NDC - exist. In most cases, the initiative has come from foreign interests. The main fields in which local private enterprises are active are housing, transport and tourism."⁵⁴

Tourism:

The basis for the development of tourism was founded on an assumption that the number of tourists would rise from 40,000 in 1968 to at least 100,000 in 1974.

The isolation of tourism as an area of major importance for private enterprise was accepted and encouraged by the Mission. Under the S5YP at least US \$27 million was to be invested in the development of accommodation and wildlife areas.⁵⁵ This was apart from the costs of a new airport at Arusha and other infrastructure required to sustain it. Seidman argued that in all one-third of all NDC funds for 'industrial investment' were to be concentrated in the tourist sector.⁵⁶ The parastatal responsible for tourism, the Tanzania Tourist Corporation, favoured partnership with private enterprise, through which management was left in private hands.

Volume II of the 1970 Mission Report was concerned with 'Agriculture and Rural Development'. One of the key issues of the F5YP was the structure of the rural economy and the attempt to diversify crop production. In summary, two approaches were taken regarding rural development - transformationist and gradualist - with the former being shelved in 1966 because it was found to be too capital-intensive, and produced poor returns. Ujamaa villagisation which only began in 1968/9 appeared not to be seen by the Mission as transformationist. Instead it was seen to represent an attempt to counter the urban bias present when services and benefits were dispensed. It was envisaged that Ujamaas would encourage greater investment in rural areas. In fact, according to the Mission, the villages were to be centres purely for social and technical services based on self-help and co-operation, without reference to the ideological basis of the policy,⁵⁷ i.e. no change in the relations of production was

envisaged.

The Mission reported that 90 per cent of the country's population was dependent on the land for a livelihood. A surplus of land existed, of great potential, if cultivated properly.⁵⁸ Peasant farming predominated - especially hand-hoeing - and although 'tractorization' was attempted, it was abandoned as too expensive. Besides crop production, livestock was important, with approximately 11 million cattle in 1969 - mostly Southern Zebus - farmed extensively on the abundant grasslands. Further, we are told that the country was self-sufficient in food, except for wheat and dairy produce.⁵⁹

Finally, the Mission noted the growth of rural unemployment and the lack of any corresponding growth in urban employment, and concluded that rural self-employment was a necessary policy-objective.

In essence, this section of the 1970 Mission Report reflected the World Bank Group's attempts to counter and circumvent the radical aspects of the new Tanzanian strategy outlined in the Arusha Declaration. In particular, attempts were made to circumvent any structural changes in the relations of production of peasants. Ujamaa, identified by the Mission as a 'useful experiment' was presented as a possible method for facilitating the production of cash crops (tea and tobacco), with foreign aid providing some of the resources (and supervision) for introducing advanced farming techniques and technology. Neither socialist transformation nor even self-sufficiency were envisaged by the World Bank as central themes. The failure of the Village Settlement Scheme during the F5YP ensured a degree of flexibility on the World Bank's side concerning new forms of labour organisation to facilitate cash crop production. It was only the possibility of using Ujamaa to increase such production without changing the relations of production, which interested the World Bank Group.

Chapter Five

The Reality of Arusha

Coulson¹ has chronologued the main events of the Ujamaa Programme between 1967 and 1974 as follows:

Jan 1967: Arusha Declaration - an emphasis on self-reliance and socialism at local and national level.

Sep 1967: 'Socialism and Rural Development'- Ujamaa was announced as the official policy for rural development.

1968: Some so-called Ujamaa villages were established - often through the coercive pressure put on peasants by local politicians and bureaucrats seeking career promotion.

1968: 'Freedom and Development'- Nyerere's paper acknowledged that mistakes had been made: short-cuts had been attempted; too much had been promised and expected; the correct ideological commitment had been lacking. The use of force to achieve villagisation was strongly condemned. Future villages were to be smaller in order to achieve more real democracy.

1969: 'Presidential Circular No. 1' - All Government policies, activities and efforts were to be geared to encouraging greater communalisation. All Government departments were ordered to site their development projects in Ujamaa villages. This was to be a central plank of the Second Five Year Plan.

A Regional Development Fund, financed partly by the IDA, was set up to provide credit facilities for small projects in Ujamaa villages. The combined effect of these initiatives induced peasants to settle in so-called communal villages. In this way bureaucrats became initiators and controllers of the drive to rural change. The cost of this policy became prohibitive because

the provision of credit and other facilities was not matched by increased productivity.

1969: Operation Rufiji - The whole population of this area was forcibly resettled on higher ground because of local overcultivation, infertility and the threat of flooding.

The Ruvuma Development Association was banned because of its criticisms of the Party and Government.

1970: Planning Teams were sent to improve village production performance. The operation failed because these experts were often unfamiliar with local conditions.

Operation Dodoma - A plan was launched to resettle the population of this region near water supplies.

1971: 30,000 Gogo families were moved into 190 villages in the Dodoma Region. Two of the new settlements contained more than 500 families each. The Government ploughed 21,000 acres by tractor but cultivation and harvesting were organised on an individual basis.

By the end of 1971, 629 'Ujamaa' villages were operational.

In the Ismani Region a Regional Commissioner responsible for initiating local Ujamaa villages was assassinated by a rich farmer.

1972: Operation Kigoma and Operation Chunya were started. The Decentralisation was introduced.

Communal production was still extremely limited. Bureaucratic directives were issued ordering an increase in productivity - by any means available. This was taken as encouragement for individual cultivation.

1973: Decreasing emphasis was being laid on Ujamaa villages, and more on 'development' villages. The latter were centres of social services and agricultural facilities comprising 500 families each. Production was not organised communally. A directive was

issued: 'To Live In Villages Is An Order'.

A severe drought forced the importation of maize.

1974: Villagisation through coercion proceeded rapidly. Production was dislocated. The importation of food continued. All village members were compelled to cultivate a plot of staple food for subsistence, besides the production of cash crops for export.

The dual policy of Ujamaa villages and state farms was put into effect during the S5YP. However, it would be wrong to assume an even impact of the policy throughout the country. The peasantry is not a homogeneous category. Different strata within the peasantry have different interests. Hence,

"A..precise and sensitive class analysis, which searches out the different groups and strata as well as the differing situations of local peasantries would seem to be required for policy purposes - first, to identify the likely responses to change and specifically to the actual policy of Ujamaa Vijijini, and secondly to isolate different economic systems which could form the basis of ujamaa production and thus work out the diverse programmes tailored to the diverse rural situations that Nyerere envisages."²

The development of the Ujamaa Programme was viewed, in the light of this, as a progression of small steps rather than a single great leap forward. Initially, a diverse farming system was envisaged: the following of many alternative paths according to the particular area's stage of development, the degree of social stratification, the availability of land, the level of economic opportunity. The first stage often meant the establishment of co-operative marketing, and co-operative purchase of agricultural inputs. The Leadership rejected a policy of creating 'islands of socialism'. Instead an approach was chosen which saw that governmental and political institutions were geared to push for collect-

ivisation of agriculture throughout the country - except on the state farms.

Figures on the progress of the policy, in terms of the number of villages established, presented by Ellman show that in February 1967 there were 48 Ujamaa villages containing 0.05 per cent of the Mainland's population. By December 1969 the respective figures were 650 and 2.5 per cent. In June 1971, 2,668 villages had been established, with 840,000 people (6.3 per cent of the Mainland's population. Immediately a definitional problem arises because the Ministry of Rural Development's definition of Ujamaa villages includes villages at all levels and stages of development toward Ujamaa. Ellman observes that an independent report in 1968 estimated the number of true Ujamaa villages to be as low as 20.³ A significant feature in 1971 was that most of the villages were established in areas where land surplus existed. In Mtwara, 44 per cent of the population were settled in Ministry-defined Ujamaa villages, whereas in the rich, land-scarce areas of Kilimanjaro only 0.3 per cent were settled in such villages.⁴

The villagisation process is split into three stages by Ellman. In the first stage, when the village has been recently established and is not immediately viable (self-sufficient), long-term investment is required - for the provision of roads, water supplies and other infrastructural facilities - especially in newly-settled areas. After 1970 the funds for such villages were provided in the form of a grant from the executive Ministries and from the Regional Development Fund. Short-term investment on seed, tractors, fertilizers and other agricultural inputs was supplied through local co-operative societies and unions from the Tanzanian Rural Development Bank. Finance from the latter source took the form of loans which were to be repaid out of crop production earnings.

Second stage villages are those approaching or already achieving

economic viability. The village must constitute a working unit wherein the use of a village register entitles the village to qualify as an Agricultural Association, and thereby gives it access to credit from the TRDB. Infrastructural investment and services are provided through Central Government schemes.

The third stage villages are fully-fledged co-operative societies. These are expected to attract commercial credit from the National Bank of Commerce, the relevant Marketing Boards, TRDB, etc.

Ellman found that any evaluation of cost-benefit of investment was extremely difficult. Flue-cured tobacco is grown only in the village co-operatives and stage one villages. Production of this crop rose from 3,576 tonnes in 1966, to 8,926 tonnes in 1970, but there is no evidence that this increase was due to the policy of villagisation.

One of the basic failures of the earlier Village Settlement Scheme was that farmers spent far more time and effort working on their own land than on communal holdings. This was also true of the early stages of Ujamaa village development. Yet the number of villages increased. The explanation lies in a mixture of incentives and coercion forced on the peasants. The early villages contained less than 50 families, which despite the flexibility this gave to organising production, was too small in administrative terms to make the provision of government services efficient. Thus, since 1968/9 many of the villages established were to contain at least 200-300 families. In theory, a sub-division of 50-100 families comprised the production unit, joining with other production units in service, marketing and large-scale productive activities. In the second and third stage villages, a mixed-crop agricultural system prevailed, where cotton, tobacco and other cash crops were grown communally, whilst food was grown individually (ie. by each family). Herein the peasants become hired cash earners and at the same time remain sub-

sistence producers.

A criticism much in evidence in the literature evaluating the co-operative and Ujamaa programmes concerned the provision of credit to the villages. The National Development Credit Agency was created on the advice of the Bank Group, and received most of its post-1966 financing from the IDA. Until it was superceded by the Tanzanian Rural Development Bank (TRDB) in 1971 it was the major provider of credit to producers. The formula for determining the level of credit facility did not depend on the land-ownership patterns. No effort was made to discriminate in favour of Ujamaa villages. Instead, the availability of credit was dependent on a per centage figure of the previous year's average value of crop deliveries from the individual farmers. In effect, this policy favoured the richer farmers/producers. In 1970, of all the NDC credits, 70 per cent were concentrated in the nine richest regions, while the six poorest received only 11 per cent. Further, 90 per cent of all crop development loans in this year were issued for the production of export crops. This links the World Bank Group lending policies in Tanzania to the actual policies of the local administration. The Bank Group provided most of the funds and these funds were used to develop export crop production, predominantly in the richer areas of the country. Hence, the Bank Group's concern with the production of export crops has had the effect of exacerbating regional and individual inequalities.

"The NDCA can therefore be criticised for failing to confront the problem of increasing differentiation both within regions and between regions, as well as for encouraging continued reliance on primary export crops at the expense of local foodstuff expansion."⁵

The credit system was administered through the co-operative network which was almost entirely geared toward marketing and service provision activities. Although the NDCA gave credits through the co-operatives, the credits were not made to the co-operatives but to individual farmers.

Consequently, an analysis of the social composition of the co-operatives is essential, as Loxley argues, because,

"..far from acting as a check on capitalism, the co-operative movement has in fact been an important instrument of exploitation of the rural masses."⁶

The link between the co-operative societies was founded on the notion that the co-operatives would guarantee any loans made to its members. Hence, the determining feature was the practice of 'building on the best' to the detriment of the poorer areas. Because many of the early Ujamaa villages were not registered members of co-operative societies they did not qualify for NDCA credits. Thus, the NDCA, in practice, was concerned with the development of a kulak farmer class.

Seushi and Loxley argue that the Regional Development Fund was the only source of finance for Ujamaa villages between 1967-71 not controlled from Dar.⁷ Over this period, 55 per cent of RDF loans went for directly productive activities, the remainder going on infrastructural investment. However, not all RDF loans went on Ujamaa investment. Between 1967 - 69, only Tsh. one million out of Tsh. 50 million went directly to Ujamaa villages.

With the establishment of TRDB and the provision of its facilities to Ujamaa villages, the situation changed only slightly for the better. In fiscal year 1972, 90 per cent of the number of TRDB approved loans went on tobacco production,⁸ and was concentrated in the Tabora Region (receiving 75 per cent of the total credits). Of TRDB's total crop development credits in this year, by value, 42 per cent went on tobacco, and 23 per cent on tea.

"It appears, therefore, that TRDB credits to Ujamaa have served to reinforce the historical concentration of credit both in terms of regional spread..and in terms of export crops."⁹

The Ujamaa villages have been categorised into five types by Raikes.¹⁰ The self-initiated villages of the kind found in the Ruvuma Development Association were fully co-operative with full communalisation of prod-

uction - ie the relations of production were based on equality and co-operation - and were mostly self-reliant. However, bureaucratic elements in the Government administration sought to take over such experiments to ensure administratively-defined efficiency in planning and organisation.

'Ujamaa through signposting' is the term given to an administrative ploy of referring to all villages with a minimum number of communal production features as Ujamaa villages. It is this device which enables Ellman to set the number of Ujamaa villages so high. These villages often have made no efforts to transform the mode of production and the ploy served the interests of local rich producers insofar as they gained access to, or at least the opportunity of access to, Government welfare facilities: Local administrators and politicians gained career status both nationally and locally if they were able to point to successes in the numbers of Ujamaa villages in their locality.

The third type are those which were formed through material inducement. Again these are not revolutionary in ideology nor practice. Frequently such an approach inhibits the development of an ideology encouraging self-reliance. In fact, dependency on those who control the provision of social and agricultural services often increases in this situation, as reflected in the failure of mobilisation efforts.

Coercion has almost always been used against the weakest groups who may have resisted villagisation. Raikes argues coherently, that after 1970 coercion increased dramatically. The population settled in planned villages represents neat and tidy administrative units, facilitating economies of scale and more convenient law and order policing. Essentially, coercion is riddled with notions of elitism, and those resisting are frequently defined as 'backward'. The pastoralists have suffered most from coercive policies by administrators, which is attributable to their

special and particular underdevelopment during the colonial period, when colonial policy severely restricted the possibilities for pastoral development. Administrative practices toward the pastoralists were based on the assumption of their inherent backwardness.

The final type of Ujamaa village classified by Raikes is that which was formed by kulak farmers. These villages resembled joint-stock companies, ie they represented capitalist enterprise. Kulaks have combined with peasants to gain access to cheap social and financial facilities, cheap machinery and new land. This occurred particularly in the richer areas, such as Kilimanjaro, where land nationalised from the European settlers was given over to these 'Ujamaa' villages.

Consequently, Nyerere's vague initial policy statements on Ujamaa were matched in the vagueness and ambiguity of the implementation of that strategy. The early calls for flexibility in implementing the strategy had, by 1970/1, been distorted through the same formula to cover all village-types under the umbrella of 'Ujamaa'.

The confusion, ambiguity and distortion of the central planks of the Ujamaa Programme is attributable to a series of factors, which all revolve around the issue of who controls the Tanzanian economy.

It was demonstrated earlier that capitalist differentiation was occurring as a product of historical forces. During the colonial period Tanzania had been integrated into the world capitalist economy by the structuring of its economy along the lines of an agricultural export crop economy. This had involved the destruction of pre-capitalist structures, or at least their restructuring to new structures which, although not representing a crystallised capitalist mode of production, no longer represented the previous mode either. Capitalist structures have taken the role of overseeing the development of primitive accumulation. The World Bank Group plays its part in this process by providing funds for

the production of these export crops. It has been shown that the use of these funds accelerates regional and group differentiation. This does not imply a conspiratorial consciousness on behalf of the Bank Group. Such developments are **immanent** in the very structure of World Bank Group thinking and activity.

Peasant differentiation is a process which necessarily has a determining influence on the dynamics of structural change, or non-change in Tanzania. The structural transformation of economy and society along socialist lines, in a predominantly peasant country requires the mobilisation of most, if not all, peasants. Hence, the Ujamaa Programme, and the co-operative union system which plays an important part in its success or failure, are subject to the effects of peasant differentiation.

"Throughout sub-Saharan Africa..in response to the creation of markets, particularly for export crops, an entrepreneurial incipient capitalist class of farmers has developed, increasingly differentiated from other farmers. Where governments have tried to control them through, for example, co-operatives and marketing boards, they have been found to manipulate these institutions to their own ends."¹¹

In the particular location of her study, Ismani - 'the maize granary of Tanzania' - Feldman shows that since 1945, and the development of maize cultivation, some African entrepreneurs from other areas have moved into this area to develop commercial agriculture and small-scale businesses. Some of these migrants became early mechanisers, managing land areas of between 100 - 2000 acres. However, most of the newcomers came without capital, so that in 1957 and 1969, 60 per cent of the farmers - who were mainly hoe-farmers - cultivated less than 10 acres each.¹²

In the early years after 1945, immigration was intense, but the abundance of land sufficed for the demand. Initially, the newcomers were allotted land through applications to the village headman, but with the

newcomer influx continuing, land did over time become scarce. Land transactions shifted from allotment by the village head, to private sale or rent, i.e. accumulation of land was established. By 1969, large farms coexisted with landless peasants who worked on these farms.

The process of commercialisation of the relations of production - class relations - had not crystallised in this area by the early 1970. Traditional patterns of authority and stratification played a part in such crystallisation as has occurred, but not to the degree that the systems of production are unable to overcome traditional constraints. Hence, individual accumulation has been possible, and structures have been developed which enable the perpetuation of this process:

"This possibility is enhanced given the existing structure of the education system in Tanzania. Moreover, the bigger farmers dominate the most crucial rural institution linking the rural area to the central government - the co-operative society. Co-operative policies have been pursued which are favourable to them, but more importantly, the co-operative societies give them a voice through which they can interpret government policies to the rest of the people.

Ismani has also provided the test case for the peaceful establishment of rural socialism. The response of the local political leaders, in keeping with their class interests, to the prospect, and ultimately the implementation of collectivisation indicates some of the contradictions within pre-Ujamaa Tanzanian society between its democratic institutions and the realities of its social structure. In the event, the attempt to collectivise the entire population of Ismani, landlord and peasants, large- and small-scale farmers, was unsupported by the local leadership, and though finally carried through, culminated in the assassination of the Iringa Regional Commissioner..(in) 1970."¹³

Van Velzen, who was concerned with the relationship between the state bureaucrats, the rich capitalist farmers and the peasants, identifies two key aspects - 'penetration' and 'penetrators'. Penetration is the process whereby the periphery - the regions - is led to accept the

authority and guidelines laid down by the metropole - the Government/civil service. His main observation on penetration is that,

"past penetration has greatly improved the position of the more wealthy farmers....The system of economic differentiation which has crystallised in the rural areas has in its turn affected the outcome of new penetrative efforts."¹⁴

Thus, penetration is not a one-off event, but a process of building on previous relations.

The penetrators, defined as Staff - Party and Government officials, such as Extension Officers and District Officers - function to propagate the ideals of self-help and egalitarianism. However, Van Velzen found that their mere presence represented inequality and elitism. Above all, Staff were 'outsiders' dependent not on local communal activities, but on Central Government, thereby relying not on the peasants for their authority, but on the Government. Most damning of all criticisms is that Van Velzen found in his study, close and mutually beneficial relations between the Staff and kulaks. The cultural divide between Staff and kulaks was narrow enough to permit daily social meetings to be held in each other's houses, and for presents to be exchanged. The closeness of this relationship was reflected in the efforts made by Staff to ensure that kulaks were elected to committee posts.

"There appears to be a more objective and quantitative indicator available to gauge the extent of staff-kulak co-operation: the representation of kulaks in official functions...

Over-representation of kulaks in these functions is important to the total power profile of rural society...

During the period of our fieldwork 39 official functions were made available....26 of these were occupied by...the richest 20 per cent of the population...

...We may conclude for Itumba that wealthy peasants get a bigger share of official functions..."¹⁵

Although local political institutions were controlled by wealthy farmers, Feldman observes:

"Even where economic supremacy is not converted into either social or political control, the institutionalised system of private property and the market enable the capitalist entrepreneur to assert an autonomy in the economic sphere inconceivable within another mode of production. Thus through access to factor markets, the entrepreneur can continue to maintain and increase the scale of his operations with very little involvement in local community affairs."¹⁶

Many wealthy farmers did, however, become involved in the operations of the local political organisations.

The organisational structures of TANU in rural areas were intended to prevent the aggrandisement of wealthy farmers. TANU's functions are two-fold - to encourage mass popular participation, and to act as a check on the administration of government. Achieving the former requires a communication network. The Ten-House Cells were created with this end in mind. These are, theoretically, the basic organisational units for the Party and the Government.

Organisation of TANU¹⁷

<u>Area Level</u>	<u>Organisation</u>	<u>Executive Bodies</u>
National	National Conference	National Executive Council - Cabinet.
Regional	Regional "	Regional E.C.
District	Annual District Conference	District E.C.
Branch	Annual Branch Conference	Branch E.C.
Cell	Ten Houses	-

All Conferences give directions to their Executive Councils, and the National Conference is responsible to the N.E.C.

The Branch Secretary is a paid Party official who works through about 300 Cell leaders, each overseeing about 20 adults. The Cell leaders are Party members elected from their Cells to perform the unpaid function of directing information and policies from the hierarchy to their Cells, and

to feed back the Cell's responses to the policy-makers. Another potentially crucial role played by the Cell leader is that of Village Development Committee member, which gives the leader the ability to decide on and initiate local self-help development projects. Further, the VDC gives the Cell leader power to allocate plots of land for building and cultivating, and to control various licenses.

This organisational structure offers the opportunity for popular participation, democracy, accountability and a measure of central political control over the development strategy. Ideally, it also allows for local democratic control over the productive processes. On the other hand, and the evidence suggests that this does happen, the structure provides the framework for a series of abuses, ranging from commandism and authoritarianism from above, to parochialism and opportunism locally, and more critically, manipulation by local elite groups. O'Barr¹⁸, examining the technical abilities of the Cell leaders, found that besides being poor initiators of change, they were unwilling or unable to explain government policy adequately, so that mass participation was far from maximal. The Cell leaders' adjudicative successes appeared, in this study, to owe more to traditional authority patterns than to raised consciousness interacting dialectically with changing structural relations of production.

Likewise, a study by Kitching¹⁹ found the role of the Cell leader to be unstructured, so that the status, effectiveness and content of the position depended on the particular 'personality' of the office-holder. (He also found that the VDC acted more as a dispute settlement agency than a development agency). The Cell leader may encompass a wide range of functions - perhaps Party activist, Government agent, tax collector, police functionary, development councillor, dispute settler. Hence, if a particular group of peasants has control over this position or over the

office-holder then the structure could prove very useful to their interests.

"The cell leaders in Kihengeni, to some extent, constitute an economic elite in the community, though to a much lesser extent than those who have held office in the co-operative society, or at higher levels of TANU."²⁰

Few of the Cell leaders stood for posts as TANU Branch officials, when they became vacant, whereas co-operative society officials and other committee officials frequently did stand, successfully. The social base from which the co-operative officials were drawn highlights the stratified nature of Tanzania's rural structures. In Ismani, the co-operatives were established during the 1950's, so that African farmers replaced Asian traders in the transporting and marketing of maize. Initially, membership of the society was set at TSH100, thereby excluding all but the richest farmers. During the 1960's less affluent farmers joined, but the experience and influence of the richer, more established farmers ensured their continued control over the institution. The co-operatives remained essentially commercial bodies, although the ideological rationale given for the extension of the system was founded on principles of mutual aid, self-help and the reduction of inequality through sharing resources and rewards. All crops were marketed through three co-operatives, but the very richest farmers by-passed the system because they were able to contract better deals for themselves than they could as society members. This suggests that the co-operative system was of the greatest benefit to kulak farmers rather than full-scale capitalist farmers.

A major feature of the co-operative system was the provision of credit to members.

"It is clear from one society's records that credit was either allocated according to the scale of farming, or even in suspiciously large amounts to members of the committees and their

relatives. Thus, despite the egalitarian ideals of co-operatives, in practice they simply reinforced the divisions which already existed between the farmers."²¹

Further,

"it was still the same kind of people - those who were active and successful as commercial farmers - who put themselves forward as leaders. There was no incompatibility between the class base of the co-operatives' leadership, and the policies which they were encouraged to pursue as part of a commercial institution."²²

Critically, Feldman makes the claim that the co-operative societies were a training ground for TANU leadership. The co-operative leadership provided a source of elected TANU representatives to divisional, district and regional committees. There appears to be a direct relation between the propertied base of the co-operative leadership and entry into the higher echelons of the Party; and, a mutually beneficial relationship between the richer farmers and the Government officials responsible for overseeing local development strategy. Consequently, mystification and not clarity resulted from the activities of, in particular, the richer farmers being in control of the co-operative movement. Mystification of the operational requirements of the co-operatives - the keeping of official records and other administrative duties - through corruption and inefficiency, ensures low levels of participation by ordinary members. The means of political mobilisation are in the hands of the richer farmers. The co-operatives received and passed on more political messages than did the Ten-House Cell leaders because of the close links between the co-operative leaders and those already up the TANU career ladder.

The ideological stance - and their actual interests as kulaks - brings the TANU officials' suitability for the posts into question.

"The message of Ujamaa put forward by...local political leaders.. (involved the provision of social utilities)..if only people would live together in villages..and cultivate together - a vague proposal which could and did mean a few hours' collective work per

week on meagre plots...Capitalism was condemned, often most forcibly by TANU leaders who were the largest landowners, but capitalism did not in practical terms extend to landlords or employers."²³

Hence, the Ujamaa Programme and its supplementary policies appear not to have posed a great threat to those who held the reigns of local power and authority. Now, the 1970 Mission Report's scant regard for the Ujamaa Programme falls into better perspective.

The evidence suggests that by 1970 the essence of the programme had evaporated. Coulson's chronology noted that the Presidential Circular No. 1, 1969, ordering a mobilisation of all agencies toward the full implementation of the programme, resulted in authoritarianism and 'inducement' rather than self-reliance and a transformation of the rural political economy. Feldman and Raikes have shown that this can, in large part, be attributed to administrators and bureaucrats seeking 'administrative efficiency'. A point often missed is that the nature of World Bank Group loans and credits requires that the existing bureaucratic structures be maintained. The credit systems were set up after Bank Group prompting, with Group funds and in a manner laid down by the Group.

What has been offered above is an attempt to demonstrate that class relations were critical to the success or failure of the Ujamaa Programme, and that the Bank Group, although distanced from local events, influenced events through the provision of credit. Whether the Ujamaa Programme was initiated and maintained from above, or was distorted from within local areas, the effects were the same: a failure to mobilise the population toward socialist reconstruction. By 1974, Green - who argues that great strides have been made toward socialist construction qua 'income distribution and absolute poverty eradication', admitted that:

"A..problem exists within the old line of co-operatives, and especially their manufacturing and plantation activities. Clearly, these are capitalist in nature, because the hired labourers are

not eligible to be co-operative members while the surpluses go either to lower charges to members or to expand the productive units owned by the co-operative on behalf of its members. This contradiction may prove particularly serious in the case of recently acquired coffee estates in Kilimanjaro region, which tended to have co-operative society owners and managers who are local, and unskilled and semi-skilled labour from other parts of Tanzania."²⁴

In the agricultural sector recent changes have meant that, for example, "upper income settlement scheme projects for tea and tobacco" have been "rather imperfectly 'converted' to ujamaa villages...".²⁵ In fact, "the present tea and tobacco smallholder schemes and the tea and tobacco specialised 'ujamaa' villages are clearly forces for increasing rural inequality as they are now structured".²⁶ (See section below on 1974 World Bank Group Mission Report). Where there have been few changes things are as bad:

"Much of this sector (co-operatives) is still in the hands of the 1961-66 emergent elite and run with little more participation than then, and is also often rather better at creating salaried posts than lowering costs and raising farmer payout.."²⁷

The co-operatives were not geared toward creating Ujamaa villages, and those Ujamaa villages which were created faced great bureaucratic intrusion.

"The poorer districts in the poorer regions show the highest response to the concepts of living and working together in units large enough to receive...basic public services, of adopting modifications in production and marketing patterns...and of conducting an increasing proportion of production and distribution on a communal basis.

By 1973-4 at least Tsh300 million a year of recurrent...and capital funds were being deployed in support of ujamaa villages. On the access to public services front progress seems to be fairly rapid. On the production development front problems arise...(S)ince 1972, there has been emphasis on utilising the potential of larger joint labour forces...larger farm units...and easier communication channels..However, the illusion that the basic need is either

finance or finance plus exhortation...dies hard."²⁸

The failure of the Ujamaa Programme to begin the transformation of the rural political economy reflects two interrelated themes. Primarily, the Government's concern with maintaining the levels of foreign exchange earnings meant that the country remained geared to the production of export crops. Secondly, this concern entailed an increase in administrative and bureaucratic involvement in the agricultural sector; and, as shown, this enabled bureaucrats/administrators and kulaks to abuse their power and authority.

A minority view has been taken by Nsari, who suggests that the Ujamaa Programme represented a strategy for the containment of the richer peasants by the bureaucratic bourgeoisie. In this view, the bureaucratic bourgeoisie and kulak class were in conflict over the distribution of surpluses and power. The containment of the kulaks dovetailed with other strategies such as, nationalising much of the industrial sector, and increasing the scope of state activity in the economy - in collusion with international capitalism - in order to strengthen and consolidate the power of the bureaucratic bourgeoisie, which constitutes a class in itself, seeking to control state power.²⁹ How the richer peasants were to be contained is not spelt out, and the evidence provided by Raikes, Van Velzen and Feldman suggests that although the Programme was opposed, in certain areas, by richer farmers, often the structures constructed served their interests - they adapted the extra facilities to serve their own interests, eg. the provision of inputs, etc.; economies of scale; availability of labour for hire. Perhaps the Programme was seen by the bureaucratic bourgeoisie to be a means of subjugating the kulak farmers, but its implementation did not match this intention.

Where Ujamaa villages were established - often in the poorer areas - administrative interference was great. Self-reliance makes outside ad-

ministration superfluous. Inhibiting self-reliance, and retaining administrative influence and control can be achieved through a variety of techniques, including the imposition of external planning on village members, and control over the provision and use of credits and grants. The latter technique was used in areas where export crops were grown, i.e. outside control was used to maintain the structures of export crop production. Tobacco, cotton and tea projects were initiated in the early 1970's on the advice of the World Bank Group. The pattern of these projects generally required the development of islands of 'modern' farming, based on imported farm inputs, under the intensive supervision of the whole productive process, by administrators. Consequently, rural Tanzania experienced a varied and contradictory development strategy which failed to live up to the principles laid down by Nyerere, and failed to produce the surpluses required for the transformation of the economy. Tabari provides figures for the years 1970-72, which show that Tanzania's balance of payments' surplus of Tsh78 million in 1970, deteriorated to a loss of Tsh717 million in 1972.³⁰ Part of the cause of this dramatic reversal was Tanzania's willingness to rely on foreign resources for the development programme. In this situation a spiral of increasing dependency was set up - borrowing increased to pay off past loans and to maintain recurrent costs of past development projects. This put pressure on politicians to maintain the existing production patterns - in this case the production of export crops - because the existing patterns did produce immediate yields. Thus, the noose tightened on the peasant producers.

After 1970, in the face of the contradiction between the worsening economic plight, the need to maintain export crop production, and the stated desire for socialist transformation, a fresh approach was taken. This was articulated in Nyerere's 1973 directive - 'To Live In Villages Is An Order'. It demanded a more aggressive approach to agricultural

collectivisation. Whole areas were to be enrolled in villages through a series of major campaigns. Coercion became the key element in these campaigns which required that all peasants would live in 'development' villages by 1976. Raikes was able to argue from these developments that even as late as 1976:

"In Tanzania there is yet no plan for the overall transformation of the economy, and many of the ujamaa villages are entirely integrated into the previous dependency patterns through the production of export crops."³¹

In 1974, the combined effects of the increase in oil prices - the oil import bill rose 900 per cent in two years³² - protectionism in the advanced industrialised nations; a poor harvest following local droughts and dislocation of production resulting from the forced villagisation programme negating the effects of a commodity price boom, all forced the Government's hand. Ujamaa villages had been dropped as the major priority, with the backing of the World Bank Group which saw them as a possible threat to the expansion of production in the export crop sphere. Instead, the post-1973 villages - no longer Ujamaa villages, only groups of 'villagised' peasants - were established during a period of mounting anti-peasant propaganda (See Tabari); yet, the commandism and repression of the peasants by the administrators, in an attempt to maintain or increase production, itself harmed production. Nsari maintains that a reign of terror was initiated against the peasants, i.e. against that group which had until then been the mass base of the regime. Even measures taken which have benefited the peasants have been viewed with suspicion:

"Over 1973/4 rather more attention was devoted to increasing both domestic and export product agricultural prices paid to growers to sustain rural purchasing power, but the dominant motivation was clearly to provide production incentives."³³

So, the development villages were intended above all to increase pro-

duction, not to transform the relations of production, and as such were supported by the Bank Group. The influence of the Bank Group is often exaggerated by critics according to Raikes.

"Those who accuse the World Bank of distorting the emphasis of Ujamaa..perhaps misplace their own emphasis..Since Ujamaa has merely a vague emphasis on production for the domestic market, without supporting action to develop that market, its own emphasis has remained largely towards export crops. World Bank credit has simply reinforced this trend."³⁴

This view is generally correct. The Bank Group has provided the credit which has greatly reinforced the trend. If the Bank Group had so desired it could have determined the use of its credits in other ways. In fact, the Bank Group has the final say on what its funds are to be used for, and will not allow their use for activities it does not support. It has the punitive power to withdraw credit facilities. The Mission Reports show a change in the Group's thinking toward Ujamaa. The early attitude of seeing them as a useful experiment changed to one of hostility. Bearing in mind the rural sector's dependency on Group credits, the hostility is at least influential on local planners thinking. This is not to say that the Group's staff crudely manipulate Tanzanian planners. In its public statements the Group 'observes' rather than 'directs': on communal production it notes the bad effects on incentives and productivity,

"particularly in the relatively more commercialised export crop producing regions. Therefore the policy of collectivisation (In Group terminology collectivisation means communal production - CJ) has been abandoned at least for the time being. However, the concept of 'villagisation' still remains attractive, because of the economies of scale in the provision of government services and the opportunities for organising a range of co-operative activities that it offers..Between 1967 and June 1973,..over 5,000 villages and over 2 million people (15 per cent of Tanzania's population) were organised in villages. The extent to which the population had to be moved physically varied considerably among these villages

The Government aim to settle the entire rural population into villages by 1975. Over 55 per cent of the total villages settled by mid-1973 were in the four least developed...of Tanzania's 18 regions."³⁵

However, veiled threats do appear:

"Low rates of growth, combined with the commitment of government resources for future recurrent expenditures that is implicit in a welfare oriented pattern of development, has raised concern about the realization of Tanzania's objective of self-reliance.. (T)his dependence on foreign aid has also contributed to inadequate emphasis on the establishment of priorities on productive activities."³⁶

The meaning of these remarks can be interpreted as a warning to the Tanzanian administrators to establish financial viability and to produce more export crops, or risk the withdrawal of Bank Group support. (For a stronger condemnation of the Ujamaa Programme by the Group see the section of this chapter below outlining the contents of the 1974 Mission Report).

The view put forward by Raikes is based on an evaluation of the interests of the Tanzanian bureaucratic bourgeoisie.

"The ujamaa policy was changed to conform more closely with the preconceptions and interests of the bureaucratic bourgeoisie who controlled its implementation. Their judgement cannot be considered neutral concerning the question of socialist transformation of the economy. Just as they tend to distrust the intentions and capabilities of peasants so they distrust the major political changes which would have to occur before and during a socialist transformation."³⁷

The truth of this statement does not detract from the emphasis placed by critics on the influence of the Bank Group. The view that the failure of the socialist experiment in Tanzania has been due not to contradictions within the peasantry, but to contradictions between Tanzania's economy and the international economy into which it has become increasingly incorporated, is forcibly stated by Shivji.

"The farmers of Iringa and Kilimanjaro do not control Tanzania's economy as a whole. If they are important at all it is because they may be aligned with the economic bureaucracy which in turn is allied with the international bourgeoisie. We may 'plan victories over rural capitalism' and/or take militant political decisions: but these would ultimately mean nothing if our economy remains the appendage of imperialism."³⁸

Thus, an important aspect of Shivji's claim is that a strong link exists between rich farmers, the economic bureaucracy and the international bourgeoisie.

In a postscript to his article, 'Ujamaa and Rural Socialism', Raikes observes in relation to this link that:

"It is perfectly clear that Tanzania is a class society and that the ruling bureaucratic bourgeoisie entrenches itself increasingly with every year."³⁹

Thus,

"the three districts which have so far been little affected by compulsory villagisation (Kilimanjaro, Bukoba and Rungwe) are also those from which well over half of the higher bureaucracy comes."⁴⁰

However,

"insufficient attention has thus far been paid to the analysis of the specifics of a bureaucratic ruling class in Tanzania and its differences in aims and modes of operation from those of a capitalist bourgeoisie operating in a market economy with the assistance of a subordinate bureaucracy."⁴¹

The issue of the social origins of the state bureaucracy, and its ties with the international bourgeoisie is a recurrent theme in the literature on Tanzania's political economy. Leys has commented on this theme in a critique of Alavi's theory of the overdeveloped post-colonial state. The debate essentially revolves around the origins of state power.

In colonial societies the state apparatus inherited after flag independence, had its base originating from the metropole, and was opposed

to the development of the power of national classes. Thus, the state apparatus was overdeveloped in relation to society insofar as it maintained relative independence from national classes. This state typically takes a major share of the nation's economic surplus and uses it for development programmes, etc. The gap between the educated elite and the masses is great enough to convince the bureaucrats that there is a need for themselves to manage the economy, and thereby to manage most aspects of social and political organisation. The nature of overdevelopment here resides not in the need, necessarily, to subjugate local classes, but to subordinate precapitalist relations and forces of production to meet the demands made by imperialism based on the cycle of underdevelopment - export crop production had been developed and crystallised; development efforts had relied on foreign funds at great continuing cost. Classically, growth and not development had been sought.

Clearly the strength of domestic classes will be crucial to the degree of overdevelopment. A strong bourgeoisie, for example, working in tandem with the state bureaucracy may achieve national economic growth, and the development of capitalist industrialisation. A weak bourgeoisie may mean that the bureaucracy has to rely heavily on the metropolitan bourgeoisie for support. The permutations are numerous. An acceptance of the centrality of the state bureaucracy's role leads to the need to determine its class base. Is the bureaucracy a new class (or class in the making), using state power to control the productive resources in liason with the international bourgeoisie, for private gain?⁴² Or is it possible to see in the Tanzanian bureaucracy only a plastic, contradictory formation, still not fully in control?

"It is a mistake to think that the class origins, class ties, or class ambitions of the individuals who compose the apparatus of the state need to be the same as those of the dominant class, or that of state power reflects their own class interests except in a secondary way."⁴³

If class, and not the state, is taken as the point of departure, then the class nature of the bureaucracy provides the key to the role and strength of the state. Further, the class interests of those controlling state power and the class membership/position of state functionaries are not synonymous. Any evaluation of the post-Arusha policies must bear in mind the issue of which class controls the state.

The evidence presented in this section on the rural development programmes between 1967 - 1974, suggests that socialist transformation has not overall occurred. The policies of the Government were ad hoc in response to the pressing problem of balance of payments deficits. Increasing production levels was the guiding principle, not socialist construction. The methods used to achieve the practice of this principle were based on administrative neatness. The bureaucrats were the prime movers, not the masses. There was collusion between the bureaucrats and the richer farmers; there was a convergence in thinking and practice between the planners and the World Bank Group.

There were other events and trends which have not been outlined here. The practices of the Parastatals are closely interwoven with events in the agricultural sphere; the Decentralisation of 1972 also affected all areas of the political economy. An examination of these features reveals more insights into the failure of the Tanzanian experiment.

The Parastatals: 1967 to 1974.

The Ujamaa Programme failed - or at least was not able to transform the rural economy along socialist lines. This failure was due to a complex of factors, outstanding of which were the structures of local class formations, and the administrative/bureaucratic concern to persist with export crop production (aided by the World Bank Group). The next task is to examine the parastatals, from the perspective of how they affected the implementation of the Ujamaa Programme; who controls their operations; and in whose interests they are operated.

The parastatals were set up to control the major part of the industrial sector, including the processing of agricultural produce. Yet, as late as 1975, two commentators observed that although the parastatals controlled key sectors of the economy, they were not very important in terms of numbers of workers employed, nor by value added to GDP.

Table 24. Tanzania (Mainland) 1972: Value added by Parastatal Sector.

	(TSHs m)	% of total monetary GDP
Agriculture	79	4.3
Mining	91	76.5
Manufacturing	320	29.0
Electricity/Water	81	79.8
Construction	20	4.0
Commerce	143	11.4
Transport	109	12.3
Finance/Real Estate/Services	<u>212</u>	<u>57.0</u>
Total	903	12.7

Source: Loxley & Saul: 'Multinationals, Workers and Parastatals in Tanzania.' Review of Political African Economy, No 2, p 58.

In June 1972, the parastatal sector added, in monetary terms, less than 13 per cent to monetary GDP, because, argue Loxley and Saul, agriculture and commerce were still largely in private hands. In this year, the parastatals employed 80,000 workers, taking 25 per cent of the nation's

wage bill for 20 per cent of total non-casual employment. Table 24 makes clear the widely varied influence of the parastatals, eg. between agriculture and the provision of electricity and water.

The authors imply that the parastatals' investment activities are of great importance. Generally, parastatal investment concentrated on fixed capital formation - especially transport and the establishment of the parastatals' own working systems - so that, at the time of writing they were responsible for between 45 per cent and 50 per cent of the total national fixed capital formation. In most instances they have invested more than their own savings would allow. Much of their finance has come from foreign suppliers of credit, technical assistance, and normal commercial loans. Of 1974/5 parastatal investment of TSH1,000 million, TSH450 million came from direct foreign investment; 15 per cent from local development banks - which derive their capital mostly from abroad; 24 per cent from reinvested surpluses; 16 per cent from Central Government transfers from the Development Budget, of which 6 per cent was to be repaid as 'dividend payment', so that the Government's net investment actually represented only 10 per cent of total investment; thus, the parastatals were responsible for providing only 30 per cent of their investment requirements.

Despite the sweeping nationalisation measures, wherein the parastatals were to control the 'commanding heights' of the economy, technical, mechanical and ideological problems were immanent. The Tanzanian planning system was unable to cope with the size and scope of the nationalised sector. The parastatals were unable to plan adequately because of the shortage of technical manpower, yet resented Central Government interference in their activities. This shortfall in skilled high-level manpower was highlighted in all the Bank Group Mission Reports and by Green in his paper evaluating developments over the period 1961-1974.⁴⁴

A consequence of the bureaucrats' inability to plan adequately meant

that the Second Five Year Plan featured unappraised, unco-ordinated lists of projects presented by the parastatals, i.e. a strong coherent strategy for socialist transformation failed to materialise in this sector also. In fact, out of the confusion it is clear to see that such a strategy existed in the minds and efforts of very few bureaucrats and administrators. The parastatals have used management systems and personnel imported from western capitalist countries. Coulson's damning article on the Fertilizer Factory in Tanga pointed out that the NDC relied heavily on the West German firm which provided much of the finance and most of the machinery for the project - it will also receive guaranteed high profit levels - for advice on its construction, management and running requirements.⁴⁵ Further, Saul and Loxley revealed that the various constituent elements of the NDC - before the 1972 Decentralisation - produced their own annual plans and strategy, which were then integrated into one overall NDC plan. No attempt to implement national plans was ever seriously made, nor were these 'element' plans guided by national strategy. A breakdown in communication concerning overall strategy existed between the national leadership, the NDC and its constituent elements.

"The Central Government budget, being still based on the colonial administrative type of budgeting, is not drawn up in a manner conducive to identifying the beneficiaries of government expenditures."⁴⁶

The malaise extended from the lowest levels to the highest.

An important technical/ideological reason for this situation is found in the yardstick used for guiding investment and evaluating success of the parastatals. All were concerned with generating surpluses. Unfortunately, most used commercial profitability as the yardstick. This inevitably led to uneven development and the heightening of inequality. Thus, although the public sector may be large its modus operandi may be capitalist.

"The crucial distinction...is what guides the accumulation of

capital. If it is pursuit of private property (and studies... have indicated so especially in Tanzania) - private here in the sense of the particularistic interest of each enterprise - then the economy is a private enterprise system."⁴⁷

With the advent of nationalisation, a break with world capitalism was not made. 'Full and fair' compensation was, in the end, paid to all foreign capitalists with holdings in Tanzania. Part of the reasoning behind this was the assumption that foreign capital was required for the development strategy. Nyerere's arguments in the Arusha Declaration concerning this issue were rhetorical and misleading. It was always the case that Nyerere intended to accept foreign finance. His was a naive assumption that Tanzanian planners and politicians could control the activities of foreign capital, and use it for the desired socialist transformation. In 1967, the Tanzanian leadership was not prepared to make the break with its colonial past. In fact, the arguments behind the Arusha Declaration referring to self-reliance, were less a statement of intent than a conclusion following from the failure to attract foreign finance in the post-Independence period. Perhaps also, the Leadership feared retributive actions from the Western powers if full compensation was not paid.⁴⁸ This refusal to break with international capitalism was compounded by the parastatals' increasing dependence on foreign capital loans, and the growth of part-ownership/joint venture projects.

"Development strategies relying on foreign private investment will at best produce 'growth without development'...This implies fitful ...growth in GDP accompanied by: stable or widening income differentials, and often the absolute impoverishment of substantial sectors of the population; a substantial and probably increasing outflow of surpluses; production with low local value-added content and a related rapid increase in import requirements; distortions in internal factor prices and the inhibition or destruction of domestic productive activities and initiative; the imposition of severe constraints on domestic policy due to the demands of 'fiscal

responsibility' and the great sensitivity of foreign capital to the 'investment climate'; the formation of an administrative/managerial group whose cultural and economic ties are externally oriented and based on repression and counter-insurgency. To escape this pathological condition it is ultimately necessary to make a break with foreign capital from private sources and to focus development on the mobilisation of local resources..."⁴⁹

With regard to the Fertilizer Factory - a joint venture between the NDC and a West German international corporation - Coulson observed:

"It is hard to find anything good to say about the project. It uses imported raw materials, imported technology and imported expatriates to lose money. It takes Tanzania...into a managed market where prices will always be high. Its location is designed for ease of importing, and not to make use of any Tanzanian raw materials, or to foster any further development of a Tanzanian chemical industry. It is typical of an import-substitution project whose main effect will be to ship surplus out of Tanzania. It illustrates what so easily happens when Tanzania compromises with capitalism."⁵⁰

The link with capitalism involves key productive sectors, so that "such industries as petroleum refinery, cement, radios,...which Hirschman considers to be beyond local capacity, are owned and operated by foreign firms.

(T)he adoption of these techniques (ie. foreign firms invest in those branches which are entirely outside the technological and capital capabilities of local industries) invariably means that labour income is not as high as it would be under different techniques of production, a factor that constrains the growth of the domestic market."⁵¹

Another aspect of these links has been the secrecy in which they have been shrouded.

"Unfortunately, the names of NDC's foreign partners, and especially the terms of partnership and management contracts with them, are so well-guarded, that it is difficult to trace their international links."⁵²

Of those Shivji has been able to uncover, the activities of the Brooke Bond - Liebig Group are typical.

"It may make sense and is economically rational for the Brooke Bond

- Liebig Group, which operates on a global level, to have a plant - Tanganyika Packers - exploit Tanzania's livestock (raw material) process it into meat and export it for its markets in the Bahamas, Europe, Jamaica, Borneo, etc. But it makes no sense and is economically irrational for the Tanzanian economy to have Tanganyika Packers, if (as it now is) only 5 per cent of its products are consumed locally...(T)he high prices fixed for the canned products ..may be completely in accord with the Brooke Bond - Liebig's international market but may not at all be justified for the Tanzanian home market."^{53*}

Foreign corporations sell projects wholesale to the parastatals, in the form of finance plus machinery plus technical assistance. Clearly, such assistance will not be ideologically neutral.

"Defenders of the mncs' role point out that they provide scarce capital; provide equally scarce technology and know-how which provide commodities at lower prices for more people; in some cases provide access to export markets; and contribute through the taxes paid and the employment created to local development."⁵⁴

This argument is relevant only to capitalist development.⁵⁵

"It is vital to remember that equity investment (i.e. shareholding) is the worst possible form of 'assistance' for profitable ventures since the claims on earnings (eg. dividend payments to shareholders) which it generates are essentially unlimited both in terms of their size and duration. Heavy reliance on foreign equity thus generates increasing claims on resources which must be offset by increasing foreign exchange inflows."⁵⁶

The extent of this bloodsucking relationship is underestimated as shown by Seidman.⁵⁷ Accounting techniques enable the MNC's to shift profits from one part of the company to another by overpricing the importation of machinery etc. from one part of the corporation to another; by

*The World Bank Group has provided finance for the development of the export sector of this plant. See above pages 115 - 117 and below page 236.

underpricing sales from one firm to another (within the corporation) to give the impression of low profits, and thereby avoid taxation.

The direct activities of MNC's in Tanzania will inevitably have a bearing on socialist construction. Kay's argument that imported advanced technology leading to capital-intensive industrialisation is logical for Third World capitalists, begs the question - how is such a strategy logical for Tanzanian socialists?⁵⁸

A point in case is provided by two textile factories. The Chinese-financed Friendship Textiles plant, and the French-funded Mwanza Textile plant. The People's Republic of China (PRC) built the former with an interest-free loan of US \$7 million. It targeted to employ 3,000 workers to produce 1,000 tonnes of yarn, which would be woven into cloth in other factories. 24 million square yards of fabric were to be produced annually. Management is under Tanzanian control, with Chinese technical experts providing the double function of staff-training and machine repair. After four years the factory fell into local hands. On the other hand, Mwanza Textiles Ltd. cost US \$11.2 million, of which US \$8.4 million was loaned by two French banks at a seven per cent rate of interest. Both factories were geared to produce the same output, but the Mwanza plant employed only 1,000 workers, plus 40 expatriates controlling management. Information on the two factories is not readily available, but because the French factory is more capital-intensive, it is possible to argue that it is dependent on more advanced, and therefore usually imported, machinery and foreign technical management. The Chinese have a history of full training for local staff, and encourage the use of local technology as much as possible.⁵⁹

Logically the employment impact of the two factories is different. The Friendship plant was concerned to create an employment:output ratio which maximises employment without overmanning. Mwanza was clearly

concerned with maximising output, regardless to the negative effects on employment. A major reason for the difference in approach lies in the source of finance. A seven per cent pa. interest rate, compared to a zero rate, directs that if the planners required each project to be profitable, or at least to cover their own costs, then the Mwanza plant needed to produce greater surplus value per worker, and in aggregate, than the Friendship plant. Technically advanced machinery ensures greater productivity per worker, thus the use of such machinery with low employment levels, is logical so long as the frame of reference is bourgeois economic profit maximisation. As Loxley and Saul describe it, "the practices of managerial capitalist orthodoxy."⁶⁰ The practice of this orthodoxy ensures that value is not retained nationally, but is exported.

Similarly, as with Tanganyika Packers Ltd., the Bank Group has provided funds for the Mwanza Textiles plant, and in so doing highlights its position on the type of development it is seeking in Tanzania in this sphere. It seeks greater productivity, but is not concerned with initiating a socialist programme to achieve such results. What is striking here is the continued increasing level of Bank Group involvement. Tabari cited The Sunday News (23 December 1971) which commented on an IDA credit of TSH170 million for a seven year project for cotton and maize production in the Geita district, and observed that the project provided an "open gate to even greater IDA assistance to bigger cotton projects elsewhere."⁶¹

Lawrence, in the light of such events, argues for greater selectivity toward foreign aid donors and joint venture projects.

"For Tanzania to try to transfer the aid burden to the socialist countries does require an ideological shift from the non-alignment aid strategy of maintaining a balance between East, West and 'neutral'. So far there appears to be no desire to switch donors on principle or to reduce drastically the reliance on aid, especially from the large western donors. This itself reflects the

argument, within the framework of Tanzanian political debate and practice, as to the real meaning of socialism."⁶²

The criticism of the parastatals is taken further by Loxley and Saul in their examination of the relationship between the bureaucrats running them, and the foreign management technicians, on whom they appear to depend. Whenever management systems have been established or altered, western capitalist consultancy firms have been employed to provide the background reports and recommendations. McKinsey, an American international consultancy firm, were contracted to reorganise NDC, STC, East African Harbours Corporation; and of even greater significance, produced the basis for the 1972 Decentralisation.⁶³ Other management and technical advice ventures have resulted in disasters on a par with the Fertilizer Factory. The Canadian International Development Agency (CIDA), in cooperation with the National Milling Corporation, has built a massive bakery in Dar, which cost more than ten small regional plants with the same aggregate output capacity. This overcapitalised project, which favoured Canadian contractors, will result in high unemployment in this industry.

Two other projects, the Kilimanjaro Hotel, and one involving the Mecco Construction Company, when the agreements were made public, demonstrated that management agreements are often part of a large parcel of the joint venture, involving capital and equipment at exorbitant cost. The deals are mostly kept secret, but in the case of these two, it is apparent that the training of Tanzanians was regarded as a low-priority by the foreign partners. Hence, a danger exists of perpetual dependence on foreign staff besides the dependence on foreign machinery and capital. This is not to suggest that the foreign experts are necessarily more efficient. The STC, after being reorganised by the McKinsey firm along the lines of computerisation, proved to be even less efficient than bef-

ore, so the new plans were dropped.

Other criticisms of the parastatals' involvement with foreign capitalist enterprises voiced by Tanzanian radicals, include the freedom of access to top secret materials given to foreign consultants, etc., which many local bureaucrats are debarred from seeing; the very expensive consultancy missions often are only short-stay exercises. It is also felt that Tanzania is used as a training ground for young staff just out of business school, and that too much importance is attached to their evaluations and recommendations.

In response to criticisms of inefficiency and over-centralisation of the Government administration and the parastatals, McKinsey was called in to produce a plan for their reorganisation and decentralisation of decision making. The two parastatals to be most affected were the NDC and the State Trading Corporation. The NDC was broken down into smaller, more specialised NDC's.⁶⁴ The STC broke down into Regional Trading Companies, serviced by nine specialised import-export agencies, all of which are "planned, monitored and controlled from above by a new Board of Internal Trade".⁶⁵

The 1972 Decentralisation was introduced with the supposed intention of ensuring more equitable distribution resources. Since 1972, Regional Development Expenditure has risen from 9.2 per cent of Government development expenditure, to 14 per cent (estimated) in 1975/6. On the one hand, these figures are underestimated because recurrent expenditure is taken up by between one-third and one-half, of wages and salaries, but, this figure must be treated with some scepticism because wages and salaries paid to staff implementing development projects are counted as recurrent expenditure.⁶⁶ On the other hand, the regional expenditure figure is over-estimated because parastatal investment is not controlled by the regions, although they are heavily involved in the

regions. In fact, parastatal investment has overtaken ministerial investment and is at least as unevenly distributed as is the latter. Coulson concludes that development expenditure is still firmly in the hands of centralised authorities.

Despite Decentralisation the present structures and policies of public investment (via the parastatals) are themselves not geared toward socialist development. In fact, this one of Coulson's main contentions - that the growth of the service sector has benefited the better off, and perpetuates the existing structural inequalities within Tanzania. Over-expansion of this sector has dried up the possibility of expanding other productive sectors. His solution, like the Bank Group's, is to increase the strength of the productive sectors. His strategy would fully regionalise, decentralise and equalise the budget, thereby providing at least the bases for full local development. The Bank Group on the other hand, is concerned to decentralise the parastatals, but simultaneously to strengthen the Ministry of Agriculture. In this way the overriding concern with producing export crops would be controlled by a single super-ministry, and the parastatals would cease to be a centralised controlling influence. The Ministry of Agriculture would absorb the power of the parastatals, so that the parastatals could become mere regional crop marketing boards.

This move reflects the Bank Group's concern with creating centres of influence in areas which it considers important. The Ministry of Agriculture will become the key ministry, heavily influenced by, and co-operating with the Bank Group.

The 1974 World Bank Group Mission Report.⁶⁷

This Mission Report provided a basis for discussion for the Third Five Year Plan (TFYP), between IDA and Tanzania, in the light of the failures of the first two Plans.

"The Report has been developed in close collaboration with Tanzanian officials in the Prime Minister's Office, the Ministry of Development Planning and Regional Development."⁶⁸

Perhaps the best comment on the 'achievements' of the S5YP was made by this Mission:

"Real agricultural incomes and production have remained virtually stagnant over the past five years and this in turn has limited the resource base for the expansion of other sectors of the economy, while the need to import large quantities of food grains and the oil crisis has caused a serious deterioration of the balance of payments situation."⁶⁹

By the end of 1973, 80 per cent of the population of 14.2 million was dependent on agriculture for survival. Yet, only 5.1 per cent of the land area was used for crop cultivation. Small-holder cultivation took up 4.4 per cent - 38,000 sq. kms. - and large-scale cultivation, 0.7 per cent - 5,850 sq. kms. Another 50.1 per cent was taken up by rough pasture and grazing land, and 42.6 per cent was wooded or forested. Export crops were grown on 31 per cent of the area given over to crop production, and the rest was used for basic food crops.

Apart from the large private estates and the parastatal farms, most farms were small-holdings - 97 per cent of all holdings were of less than 5 hectares.⁷⁰ Average income, per capita, had risen on these farms from US \$43 in 1969, of which US \$24.50 was cash, to US \$54 by late 1973, with the cash component US \$28, ie. the relative cash component had fallen, suggesting a relative withdrawal into subsistence production, although the actual incomes had both risen, demonstrating increased productivity

in both sectors.

These figures do not reflect the disparities in farm size and income adequately. The 'carrying capacity' of each region was studied by the Bureau of Resource Allocation and Land Use Planning, and it found that 14 regions were overpopulated, and 30 underpopulated.⁷¹ Consequently, the Mission recommended for its future projects that re-settlement of population become a key aspect. Although Tanzania was experiencing a high population growth rate in some areas and attendant pressure on land, the Mission found that over all, potential is good. In 1974, there was one-third of one hectare per capita of rural population, and to maintain this ratio, the rural population of 21 million - in 1992 - will need an increase of 64 per cent in cultivated land.⁷² Some areas of good potential will be able to support far higher population densities. "Resettlement therefore has to be an important part of any long-term agricultural program."⁷³

Large-scale farming, that is, farming on state and large private estates accounted for - 25 per cent of all coffee production; 90 percent of all tea production; 50 per cent of all sisal and sugar production; most of the wheat production; and some maize and dairy production. (See Tables 25 and 26). The Mission reported that export earnings from these estates ran at about US \$80 million annually.⁷⁴

Total employment on private estates amounted to 90,000, and services were provided mostly through non-Government bodies such as, The Tanganykan Farmers Association; Southern Highlands Tobacco Growers' Association; the Tea Growers' Association; and the Coffee Growers' Association.

The Mission argued that Tanzania's primary concern must be to raise output, therefore, it stressed the need to assure the remaining large-scale private estate owners that they would have a secure future in Tanzania. This implies that private large-scale farming will remain an

important feature of Tanzania's agricultural scene.

"With pressures to make more land available for smallholder farming in over-populated areas, Government now actively discourages private large-scale farming and it recently nationalized 50 coffee estates...There is, however, an urgent need to safeguard production and to ensure that the remaining large-scale farmers have sufficient incentives to make required investments. As the role of private large-scale farming has declined, so the importance of parastatal production has tended to increase with particular emphasis on sisal, sugar and beef..."⁷⁵

Table 25. Agricultural Production (1972): Small-holder Production.

	Volume ('000 metric tons)		Value of small-holder production (US \$m)
	Total	Small-holder %	
Wheat	98	25	2.2
Maize	881	75	24.5
Millet	128	100	9.2
Sorghum	191	100	10.4
Paddy Rice	171	95	12.9
Beans	177	95	15.5
Cassava	793	100	24.5
Irish Potato	113	100	5.3
Sweet "	n.a.	98	n.a.
Groundnuts	29	98	4.3
Sesame	8	98	1.3
Banana	1205	95	n.a.
Sisal	157	2	0.4
Coffee	52	52	27.7
Tea	13	10	0.8
Tobacco (Flue)	11	60	5.7
Tobacco (Fire)	-	100	1.1
Cotton	80	98	35.1
Sugar Cane	1064	1	n.a.
Pyrethrum	0.2	100	2.1
Cashewnuts	138	98	16.4
Beef*	1105	93	48.3
		Total	<u>336</u>

* '000 head.

Source: Derived from Tables 27, 26 and 2, 1974 Mission Report.

Table 26. Agricultural Production (1972): Value of Exports/Imports, & Annual Growth Rate of Marketed Production (1965/8 - 1969/72).

	1972 value (US \$m)		Annual Growth Rate Marketed Output (%)
	Exports	Imports	
Wheat	-	3.0	6.8
Maize	-	9.3	5.7
Millet	-	1.8	20.0
Sorghum	-	-	5.5
Paddy Rice	-	-	19.3
Beans			2.8
Cassava	2.5*	-	8.4
Irish Potato			32.0
Sweet "			0
Groundnuts	-	0.6	- 7.4
Sesame	-	-	- 4.5
Banana	-	-	0.3
Sisal	20.1	-	- 3.2
Coffee	50.0	-	2.1
Tea	8.8	-	10.0
Tobacco (Flue)			20.5
Tobacco (Fire)	9.2	-	11.8
Cotton	52.2	-	2.1
Sugar-Cane	-	10.4	5.5
Pyrethrum	3.0	-	- 6.5
Cashewnuts	21.7	-	7.6
Beef	5.9	-	n.a.

Net value agricultural exports = US \$134.4 million.**

*Pulses

** After value of agricultural imports is subtracted.

Source: as Table 25

The urban population fared better with their average income fourfold that of the rural masses. The growth in rural income was due more to rising commodity prices than to increased production. However, the general trend hides important variations. Given that the growth rate of GDP decreased from 6.3 per cent p.a. to 4.4 per cent p.a., (1968-73), well short of the target figure of 6.5 per cent p.a. during the S5YP, one would have expected the growth rate of agricultural output to have decreased

also.

"While recent years have seen a marked growth in the production of tea and tobacco - mainly from large farms - and impressive gains have been made with regard to cashewnuts, progress in the expansion of cotton and pyrethrum has been disappointing, the production of oil crops has diminished and...the growth of sisal and coffee production has been...restricted. As to food production,.. **progress** has been made (...from a...small base) in wheat, rice, cassava and potato production, but the expansion of maize, sorghum, millet, banana and pulse production, all staple food crops, barely kept pace with population growth...1965-1973. The offtake from the national herd has been...stagnant for the last four years...and... milk production has actually decreased."⁷⁶

Between 1968 and 1974, agricultural output (marketed) rose by 2.4 per cent p.a., while population increase reached 2.7 per cent p.a. The Report claimed that the annual average increase in agricultural output between 1963-1968 had been 3.9 per cent. (This figure should be treated with scepticism because the 1970 Mission Report revealed that marketed agricultural output increased by only one per cent p.a. by volume, and declined by 6.2 per cent by value over the period. See Table 11, p 159. The figure given by the 1974 Report therefore probably refers to total agricultural production - marketed plus subsistence. This is almost impossible to ascertain with even a minimal degree of certainty.) The 1974 Report maintained that the greater growth rate of population over agricultural output led directly to an increased food import bill.⁷⁷

1974 was a particularly bad year because of rising world food prices and a poor local harvest. The food bill for this year was expected to total US \$150 million, made up largely of food grains. The average food import bill during the 1960's had been US \$20 million, and before this Tanzania had been self-sufficient in food.⁷⁸

The Mission Report examined the Government's previous and future development objectives. It identified past and future objectives as being

centred on rural development with small-holder production as the cornerstone of the policy. The strategy of social equality and development had been followed - Ujamaa - but,

"Empirical evidence indicates that the implementation of this policy has..had a disruptive effect on production."⁷⁹

The Tanzanian Government therefore changed its policy:

"Recently Government has moved away from this objective and is now concentrating its efforts on the establishment of villages with individual holdings, where feasible, arranged in blocks."⁸⁰

And, "Collective farming is no longer a policy objective,..(but) this is not widely known, and the prospect of collectivisation thus remains a disincentive as does the general uncertainty of villagization."⁸¹

That the abandonment of collective farming was not widely known may be a significant point. It is not clear whether the lack of knowledge was due to poor communications or to the Government being unprepared to acknowledge that the principles of Arusha had been abandoned.

The Report noted that the villagisation programme was achieved only through the Government offering increased social services, thereby allocating a high proportion of Government and administrative capability to social and other infrastructure, and investment to 'low-yield' projects.

"There are thus clear indications that unless the overall development strategy is adjusted to correct these problems, improvements in rural incomes and standards of living are likely to be slow."⁸²

The message could not have been more explicit - increase incentives, through the elimination of disincentives such as the threat of villagisation; increase investment in high yield areas by decreasing investment in social and infrastructural services. The trend identifiable in the 1970 Report has crystallised, except that by 1974 the economic situation had worsened to such an extent that the Bank Group's view carried even greater weight because the Group controlled one of the key purse strings. US \$30 million was loaned under a special agreement by the

IBRD, to enable Tanzania to purchase food imports; and, by the end of the year the Bank Group held at least a quarter of the country's external debt. (See pages 102 - 106.)

The Mission estimated that 50 per cent of total agricultural output was marketed locally or exported. As domestic demand for food represented only 28 per cent of crop production, agricultural cash incomes were largely determined by the export prospects of the major cash crops. The leading eight 'crops' - cotton, coffee, sisal, cashew, tea, flue-cured tobacco, beef and groundnuts - accounted for 60 per cent of total monetary production. In 1973, total agricultural exports were worth US \$244 million, ie. 81 per cent of total exports. However, although the overall value of the major export crops had increased by 3.6 per cent p.a. since 1966, production actually decreased.⁸³

Future prospects on the world market were not given by the Report, but two products, cotton and beef, were expected to experience a boom in demand. Generally however,

"the world market situation for Tanzania's export commodities is in aggregate expected to deteriorate between 1972 and 1980".⁸⁴

However, this trend will be partly countered by inflation raising the prices of these commodities.

An outline was given of the opportunities for the development of rural areas. Small-holder farmers were singled out as the most important actors. Besides producing export crops, the small-holder was encouraged to produce food crops for domestic consumption. It proposed the adoption of simple, already known, innovations and techniques which would double the yield of maize, irrigated rice, sorghum beans, and, cotton and pyrethrum. Lesser, but still substantial increases in the yield of wheat and rainfed rice, as well as coffee, tea, tobacco and other cash crops was envisaged.

Hence, this Mission Report was more sensitive to the issue of self-

sufficiency in food production. The Group's concern here reflected the Government's apprehension over the impending famine of 1974. On humanitarian grounds both wished to avoid the famine. Politically, a starving population destabilises a government's populist mass base. Ideologically, the Group's reputation was at risk because it had been Group policy to persuade the Tanzanians to drop their plans for self-sufficiency. Still, the Mission did not switch to a policy of self-sufficiency at all costs, but as a means of furthering the interests of the small-holder producers.⁸⁵

"Providing that the existing constraints can be overcome and the necessary resources made available, it is...not unrealistic to assume that Tanzania could both expand cultivated area to match population growth and, by 1992, double yields overall."⁸⁶

This statement reveals the Mission's ambiguity because it referred not only to food production, but to all agricultural production. It shows that the Bank Group had introduced a new strategy.

To achieve the desired target agricultural output will need to increase by 6 per cent p.a., with a resultant doubling of agricultural incomes. But, according to the Mission Report, the agricultural sector was smothered by constraints on the free development of small-holder farmers. Farmers' incentives were inadequate, especially for beef and oil. The Mission recommended that a free market system be allowed to develop with regard to pricing in this field, to ensure 'efficient' resource allocation.⁸⁷ Further constraints were experienced in the supply and marketing system, and the poorness of the extension services.

Particularly, the co-operatives were responsible for, and suffered from:

"Widespread mismanagement, over-stretched responsibilities, frequent government interference...and the establishment of many non-viable societies, (which) have resulted in high costs, bad services, delayed payments to farmers and a high proportion of society insolvencies."⁸⁸

The offered solution was to leave the successful societies to fend for

themselves, and to hand over responsibility for the organisation of the failed societies to the Regional authorities. One other strong recommendation was that fertilizers be subsidised at 75 per cent, to ensure a cheap and regular supply, to 'progressive' farmers.

The Mission estimated for the S5YP, that total public sector investment in agriculture - including processing, storage facilities and marketing investment - was set at about 23 per cent of the total sector investment. In fact, actual expenditure up to June 1972 was running at about 13 per cent for agriculture - including parastatal investment. A major increase occurred thereafter to level total agricultural investment over the period of the S5YP at 20 per cent of total development expenditure.

Table 27. Functional Distribution of Development Expenditure (1969-74)
As Projected for the S5YP.

	US. \$m	%
Agriculture*	48.3	13
Education	42.0	11
Health	14.0	4
Water & Power	48.0	13
Communications	129.4	34
Other	91.0	25
Total	<u>372.7</u>	<u>100</u>

* Excludes parastatal investment. If parastatal investment is included percentage would be 23%.

Source: Table 18, vol 1, 1974 Mission Report.

Investment in water, power and education were well above target. The Mission attributed this to the Decentralisation of the Government in 1972. The bias in favour of social investment by the regional authorities was fairly predictable, given their closeness to local influence. However, another explanation may have some bearing on the subject. Social investment projects are usually expensive and rely on foreign technology and/or foreign technicians and materials. It would be interesting to discover whether the Regional authorities were subjected to sales

campaigns by representatives of foreign firms - especially construction firms - to provide infrastructural development programmes. The Bank Group recognised this 'danger' when arguing that the Decentralisation led to regionally-based multi-sectoral projects, which sometimes supported areas of high and low productivity, and tended to overemphasise social investment, thereby not pressing the 'priority of production'.

The Mission recommended the most rapid exploitation of agricultural opportunities on a multi-regional basis, concentrating on high yield areas. The establishment of growth centres under the auspices of a resurrected Ministry of Agriculture was to ensure that investment in agriculture was increased even at the expense of other sectors. Projects with immediate production impact were to be given top priority, followed by those favouring increased intensive farming, and then those favouring social and other infrastructure.⁸⁹

"Since in many farming areas, significant agricultural progress can be made within the existing rural structure and levels of social services..the establishment of Ujamaa villages (involving considerable investment in education, health and water facilities) could therefore take a lower priority for the time being."⁹⁰

By March 1974, 20 per cent of the rural population was in Mission-defined 'Ujamaa' villages, ranging in size from 30 - 1800 people in each, with the average at 500 (100 families). Significantly, there were few villages where communal farming had been established, and the Regions with the six highest percentages of GDP represented less than 10 per cent of the Ujamaa population, whereas the poorest five Regions represented 70 per cent of the Ujamaa population. The Mission reckoned that Ujamaa villages tended to be in areas where no cultivation was practiced before. This meant that problems of collectivisation of private land were largely avoided. The collective method of farming probably totalled less than one per cent of total cultivated land.⁹¹

That the existing Ujamaa villages were neither self-reliant, nor

communally farmed was acknowledged by the Mission.⁹² Its own recommendations for the structure of the villages were that they be made larger to ensure economies of scale for production and marketing, but only in sparsely populated areas, i.e. the poor areas. In areas where rural incomes were higher than average the existing structures were to be left intact, and Government interference diminished, allowing the free market system to work. However, the local and central administrations could play a useful role in setting up efficient marketing systems for the producers, and through the provision of subsidies for inputs. This function was to be performed by the Tanzanian Rural Development Bank.

The Mission has demolished the basis for Tanzania's socialist development strategy. The Ujamaa villages have not been proven successful as a method for producing export crops; social investment has been too expensive; Decentralisation has not resulted in the expected Regional developments; resettlement of the population into areas of 'great potential' was recommended, but only if the population was organised on a smallholder basis, with the most productive receiving the most investment and the greatest rewards. The Bank Group had come back to its 1961 Mission Report's objectives.

The Mission's strategy for development - the establishment of high growth areas - was reflected in the two types of projects it recommended.

"The report recommends that Tanzania should now concentrate its efforts on the most rapid exploitation possible of agricultural opportunities and on a multi-regional basis and starting with areas of high production potential. These centers would have the... advantage of illustrating the scope and methods of agricultural development..."⁹³

"The report...suggests a sequential approach whereby investments with an immediate production impact are given the highest priority, to be followed by the development of more intensive farming systems and only finally by an accelerated provision of social and other infrastructure not essentially required for the production object-

ives."⁹⁴

"To implement this strategy two new (for Tanzania) types of project are proposed, the first of which would concentrate on maximizing quick yield increases from cultivated areas and the second, while aiming at further yield increases would also focus on expanding cultivated areas. The first would be the National Maize Project ...focus(ing) on maize alone...

The second project, the National Agricultural Development Project (NADP) is a longer term and more thorough effort to transform traditional farming practices. It would aim to develop more intensive farming systems through...new techniques...(and) settlement.." ⁹⁵

The Presidential Order on Villagisation (1973) was a preliminary move toward the implementation of these projects.

The world's stocks of maize were very low by the end of 1974, so the price rose. At the same time Tanzania suffered from poor harvests leading to domestic shortages. "During 1974, Tanzania will import not less than 315,000 tons of maize, 60,000 tons of wheat and 22,000 tons of wheat flour."⁹⁶ The cost would be at least US \$150 million.

Further, Tanzania's foreign exchange position had been deteriorating during the previous five years, so the importation of these grains forced a rethink of Bank Group/Tanzanian policy on self-sufficiency in food production. The new approach - typical of the Green Revolution - in the National Maize Project - favoured more intensive farming, using more inputs (usually imported) of pesticides, fertilizers and imported high yield crop varieties. The reliance on imported inputs diminishes the degree of self-sufficiency being sought. The required self-sufficiency could be achieved in two ways - an increase by 50 per cent of the area under cultivation, or more intensive cultivation. Because 'maize land' is similar to 'tobacco land', the former approach was precluded. The Bank Group is not prepared to sacrifice tobacco production for maize production. In fact, it recommended increasing the area under tobacco cultivation.⁹⁷ Besides more intensive cultivation, the Mission sought

to liberalise pricing policies by allowing the price to rise to import parity. By the end of 1974 the price had risen by 40 per cent.

The increase in the domestic price of maize was allied to a high degree of supervision by the Ministry of Agriculture. The Ministry, in this project, was intended to provide investment in storage, marketing, extension and technical support for the producers, and to provide subsidised inputs. In this manner self-sufficiency was to be reached by 1980, involving an increased output from 0.88 million metric tons (1972) to 1.3 million tons (1980). Perhaps a quote from the Mission Report will put the importance of this project to the Bank Group in better perspective.

"Although both maize and cotton face favorable world market prospects, cotton production will generally give a better return to land and labour."⁹⁸

Hence, for the Bank Group at least, self-sufficiency in food was not paramount.

The second type of project, the National Agricultural Development Project, represented a long-term effort to thoroughly transform traditional farming practices. New techniques were to be adopted ensuring better husbandry and more intensive farming, with resettlement of the population where deemed necessary.⁹⁹ The method adopted was to progressively introduce a number of sub-projects, each of 10,000 farm families. Over 20 years, ten sub-projects will be introduced annually.

Under the NADP all crop production will be expanded. World Bank Group support for the development of cotton, tea, tobacco and cashew production will continue, although by the Mission's own admission, production advances were behind schedule in 1974.¹⁰⁰ In fact, future investment by foreign donors will depend on the success of the Kigoma Project - a multisectoral integrated project financed by principally the World Bank Group - because this project was established specifically as a testing ground for the much larger NADP programme.¹⁰¹

Table 28. Proposed (Agricultural Development Programme (1975-80)

	US \$ m.
<u>Crop Development:</u>	
Agricultural support programme	
National Maize Project	15.8
NADP	10.5
Regional Projects	21.0
Co-operative Training	7.0
Tobacco Project	12.0
Tea Project	7.0
Cotton Project	18.5
Cashew Project	49.0
Other Projects	28.0
Subtotal	<u>169.0</u>
<u>Livestock Development:</u>	
Beef Production	26.0
Dairy Project	14.0
Other Projects	28.0
Subtotal	<u>68.0</u>
Total crop & livestock development in real terms*	<u>182.0</u>
<u>Other Development:</u>	
Sugar Production	70.0
Fruit & Vegetable Production & Marketing	7.0
Other Parastatal Production	14.0
Small-scale Irrigation	7.0
Forestry	14.0
Fisheries	7.0
Private & Co-operative Investment	21.0
Subtotal (real terms)	<u>140.0</u>
Grand total (real terms)	322.0**

Note: All projects supported by Bank Group financing.

* Assumes 10 per cent inflation rate

** Total represents 20 - 25 per cent of total resources available for the Third Five Year Plan.

Source: Table 21, vol1. 1974 Mission Report.

The Mission recommended the continuation of the Kigoma project, but with greater emphasis on the development of cash crops, especially tobacco, cashewnuts and sugar. Livestock production expansion was also suggested through the development of small-scale livestock development projects, as well as the continuation of the 1972/3 credit to develop livestock on parastatal and 'Ujamaa' farms, along with the eradication of Tsetse fly, and the construction of an integrated crop-livestock development project within the framework of the NADP. At the same time, a

second regional project was recommended to cover the Tabora Region.

This IDA-financed project to encourage large-scale dairy production on parastatal farms was recommended not as an import-substitution venture, but as a revenue-earner - to give a "good base for development".¹⁰²

Total investment required for these developments was in the region of US \$182 million - about 11 - 14 per cent of total resources available for development in the Third Five Year Plan (T5YP). However, to achieve this figure the Mission warned that unless social and infrastructural investment was decreased then 'productive agriculture' such as these projects would suffer. The NADP and the NMP were clearly central planks in the Bank Group/Tanzania strategy.

"These two projects...seek to inject a nation-wide production impact into the small-holder sector..."¹⁰³

It was envisaged that the benefits of these policies would become clear by 1980, when the real increase of net value of small-holder production would be running at 5 per cent p.a.. By 1992 real incomes are expected to double.

"While initially..beneficiaries would be mainly the more progressive ...farmers in higher potential areas, the long term strategy is designed to reach out to all types of small-holders...providing a stronger economic base to assist the least privileged members of its rural areas."¹⁰⁴

The agricultural contribution to foreign exchange earnings would be US \$400 million by 1980, against US \$134.5 million in 1972.

The message is again clear; Tanzania is to remain an export crop producer, through (generally) small-holder production. If self-sufficiency in food production can be achieved without threatening to disrupt the production of export crops, then it is to be encouraged. The whole economy is to be restructured to ensure more efficient methods of producing cash crops. This restructuring will be achieved by resettling the population into new areas of crop development. Individual incentives for

small-holder farmers will be used - special subsidies on inputs for cash crops, and raising producer prices. Social investment will decline to pay for these incentives. Domestic food prices will need to find their own level on the free market. The co-operative societies will have to run at a profit, or at least cover their costs. Successful farmers will receive the 'full reward' for their efforts.

A major effect of such a policy will be the crystallisation of a rich farmer class on the one hand - whose innate tendencies will ensure that any attempt to introduce socialist policies at a later date will be fiercely resisted - and, the organisation of poor peasants in large-scale communities producing export crops.

The Mission Reports examined here have been used by the author for a dual purpose. First, they demonstrate an evolution in World Bank Group policy and strategy in Tanzania, and taken in conjunction with the material in Part One on the World Bank Group, show changes in World Bank strategy on a global level. Second, the statistics provided have highlighted many important trends in Tanzania's economic development between 1961 - 1974.

The empirical evidence is a significant part of the material presented here, thus verification of the empirical findings would be useful. Andrew Coulson provides an opportunity for verifying the Missions' empirical material in an important paper on the Decentralisation.¹⁰⁵

His concern was wider than an analysis of F5YP and S5YP, but he has offered a clear picture of the direction of Tanzania's development. Central to his argument is the expansion of state intervention in the economy. Government spending multiplied fivefold over the period 1964-1975, ie. a risen share of GDP from 17 per cent. to 38 per cent.

Table 29. Tanzania Government Expenditure as a proportion of GDP at Factor Cost. (US \$m)*

	1964/5	65/6	66/7	67/8	68/9	69/70	70/1	71/2	72/3	73/4	74/5
GDP	789	854	928	974	1025	1097	1131	1328	1518	1772	1925*
aRecur't Expend.	91	99	137	149	166	214	228	249	315	398	487
bDev't Expend.	42	48	88	109	113	132	176	153	156	271	247
%of GDP:											
a + b	17	17	24	26	27	32	34	30	31	38	38

*Coulson's figures were all in TSH.

**1974 only

The figures for 1973/4 and 1974/5 are estimates.

Development expenditure was corrected by Coulson

Source: Table 2, Coulson

The figures given by Coulson do not fully coincide with the Mission's figures because the latter do not include EAC investment and are not calculated at factor cost. See Table 12, page 163. It is clear, however, that one-third of Government expenditure was directed toward develop-

ment, although this represented nearly 13 per cent of GDP in 1974/5. This reflected the rise of the service sector as a significant element of Government expenditure.

Table 30. Tanzanian GDP: Income by Sector, 1964 and 1974. (US \$M)

	1964	%	1974	%
Agriculture	391	50	775	40
Industry	100	13	343	18
Trade/Transport/ Communications	210	27	582	30
Public Administration	81	10	225	12
Total	<u>782</u>	<u>100</u>	<u>1925</u>	<u>100</u>

Source: Page 7, Coulson. His figures are in TSH.

Table 31. Volume Indexes

	1964	1970	1974
Agriculture	100	108	114
Industry	100	123	153
Trade/Transport/ Communications	100	126	149
Public Administration	100	125	188
Total GDP	<u>100</u>	<u>117</u>	<u>138</u>

Source: Coulson, page 8.

Again, the figures do not tally exactly with the Missions' figures - See Table 9, page 157 - but both the 1970 and 1974 Mission Reports stressed the decline shown here in the proportion of GDP earned by agriculture.

In 1965, the public sector accounted for 28 per cent of all capital investment (US \$37.5 million), but by 1974 this had risen to 64 per cent (US \$285.2 million), clearly demonstrating the growing importance of the Government as an employer and investor. This could be wholly beneficial, representing increased state control of the economy and the pursuance of the much-heralded socialist experiment. However, in this particular case, whilst the Bank Group and Coulson acknowledged the value of improvements in the country's infrastructure brought about by government control of investment policy, they warn of the dangers of 'excessive'

levels of social expenditure in sectors which are not directly productive. From both sources the message is clear: investment in production must take priority over infrastructural investment.

Table 32. Development Expenditure - Government and Parastatals.
1964 - 1975 (US \$m).

Directly Productive Sectors	Value	%
Agriculture	211.4	11.5
Mining	24.2	1.3
Manufacturing	<u>286.6</u>	<u>15.6</u>
Subtotal	522.2	28.4
Services		
Construction	24.5	2.0
Water/Power	240.7	13.1
Trade/Commerce	124.0	6.7
Transport/Comm's*	536.2	29.1
Gov't Services	<u>378.6</u>	<u>20.6</u>
Subtotal	1304.0	71.6
Grand total	1826.0	100.0

*Excludes the Tanzam Railway.

Source: Page 9, Coulson.

Tables 32 and 33 give details of development expenditure over the period 1964/5 - 1974/5. Even within the sphere of development expenditure, total capital investment was concentrated in the sector covering buildings, works and construction equipment (65 per cent), and less than one-third of capital investment went into directly productive machinery and equipment. Within the narrower field of Government and parastatal investment, agriculture received 11.5 per cent, industry and mining 16.9 per cent and services 71.6 per cent.

From Table 33, trends can be identified which the Mission Reports ignored or were ignorant of. The Missions were especially silent about industrialisation. In the years of the F5YP the development of heavy manufacturing proceeded at much the same pace as light manufacturing; but, during the S5YP, the light manufacturing sector raced away, especially between 1972 - 1975. This may reflect the development of an import-

Table 33. Public Sector Development Expenditure - by purpose,

	1964/5 - 1968/9.		(US \$m)			Total	
	1964/5	65/6	66/7	67/8	68/9		
Agriculture:	2.7	4.2	7.1	8.0	12.3	34.3	
of which -							
Export crops	0.4	0.4	2.2	1.8	2.0	6.9	
Mining etc.	1.1	0.8	0.8	0.8	0.8	4.5	
Manufacturing:	4.1	5.6	18.1	28.5	19.9	76.3	
of which							
Light	2.0	2.2	7.8	12.3	9.8	34.1	
Heavy	2.1	3.4	10.2	16.4	10.1	42.2	
Construction	1.7	2.0	1.7	2.4	2.7	10.5	
Power/Water	8.0	7.6	9.1	10.5	12.3	46.5	
Commerce	1.5	1.7	2.1	3.8	5.5	14.6	
Transport/Comm*	9.0	11.5	28.8	30.5	39.3	119.1	
Services	14.4	14.8	19.6	23.9	21.0	93.8	
Total	42.4	48.2	87.5	108.5	113.7	400.3	
33 a.	1969/70 - 73/4		and 1974/5				
	1969/70	70/1	71/2	72/3	73/4**	Total	1974/5**
Agriculture:	11.8	14.1	18.6	27.6	51.5	123.6	53.5
of which -							
Export crops	2.2	2.0	2.5	12.0	19.9	38.6	14.4
Mining etc.	2.1	3.9	4.6	4.3	2.9	17.9	1.8
Manufacturing:	24.5	35.7	28.8	13.4	50.3	152.7	57.5
of which -							
Light	8.4	10.1	11.2	13.0	45.1	87.8	49.8
Heavy	16.1	25.6	17.6	0.4	5.2	64.9	7.7
Construction	3.5	4.8	4.6	1.8	6.7	21.4	6.7
Power/Water	12.2	18.5	15.1	33.7	59.2	138.7	44.5
Commerce	6.0	8.8	11.9	15.7	35.6	78.0	31.5
Transport/Comm*	37.7	72.5	76.3	70.3	86.8	343.6	74.1
Services	34.6	42.6	41.3	44.8	64.8	228.1	56.7
Total	132.3	203.9	204.3	211.7	357.4	1109.6	337.7

* Excludes Tanzam Railway

** Estimates

Note: Excludes EAC investment.

Source: After Coulson, Table 6

substitution based sector, but without a detailed breakdown of what constitutes 'light' and 'heavy' industry, it is very difficult to ascertain whether this development was a cause for optimism with regard to the development of a balanced industrial sector. If light industry is concerned primarily with the production of semi-luxuries and processing expensive imports for domestic consumption purposes, then clearly a

balanced self-sustaining industrial sector will not develop.

It is perhaps informative that Coulson's definition of heavy industry covers the production of - rubber and tyres; fertilizers; oil refining; chemical processing; cement; basic metal industries; machine engineering and repairs; ship-building and repairs; and motor vehicle assembly - because these industries are almost entirely dependent on imported raw materials, semi-finished goods and spares. Effectively they are merely assembly industries involving relatively few local resources other than labour. Such a dependence on imported materials cannot favour an integrated strategy of self-reliance. This appears to be the other side of the coin. Tanzania's economy is geared to export crop production and the importation of manufactured or semi-manufactured goods.

Other trends have already been isolated and analysed by the Mission Reports. It is noteworthy, however, that whilst development expenditure by the public sector rose by 275 per cent,¹⁰⁶ expenditure on export crops increased sevenfold, yet expenditure on agriculture in general increased only threefold. The other trends identified in Tables 32 and 33 which were of major importance to Coulson and the Bank Group, concern the growth of service sector expenditure. Although the absolute increase in expenditure was great - US \$280 million-US \$820 million - the relative increase was only threefold. The Bank Group in particular wished to see a reduction in service sector expenditure. Over the period as a whole, the service sector consumed 71.6 per cent of total Government and parastatal investment expenditure on development. Although it is difficult to measure the production impact of service provision, most of the literature on Tanzania's development acknowledges that a shift of emphasis from investment in services to investment in productive activities is essential. The issue is, which productive activities and for whose

benefit.

Coulson's attack on the nature of public expenditure investment is, in essence, an argument for the redirection of investment priorities. Socialist reconstruction requires such a shift, to enliven new productive activities, for the benefit of the whole society, not for the narrow self-interest of local elites and the international bourgeoisie.

Coulson's historical explanation for the 'disproportionate' expenditure on services and infrastructure is that this was the result of a political process which originated in the colonial period, when the colonial ruling class was provided with 'first-class' expensive services and infrastructure. Lobbying the Government was an essential element of the process to capture resources for services, and this has become established as the norm. The provision of infrastructure/services by localised self-help/co-operative efforts have been minimal. Coulson argues that services/infrastructure are identified as external inputs to be bargained for.

There are two consequences of this process; namely, that the resources provided for infrastructure/services are disproportionately larger compared with the allocation of resources for productive activities. Secondly, the distribution of resources for infrastructure is uneven, with the Regions with greatest political muscle getting more than the weaker areas. Dar-es-Salaam and Morogoro have benefited most from investment in this sector, and they are the two major regional centres. Morogoro has benefited greatly from foreign aid projects - the Tanzam Railway, the Kidatu HEP project, aid for urbanisation services, roads and communications. The joint effects of domestic political pressure and the provision of foreign aid tended toward the development of the service sector, and in the distribution of these services, the reinforcement of regional inequality.

With the increase in Government expenditure an attendant price spiral was experienced over the period, with local prices rising by 60 per cent. The price increases would have been greater but for the increased levels of foreign aid coming in to help finance deficits. Besides deficit budgeting - planned inflation - taxation became an ever more important source of income, with income from this source trebling between 1966/7-1973/4, and growing in tandem with the growth in Government spending. This contradicts the 1970 Mission Report's assertion that fresh (ie higher) levels of tax were exhausted by 1969.

Foreign aid played an ever-increasing role in Tanzania's economy. Coulson suggests that foreign funds flowing in for Central Government spending increased fourteenfold, from US \$12 million in late 1967, to US \$167 million for fiscal 1974/5, (see Table 34) to represent over one-fifth of total Government income for that year.

Table 34. Sources of Tanzania Central Government Income. (US \$m)

	1966/7	67/8	68/9	69/70	70/1	71/2	72/3	73/4*	74/5**
GDP*	928	974	1025	1097	1131	1328	1518	1772	1925***
Taxes	104	119	140	165	191	200	270	365	435
Foreign aid:	17.5	11.7	17	17	38	54	73	91	167
Grants	1.5	0.4	-	-	-	5	9	26	57
Loans	16	11.3	17	17	38	49	64	65	110
Security Sales	11	22	19	32	35	36	38	48	76
Other	46	44	55	85	81	83	66	117	124
Total	178	197	230	299	345	373	446	626	801
As % of GDP	19	20	22	27	29	28	29	35	42
Foreign aid as % of Gov't Income	10	6	7	6	11	14	16	15	21

*Provisional. **Estimates. *** For 1974 only.

Figures rounded

Source: After Coulson, Table 3.

Coulson warns that important development ministries have become very dependent on foreign aid, much of which is channelled into the parastatals (and the Crop Authorities). From Table 35 it is clear that this

dependence was projected to increase.

Table 35. 1975/6 Development Estimates

	Local	Foreign	Ratio
	(US \$m)		
Total Ministries	121.5	190.3	1:1.6
Minus Armed Forces	68	190.3	1:2.8
Agriculture	11.3	64.8	1:5.8
Agriculture, Natural Resources, Works, Education, Health, Industry, Electricity	47.5	178.6	1:3.8
PM's Office, Urban Dev't, Transport, Communications	16.4	8.5	1:0.5
Regions	30.9	9.9	1:0.2
Total	162.4	200.2	1:1.2

Source: From Table 11 and Page 13, Coulson.

The Ministry of Agriculture expected to obtain 85 per cent of its development expenditure from abroad in 1975/6. The seven major spending ministries budgeted for 69 per cent of their estimated joint development expenditure to be financed externally. This contrasts strongly with the Regions where only 23.7 per cent of development spending would come from foreign aid. Likewise the Prime Minister's Office, and Ministries of Land, and of Communications and Transport expected one-third of their development spending to come from abroad.

Two explanations can be offered for this range of dependence - although even 23.7 per cent represents a very high degree of dependence. First, foreign donors are prepared to finance agricultural, mineral resource development and education projects, but have been since the mid-1960's, less committed to 'non-productive' investments. It was realised that a greater return on their investment could be obtained from agricultural/mineral resource projects, especially those under the ausp-

ices of the ministries and parastatals. With regard to the World Bank Group, by the end of the Development Decade, the Group had provided the basis for a transport and communications system throughout the EAC area with the help of bilateral western donors, the UNO, and incidentally, the People's Republic of China. The concern with export crops was furthered by these developments. The movement of the crops was facilitated by these projects, and because only minor expansions would be required in the future, money was less forthcoming to this sector. Second, and related to the first, the provision of large-scale services and infrastructure with the help of foreign donors raised local expectations and added to popular demands for higher levels of services. The Government was left holding the baby which foreign donors had helped to conceive. The Government felt itself forced to take over responsibility for this sector as the foreign aid donors withdrew.

Coulson's concern over the increased role played by foreign capital is matched by Green's warning of Tanzania's particular problems resulting from previous policies.

"Last - but perhaps worst - that failure to resolve the external balance crisis would deliver Tanzanian political economic strategy as a hostage to whoever could provide finance to buy food imports, a situation not likely to be conducive to maintaining a radical socialist poverty eradication and income redistribution policy if - say - the IMF, the EEC, or the USA were the dominant financier, and only slightly less unlikely if the IBRD bureaucracy ...were centrally involved."¹⁰⁷

Green's assumption is that the Bank Group is not already centrally involved in policy decisions. As an ex-Treasury official his knowledge is obviously great. But, the lack of formal inclusion of Bank Group staff in policy creation is not the same thing as lack of influence by the Bank Group.

Chapter Six

The Struggle and the Defeat.

Whatever the degree of manipulation of the Tanzanian economy by such institutions of international capitalism as the World Bank Group, a struggle has been taking place in Tanzania, between the progressive forces - seeking socialist transformation - and bureaucratic forces and capitalist forces - seeking self-aggrandisement. The struggle has been most clearly visible in the dynamic relationship between the Government and the proletariat proper in the urban areas. It is, however, visible in other areas also.

Iliffe demonstrates the existence of militant working class consciousness among Dar dockworkers as early as the 1930's, which culminated in the General Strike of 1947.¹ Support for the Independence struggle also came from the urban working class. After Independence certain features have crystallised, which have had the effect of increasing the oppression of the working class.

It has already been shown that the Government had become a major employer, taking an increasingly interventionist role in the functioning of the economy. Of necessity the state has incorporated the Trade Union leadership into the centre of political activity. In this way, trade union activity has become identified as 'political', and therein, any 'economic' demands by the Unions have generally been treated as anti-patriotic, or at least, irresponsible, because they may upset the existing development strategy. Government over the years has attempted to replace the input function of the Trade Unions - articulation of the workers' demands - by an output function - regulation and control of workers' demands and activities. When this co-option is successful the Unions hold back wage demands and are effectively defused as an agency

of opposition.

In Tanzania the co-option has not been totally successful. Bienefeld identifies the Arusha Declaration as being 'immediately rhetorical' so far as the urban workers were concerned. Popular support was aroused by the Declaration, but was dissipated by the lack of progress toward restructuring the processes and relations of production. NUTA remained as inefficient as before, and stayed closely tied to the ruling power. However, struggles were taking place within NUTA. Low-level officials were being subjected to increasing pressure from the shop-floor for wage increases and improved conditions. The workers' wage levels, in the face of rampant inflation, added to decreased promotion opportunities, were sinking swiftly. Local-level officials were compelled to pass on the messages of discontent. The response from the higher echelons of the Union hierarchy was limited. But, Nyerere's response was to issue, in 1970, a Presidential Circular which sought to raise the status of the worker from an 'object' in the production process, to the 'subject' of development; ie. development and the benefits from production were basically for the betterment of the living standards of the workers. A second feature concerned the Workers' Committees. These had remained under the control of management, so attempts were made to train certain workers to be councillors on these committees. It was hoped that through training in the techniques of negotiation they would be able to prevent management from continually outmanoeuvring them. Significantly, it was the responsibility of management to provide this training. There was in all this a notion of educating the workers to accept management-defined 'responsibilities'. In 1971 the General Manager of NDC argued that workers needed to be educated to use their participation with discretion. This meant that no real attempts to integrate workers into the decision making processes was made. The Committees merely rubber-stamped managers'

decisions.

The 1970 response was totally inadequate, not least because the Circular did not apply in the private sector. Workers were disillusioned with NUTA and the Government.

"In a majority (of Workers' Councils) no very marked results could be observed because neither workers nor managers took a sustained interest in making the Council an integral part of firm planning, policy making, and review."²

The workers were aware of the elitism and conspicuous consumption by managers and civil servants. They witnessed the dissatisfaction of the latter group in the face of attempts by the progressive elements in the Government to limit their self-aggrandisement.

"..significant discontent by upper middle and lower top cadre public servants continues to exist and to manifest itself partly in rather passive approaches to duties, partly in private grumbling, and partly in pseudo-radical attacks on the income distribution policy as not going far enough because the 'big potatoes' of the senior leadership are better off than these individuals."³

The existence of a progressive element within the Party and Government is beyond dispute. Potentially revolutionary initiatives, such as the Arusha Declaration and the Ujamaa Programme, although failing in practice, demonstrate that in the higher echelons of the leadership progressive elements are present which have been able to force the non-progressive elements to backdown on some issues. However, the non-progressive elements have always been able to inhibit or block the progressive measures from reaching fulfilment. This has generally been achieved by passive resistance and failure to wholeheartedly identify with the ideological foundations of the initiatives.

The progressive leadership of TANU produced in 1971 the Mwongozo statement. These 'Guidelines' correctly recognised that the development strategy was still misguided, and that a more intensive struggle against the forces of elitism and capitalism were imperative. TANU sought Party

hegemony over all mass activities, especially over the supervision and control of the parastatals, and over the uses of surpluses. In this way, constant pressure would be put on civil servants and parastatals' bureaucrats to follow socialist policies. Unfortunately, the Party itself is not strong enough to achieve this hegemony. The evidence presented by Feldman and Van Velzen in particular, suggests that in many rural areas TANU officials are often linked, either ideologically and/or biographically, to the kulak farmers; or are unable to prevent kulak development. Thus, the Party itself is torn by internal conflict.

Despite the contradictory forces at work in TANU, the Guidelines were taken up enthusiastically by industrial workers. In nine months, 45,000 man-days were lost through spontaneous strikes against 'oppressive' management. Clearly, Mwongozo provided the ideological weaponry with which the workers could denounce the arrogance and elitism of all sections of the ruling power. Mihyo argues that the strikes were not particularly directed against individual personalities, but were a protest against low pay, poor conditions and a long history of discrimination and humiliation against Tanzanian workers. Mwongozo was used as a shield by the workers. Their protests were made in its name. NUTA was not spared their attacks.

"Workers will regard unions as parastatal bodies as they do in Tanzania, and may well express their dissatisfaction through wildcat strikes, absenteeism and lower productivity."⁴

Nyerere and other progressive leaders were ambivalent in their response to the workers' militancy. In some cases they supported workers who moved to overthrow capitalism; in others they allowed the workers' struggles to be suppressed. The Asian-owned Rubber Industries Ltd. was taken over by workers with Government support. The fact that the plant was Asian-owned was a key aspect of Government support.

Producer co-operatives were initiated by workers in some areas in 1973. This represented a major leap forward in consciousness and milit

-ancy. The movement began with sisal estate workers protesting against absentee owners and absentee management. It spread to Dar, where the workers' raised consciousness shifted the attack toward all managers and agents per se. With the heightening of the struggle, the role played by imperialism forced itself into the workers' consciousness. The manager of Robbialic Paints, during a struggle with the workers,

"considered himself exclusively responsible to the Nairobi office rather than to any principles laid down by the Tanzanian government. Similar anomalies within the joint-venture world of the parastatal sector have also begun to surface."⁵

Mihyo offers a list of the major disputes following Mwongozo, and he too stresses their political content. All struggles of 'mere economism' are never simply economic. Any struggle for better conditions and better is also a political struggle. This was made clear by the Government's response to worker militancy during 1973 when the economic crisis was worsening. The Government's desire for increased productivity in the post-Arusha period, hardened during the early 1970's, into compulsion. Workers were condemned for extremism and attempts were made to force the workers to use the official negotiating machinery for dispute settlement. Yet the NUTA machinery was inefficient and unpopular. The Mount Carmel Rubber Factory strike and the workers' takeover contains all the elements of the Government's ambivalence.

In 1971, the Factory Inspectorate found the factory to be dirty and unhealthy. The employer maintained that the fault lay with the lazy, dirty, incompetent workers. In fact, the workers were on a go-slow in protest against intentional under-staffing by the employer to ensure high profits. A Workers' Committee had been established early in the year by NUTA officials seeking new members. The Committee was given only consultative functions, with the employer's powers enhanced. In this instance NUTA became a dispute settler, attempting to restrain the

workers, and providing a bureaucratic channel for complaints.

In February 1972, a strike was called because of the lack of improvement in the factory. The NUTA secretary forced the withdrawal of the threat by taking the dispute to the Permanent Labour Tribunal. By 1973 the dispute was still not settled, yet the strike was illegal because the PLT was investigating the case. The workers' response was to seize the factory in March 1973 - with Government support. The workers then took the step of taking over all aspects of production, and refused to work with or through NUTA and the employer. The Secretary of the Ministry of Communications and Industries agreed to an NDC takeover of the plant. The managing director of the plant appealed to the Ministry of Labour - the Minister was also General Secretary of NUTA. The Minister acted against the workers. Sixty-nine workers were dismissed on the grounds of the disruptive behaviour and indiscipline. They were photographed by police and expelled from the region. Clearly, the reprisal was a reaction to the workers' rejection of NUTA's authority.

This case had a happy ending. Popular opinion condemned the Government for the whole affair. Divisions appeared within NUTA over the wisdom of the dismissals. In November 1973, six months after the sackings, all sixty-nine were pardoned and employed elsewhere.

Although the Government retracted in this instance, the overall impression is clear.

"It is difficult to say that there is 'control' of managers by the workers in their act of participation. Perhaps for a long time to come workers' councils will continue to be, as the National Development Corporation says, 'one of the major incentives - above all other techniques in controlling the workers!'"⁶

Commandism and repression grew in the face of the economic crisis. The Villagisation Programme - Development Villages - was established in 1973, by force. Forced cultivation of minimum areas of food crops was intro-

duced, with the provision of services dependent upon it. Identity-cards were required of the adult population - thereby restricting free movement. In September 1974, a slum area in Dar was burned down by Government order, to force the population to leave the area.

Leys, commenting on the Government's response to the effects of Mwongozo and the deepening economic crisis, states:

"These ideas mark the limits not of one man's ideology, but of the broadly 'populist' form of consciousness of the wing of the original nationalist leadership most sensitive to its mass base."⁷

Chapter Seven

Conclusions.

The World Bank Group operates in the interests of international capitalism. Its genesis and development was concerned to expand world trade - the capitalist world market - and its finances and expertise have been dedicated to this end. That it has not liberated fully-fledged capitalist forces and relations of production in Tanzania fits in well with the interests of international capitalism. Yet, at the same time the Group is concerned with local 'development'. Its functionaries need not be 'wicked capitalists', because the Bank Group ideology and practice is concerned with raising productivity and output - particularly of cash crops. (But when crises do occur, as in 1974, it is prepared to encourage food production). In Group thinking the production of greater surpluses is almost an end in itself; after all, the Bank Group loans have to be repaid.

The distribution of this surplus is also a major concern. Already unequal exchange ensures that the income Tanzanians earn for their produce is less than it otherwise would be. What is left the Bank Group believes ought to go to the producers according to productivity. Thus, the largest producers of the most profitable crops would receive the greatest share. This in turn, inevitably leads to differentiation, favouring for the few, higher levels of primitive accumulation, greater consumption, and perhaps investment in productive activities, ie. the beginnings of capitalist accumulation.

The World Bank Group has experimented in Tanzania with various forms of collectivised production, but found Ujamaa villages generally unsuited to its requirements. Rather its later approach has shifted toward peas-

ant small-holder production on large farms/villages. In so doing economies of scale are possible, without the destabilising effect of dramatically increased unemployment. The strategy represents an attempt to create co-ordinated 'factory' production through a reorganised village structure. Other standard capitalist farming techniques are also favoured - ranching and estate agriculture - but the Group appears to be concerned mainly with small-holder production of cash crops, i.e. with primitive accumulation within a capitalist market.

Development is about the progressive production, allocation and re-investment of surpluses into productive sectors, for the benefit of the whole society. The significance of the Bank Group's views on the distribution of surpluses cannot be minimised. The World Bank wishes to see reinvestment in the production of more export crops in Tanzania. The methods it wishes to employ to gain these surpluses suggests strongly the probable direction of Tanzanian development. If attempts are being made to develop the forces of production - in industry and agriculture - then increased productivity is crucial, as is the organisa-tional structure of that production.

At present the surpluses from export crop production are insufficient to cover the costs of imports. Critically, Tanzania, a predominantly agricultural country even in 1975 - about 80 per cent of the population is directly dependent on the land for a livelihood - has concentrated on the production of non-food export crops, and has recently been forced to import grain and other cereals. Part of the surpluses derived from export crop production are used to pay for the food imports which could be produced domestically. This is of special significance because Tanzania has a history of self-sufficiency in food production - mainly through subsistence. The development of the export crop sector since Independence has been at the expense of food production.

This shift to greater export-crop production involved changes in the organisation - social and technical - of agricultural production. The export sector has been capitalised - infrastructure (roads, rail, transport, services, etc.) and input facilities (fertilizers, research and development facilities, technical experts, new high yield varieties of crops, credit, etc.). In recent years an attempt has been made to increase production in various ways. Production on individual small-holder plots was attempted; large-scale estates were initiated; the Group even flirted with Ujamaa villages. The recent implementation of the National Maize Project and the National Agricultural Development Programme suggests that the Group has decided which way it wishes to pursue its activities in Tanzania.

The transformation and gradualist schemes and approaches to rural development are different methods to achieve the same end - increased production. Small-holder production on individual plots, and small-holder production on individual plots within large estates are different methods of production, although these experiments are aimed at producing increased surpluses. To this end Bank Group capital - and local capital (re-invested surpluses and local resources) - are being channelled into these experiments. Increased production means increased capital for the state. Herein lies an area of conflict between the Bank Group and the Tanzanian Government. The Group seeks the distribution of these surpluses to the producers - especially the richer ones - and the Government seeks state control over them. However, both agree that for development to occur - for the Government this involves a linked industrialisation process based on self-reliance - the peasants will provide the surpluses. The evidence suggests that more and more resources are required for capitalising the export-crop sector, for paying the service on debts outstanding, paying for the bureaucracy, paying for food and

and other imports, and for the provision of services and semi-luxury import-substitution industries.

The masses provide the surpluses but they appear to get little out of it. Even during the period of declining levels of agricultural production income taxation increased. That is, peasants provide some capital for increasing their own productivity, not through a conscious decision on their part, but through state planning, and they are charged high interest rates - which Von Freyhold argues intensifies their dependence on more credit and organised inputs - for the privilege of using it.

Tanzania's agricultural development reflects the restructuring of rural social organisation in order to increase the production of export crops. A squeeze is occurring to wring out greater surpluses. In Tanzania the structure of production bears no direct relation to the structure of consumption. What is produced locally is not consumed locally; what is consumed locally is not always produced locally.

In pre-colonial times, subsistence production provided surplus enough for primitive accumulation to take place and in particular circumstances, capitalist accumulation. Since that time, Government policies have been directed toward developing structures which encourage increased production. The basis for capitalist agriculture is being established although individual entrepreneurial activity is limited by the imposition of bureaucratic strategies and development plans. Individual capitalist activity still occurs, but plans to increase the production of export crops require not that individual entrepreneurs be encouraged, but the restructuring of work organisation and social life. In the new grand agricultural projects - the NMP and the NADP - individual producers are becoming atomised workers within a much larger enterprise. This may be usefully described as factory farming, except that spatial relationships are different in a factory. However, the essence

is that new organisational frameworks are being imposed on the producers - particularly the poorest peasants. The most significant difference between the proletariat proper and the producers in these projects is that the producers are obliged to produce their own subsistence, independently from their work as export crop producers.

The issue centres on the problem of the articulation of modes of production. Will the squeeze outlined above result in the transformation of the means of production? Conversely, is it possible to change the forces of production through altering the relations of production? Tanzanian peasant producers have, in general become progressively more unfree. They have been integrated and locked into the international economy. Does this mean that the international bourgeoisie can alter the relations of production without changing the forces of production, or the forces of production without changing the relations of production? It is not absolutely clear whether the new projects are an attempt to transform the forces of production, or merely a restructuring of the relations of production - to enable economies of production to come into play - making the existing forces of production more efficient. This thorny theoretical problem rests on determining whether the relations of production are a 'production factor' in the production process. If they are, then it is arguable that capitalist transformation is crystallising in Tanzania. This is not the capitalism of the eighteenth or nineteenth century British agriculture, but is controlled largely by the state. It serves the interests of the state bureaucrats; and as an adjustment by the Bank Group to the Ujamaa experiment, represents the interests of international capitalism. In Tanzania the trend is toward state capitalism, in collusion with international capitalism.

Mamdani offers a partial solution to the conceptual problems in the notion of precolonial modes of production being

"partially destroyed, restructured and then incorporated into the world capitalist system as subordinate to the capitalist mode internationally. The tendency here...was dual: towards both the dissolution and conservation of the pre-capitalist mode. Their movement was henceforth not autonomous but derived from their dependent relation to what was the dominant mode in the international capitalist system."¹

Consequently,

"The communal cultivator, whose production was previously for use, now becomes a petty commodity producer. At the same time, the process of production retains its communal aspects: the producer remains united with the means of production, the unit of production remained the family and the technology of production was still the hoe. While the process of production retained its pre-capitalist nature, the purpose of production underwent a radical transformation: the peasant now produced raw materials for metropolitan markets. The small commodity producer was not just dominated at the level of exchange (the market) but had also lost a measure of autonomy at the level of production.. (T)he change in what the peasant produced could only be brought about through the service agency of the state."²

The large-scale agricultural projects envisaged in the NMP and NADP are an extension of this process, but the issue remains unanswered. Whilst accepting that the ruling class seeks to both maintain the status quo and appropriate more surplus value, this contradiction can be resolved in the final analysis, only by the subjugation of one of the priorities. In Tanzania it appears that there is at present room for manoeuvre. The contradictions are not critical. However, the process is accelerating. State capitalism may result, but with it the class struggle will also intensify.

Several themes have been presented here. None of them are discrete. In fact, all are tightly interconnected. The debate on Tanzania continues, although the evidence presented here comes down firmly on the side

of the pessimists. Bienefeld's conclusion is far too circumspect.

"Tanzania...is not a socialist country and yet it would be wrong to conclude that its commitment is purely rhetorical...The truth is that though little has been done in the way of 'building socialism', options have been kept open through curbing certain kinds of development."³

On the other hand Von Freyhold sees in the interaction between foreign capital and Tanzanian political economy only harm for Tanzania.

"As the state became more powerful as a result of the nationalisations certain sections of the metropolitan bourgeoisie became more interested than ever in using this state for their own purposes. Particularly the provision of international finance for economic infrastructure and for the expansion of export agriculture grew at an unprecedented rate. Boosted by the finance, expertise and guidance provided by the metropolitan bourgeoisie, the governing class could continue to expand its realm."⁴

The World Bank Group is the brainchild of the international bourgeoisie, and operates in its interest; and, the Bank Group influences Tanzanian planners.

"At all levels of the state apparatus the annual plans for direct production are plans for the expansion of the state economy financed and assisted by the metropolitan capital in one way or another."⁵

Further,

"Tanzania has a large public sector but no planned economy and the shape and purposes of the enterprises both within the public sector and outside it are largely determined in an archaic manner by metropolitan capital."⁶

Finally,

"The ruling class which determines the core functions of the state and the actual dynamic of the economy is the metropolitan bourgeoisie represented in Tanzania mainly by the World Bank, Aid Agencies of Nordic and other European countries and a variety of transnational corporations."⁷

So, Von Freyhold is more strident in her attack. Bienefeld recognises that the critical contradiction is that between the externally-based interests controlling the resources of industrial production and developing the export-based agricultural sector, and the internally-rooted

base of political authority, but fails to draw the logical conclusions from this contradiction. In Tanzania, local progressive elements have been able only to mitigate the worst excesses of underdevelopment. The setbacks and failures of the socialist programme do not augur well for Tanzania's future. Necessarily, however, a struggle is continuing, as Loxley and Saul believe.

"We are here focussing upon the manner in which the emergence of an appropriate class base for progressive development is beginning to evidence itself and the manner in which the actions of this base are demanding, in turn, the crystallisation of more appropriate organisational and ideological expressions. And...it is precisely in such a broader context that many of the most vital keys to an increasingly effective parastatal performance and to an effective socialist challenge to international capitalism must eventually be seen to lie - not merely in Tanzania but elsewhere as well."⁸

Hence, Nyerere's naive desire to avoid class struggle has been dashed.

Green's view is possibly the most optimistic, equating socialism with state ownership.

"The mode of investment is already predominantly socialist, as is the mode of large-scale production. Well over 60% of monetised production is either by public sector units or by small private units effectively controlled by public sector marketing channels."⁹

However, he warns that,

"A managerial-bureaucratic-political elite structure..clearly can operate a socialist mode of production for its own benefit and in an exploitative manner."¹⁰

Green's construction of 'socialist mode of production' is not spelt out, but a mode of production incorporates relations of production, and Green's structure envisages exploitative relations, and thereby eliminates the socialist element. Yet, Green maintains that since 1967 a permanent dynamic toward socialism has been initiated.

The re-evaluation of the theory of the overdeveloped state offered by Leys highlights issues of major importance. The class character of

the state bureaucracy is not homogeneous; and, struggles have taken place within the state apparatus on almost every issue.

The 1967 and 1971 initiatives were brought in by the Party radicals, who recognised the implications of the existing structures. Namely, the degree of domination of the political economy by the foreign bourgeoisie - in the shape of, particularly, the World Bank Group - and the support some sections of the state apparatus gave to furthering its interests. For Leys, the question of whether the state bureaucracy is a bureaucratic bourgeoisie through its control of state-owned capital is not of major importance. This is only half true. In the final analysis, the international capitalists control Tanzania's economy. But, because the international bourgeoisie controls the economy through tying national capital into all its ventures, and through its provision of 'experts', thereby loading the dice in favour of future co-operation, the ideological outlook of the state functionaries is of major importance to any future attempt to break the relationship.

Leys' conclusion is wholly acceptable:

"Rosa Luxemburg's words apply as much to periphery capitalism as to capitalism in the metropolises: '..the fundamental relations of the domination of the capitalist class cannot be transformed by means of legislative reforms, on the basis of a capitalist society, because these relations have not been introduced by bourgeois laws'.. To check, let alone eliminate, the dominance of the capitalist class could only mean mobilising the working class and the poorer peasants to struggle against it at all levels. This was excluded, partly by Nyerere's resistance to the idea that class struggle was involved in the 'building of socialism', and partly, one suspects, from a reasonable fear that mass struggle would involve the leadership in being outflanked on the 'left' by new leaders emerging in such struggles, while simultaneously running the risk of a reaction from the right within the state apparatus."¹¹

FOOTNOTESPart OneIntroduction.

1. Michaela von Freyhold: 'The Post-Colonial State and its Tanzanian Version', in Review of African Political Economy, 8, 1977, p.79.

Chapter One Nexus.

1. K. Marx: 'Capital, Vol.1' (Lawrence + Wishart, 1972), pp667-8.
2. E. Mandel: 'Late Capitalism' (New Left Books, 1976), see Ch. 2.
3. G. Kay: 'Development and Underdevelopment: A Marxist Analysis', (Macmillan, 1975), p57.
4. Mandel op cit p47.
5. Ibid.
6. Ibid.
7. Ibid, pp48-9.
8. S. Amin: 'Accumulation and Development', in Review of African Political Economy, 1, 1974.
9. Ibid, pp10-11.
10. Ibid, p12.
11. T.Szentes: 'Socio-economic effects of two patterns of foreign capital investments', in Seminar on 'The Use of Foreign Funds in the Development of East African Countries'. Organised by United Nations African Institute for Economic Development and Planning (UNAIDP) Dakar. Held at Dar es Salaam April/May 1972.
12. Amin op cit, p13.
13. Kay op cit, p100.
14. Mandel op cit, p51.
15. Ibid.
16. Ibid, p53.
17. Ibid, p54.
18. Ibid, p56-7.
19. Szentes op cit, p15.
20. Mandel op cit, pp58-9.
21. A.Emmanuel: 'Current Myths of Development', New Left Review, 85, 1974, pp65-70.
22. Other writers have linked this to the partition of Africa in the 1880's, and decolonisation in the 1950's. See A.Hopkins: 'An Economic History of West Africa', (C.U.P.,1973).
23. Kay op cit, pp125-6. See also, B.Warren: 'Imperialism and Capitalist Industrialisation', New Left Review, 81, 1973.
24. Ibid, p130.
25. Mandel, op cit, p65.

26. Ibid,p69.
27. Ibid, p70.
28. "The important point is that this uneven development..is not merely due to the anarchy of production and the absence of agreements between capitalists,...but is rooted in the inherent laws of development and contradictions of the capitalist mode of production." Mandel, New Left Review, 90, 1975, 'The Industrial Cycle in Late Capitalism'. See also p11-14 of this thesis.
29. There are of course many other methods of responding to changing demand for cocoa, etc. Farmers can harvest less of the crop; they can mechanise production; they can hire more labour, etc.
30. Mandel NLR op cit, p4-5.
31. The Financial Times, 7 August 1969, p14.
32. Mandel NLR op cit, p10.
33. Marx 'Capital, Vol.111' p441, quoted in Mandel, NLR op cit, p7.
34. Marx:'Capital, Vol.111' (Lawrence + Wishart, 1972), p441.
35. Mandel, NLR op cit, p18.
36. One form of multinational corporation is the large corporation, owned and controlled from a particular national base. This is really a 'national international corporation' and no fusion of capital takes place internationally. 'True' multinationals are rarer. Here, large companies with different national owners fuse together without power passing to a single national power. This MNC is comparatively free from control by the governments of countries in which they operate. A final form of MNC is where various corporations do fuse, but under the control of a particular corporation which has its power roots in a particular country. See Mandel; 'Late Capitalism' chapter 10.
37. Mandel: 'Late Capitalism' op cit p342.
38. Ibid, p334.
39. E.Terray:'Marxism and Primitive Societies' (Monthly Review Press, NY 1972).
40. Editorial: Review of African Political Economy, 3, 1975. p3.
41. Ibid, p5.
42. I.Shivji:'Peasants and Class Alliances', in R.A.P.E.,3, 1975.
43. N. Lenin: 'The Development of Capitalism in Russia' (1964).
44. Kay op cit, p100.
45. Ibid,p120.
46. Ibid, p92.
47. Szentes op cit, pp29-30.
48. F.Engels:'The Origin of the Family, Private Property, and the State', pp117-178 of the Sixth German Edition, quoted in V.I.Ulinov (Lenin): 'The State and Revolution' in Marx,Engels,Lenin:'The Essential Left' (Unwin 1971) p152.
49. Ibid p157.

Chapter Two. Foreign Aid.

1. E.Hawkins: 'The Principles of Development Aid' (Penguin, 1970), p17.
2. Szentes, op cit p13.
3. Emmanuel, op cit p75.
4. Hawkins, op cit p19. We are informed by Hawkins that
 "an objective definition of aid involves the terms under which it is available, rather than the source from which it comes and the motivations behind the donors' actions...(T)his suggests that an appropriate way to try to measure aid in an objective fashion is to look at the terms on which the capital flows are received." p29.
 This narrow econometric view of an objective measure of aid requires that the measuring be gauged according to the grant element of any capital flow, ie. that element which represents a unilateral transfer to the recipient country.
 "The object is to find that grant, which, if made available in the present, would be the exact equivalent of the loan, after account has been taken of the future charges which must be met on the latter." p31.
5. Hawkins, op cit p28.
6. J.White: 'The Politics of Foreign Aid', (Bodley Head, 1974).
7. Ibid, p108.
8. P.Bauer: 'Dissent on Development' (Weidenfeld + Nicolson, 1969), Ch2.
9. G. Myrdal: 'The Challenge of World Poverty' (Pantheon, NY, 1970).
10. L.Pearson: 'Partners in Development: Report of the Commission on International Development' (Pall Mall, 1969).
11. K.Griffin & J.Enos: 'Foreign Assistance: Objectives and Consequences in Economic Development and Cultural Change, 18,3,1970.
12. K.Griffin: 'Foreign Capital, Domestic Resources and Economic Development' in the Bulletin of the Oxford University Institute of Economics and Statistics, 32,2, 1970.
13. T.Mende: 'From Aid To Recolonisation' 1973.
14. T.Byres (ed): 'Foreign Resources and Economic Development' (Frank Cass, 1972).
15. B.Nissen: 'Building the World Bank' in S.Weissman (ed): 'The Trojan Horse' (Pamparts Press, 1974).
16. C.Payer: 'The Debt Trap' (Pelican, 1974).
17. T.Hayter: 'Aid as Imperialism' (Pelican, 1971).
18. H.Cleaver: 'Will the Green Revolution Turn Red?' in 'The Trojan Horse'.
19. B.Johnson: 'The Multilateral System: Approaching the Limits to Globalism' in D.Dinwiddy (ed): 'European Development Policies! ODI' (Praeger NY, 1973).p62.
20. Ibid, p63.
21. Nissen op cit, p37.
22. Ibid.

23. Ibid.
24. Ibid p38.
25. Quoted in Nissen, p38.
26. " " " p37-8.
27. Quoted in the World Bank Group: 'Policies and Operations' (Sept.1974) p3.
28. Ibid.
29. Ibid.
30. Ibid p5.
31. Later the figure was lowered to 10 per cent in the light of IBRD profits.
32. Now there are five appointed Executive Directors and 15 elected. There are 128 member countries, with Yugoslavia the sole 'communist' member.
33. President Johnson appointed McNamara to the Presidency in 1967 after he withdrew his support for US involvement in Vietnam. See D.Halberstam: 'TheBrightest and the Best' (Barrie + Jenkins, 1972)
34. Halberstam offers a typology of the personalities of the people who ran the US state after WW2 as "old time Wall Street people...public servant financiers".(p5)
 "(These)men felt that they had succeeded admirably: they had taken a dormant democracy, tuned it up for victory over Japan and Germany, stopped the Russian advance in Europe after the War and re-built Western Europe...The Marshall Plan had stopped the Communists,..had performed an economic miracle." p7.
35. W.Diamond, a high-level Bank Group staffer told the author in April 1976, that the World Bank was a business corporation, 'just like any other corporation'.
36. Halberstam op cit p232.
37. Ibid p230.
38. Ibid p222.
39. Ibid p219.
40. Ibid.
41. Ibid p45.
42. Ibid p89.
43. Ibid p214.
44. World Bank Group op cit:p43.
45. Ibid p42.
46. Nissen notes that the IFC and the IDA were proposed by the Rockefeller Commission in 1951.
47. World Bank Group op cit p10.
48. Ibid p11.
49. Ibid.
50. The NAC is a key committee. It controls US Executive Directors on multilateral agencies.

51. World Bank Group op cit p7.
52. Nissen op cit p54. See also The Guardian, June 18, 1976.
53. See T.Cohen: 'Politics in the World Bank Group: The Question of Loans to the Asian Giants' in International Organisation, 28, 1974.
54. World Bank Group op cit p45.
55. Ibid.
56. Ibid.
57. Ibid p46.
58. Ibid p44.
59. I.Sharkansky + A.Dresang: 'International Assistance: Its Variety, Co-ordination and Impact Among Public Corporations in Kenya and the East African Community' in International Organisation, 28, 1974, p213.
60. The Indian subcontinent has received more Group aid per capita than any other area.
61. World Bank Group op cit p60.
62. Ibid.
63. Ibid p61.
64. For a critique of the Green Revolutionaries see H.Cleaver: 'Will the Green Revolution Turn Red?' op cit. Also S.George: 'How the Other Half Dies' (Pelican, 1975).
65. World Bank Group op cit p15.
66. Payer op cit.
67. Hayter op cit.
68. Nissen op cit p58.
69. Ibid p58.
70. Ibid p59.
71. M.Hudson: 'Super Imperialism: The Economic Strategy of American Empire' (Holt, Rinehart + Winston, 1972) p106-7, Table 2.
72. A British veto on an IDA credit for a tea project in Tanzania in 1971 was ordered after disagreement between the two Governments over compensation for nationalised British assets in Tanzania. The Bank Group staff supported the Tanzanians.
73. Hudson op cit pp105-6.
74. The term 'developing' was used to denote the poorer countries rather than 'underdeveloped'. Although this is a matter of semantics, an important issue is at stake. 'Underdeveloped' implies a process of underdevelopment. 'Developing' implies a process of progress and improvement. It removes all overtones of a causal relationship between the development of the industrialised nations and the underdevelopment of the Third World.
75. Pearson op cit pp48-52.
76. Ibid p14.
77. Ibid p11.
78. Ibid p77.

79. Ibid. Further evidence reveals that between 1950-61, Latin America exported (net) on average US \$174 million p.a. Between 1961-68, the area's net inflow of public grants and loans reached US \$ 572 million p.a., yet the outflow on private foreign capital reached US \$703 million p.a. So, with repayments, the net contribution of all foreign capital movements averaged minus US \$131 million pa. If Latin America refused all offers of aid, renounced its foreign debts, confiscated a foreign investment, the region would benefit by US \$1000 million per decade.
- "So it is possible that capital imports rather than accelerating development have in some cases retarded it." Griffin op cit, p 100. The figures are from Griffin and M.Lipton: 'Aid Allocation when Aid is Inadequate' in IDS Communication 108, 1972.
80. Pearson op cit p77.
81. Myrdal op cit p355.
82. Pearson op cit p5.
83. Ibid p5.
84. Ibid p6.
85. See T.Byres: 'White Man's Burden in a Neo-Colonial Setting' in Byres op cit.
86. The thinking behind the recommendation is that it was forecast that when aid levels reached one per cent of the donor countries' GNP's, growth rates in the recipient countries will reach 6 per cent p.a. This increase in GNI will result in a 22 per cent increase in domestic savings, so that by 1999 savings will total 20 per cent of NI, ensuring self-sufficient growth, (Pearson p126).
87. World Bank Group op cit p8.
88. Ibid.
89. Ibid.
90. Ibid.
91. Ibid p9.
92. Ibid.
93. Ibid
94. World Bank Group: 'Rural Development' Policy Sectoral Paper, Feb. 1975, p11.
95. Ibid pp11-12.

Table showing Bank Group Lending for Agriculture

	(US \$m)		
	Total Lending	Agricultural Lending	% for Agriculture.
1948-63	476	29	6.1
1964-68	1127	124	11.0
1969-73	2570	518	20.2
1974-76	5614	1481	26.4

Source: P44, Finance & Development, June 1977/vol 14/No 2.

96. Ibid p3.
97. Ibid.

98. M.Yudelman: 'Integrated Rural Development Projects: the Bank's experience' in Finance & Development, 1977/vol 14/No 1, p16.
99. WBG 'Rural Development' p6.
100. Ibid p5. In respect of this Norman Borlaug was awarded the Nobel Peace Prize in 1971. His contribution to world peace was to discover new high-yielding varieties of wheat, and to transfer this knowledge to rice and other grains.
101. Ibid p6.
102. Ibid p7.
103. Ibid.
104. Ibid p8.
105. Ibid p12.
106. Ibid.
107. World Bank Group: 'Agricultural Credit' Sector Policy Paper, May 1975, p3.
108. Ibid p5.
109. Ibid p8.
110. Ibid p10.
111. Ibid p13.
112. Ibid p14.
113. Ibid p15.
114. Ibid.
115. Ibid p20.
116. Ibid.
117. Ibid p19.
118. Cleaver op cit p182.
119. Ibid p187.

Part TwoIntroduction and Chapter One.

1. C. Leys: 'The 'Overdeveloped' Post Colonial State: A Re-evaluation' in R.A.P.E. No5, 1976, p41.
2. George op cit pp261-2. A point of fact is in dispute. It is unclear from the text who is claiming that the Bank has provided US \$310 million for the National Maize Project and the National Agricultural Development Project. I have found no corroborative evidence for this figure. In fact, total investment, i.e. from all sources, for agricultural development during the period of the Third Five Year Plan (1975-1980) is to be only US \$322 million. Perhaps this is the figure being referred to.
3. The Ministry of Development Planning.
4. The sources for the World Bank Group's figures are 'Summary Statement of Loans held by IBRD', and 'Summary Statement of Credits held by IDA', and 'External Public Debt Outstanding' - all from the World Bank Group Annual Reports.
5. World Bank Group: Annual Report 1976. p152-3
6. Ibid p25
7. Since then various crises have occurred. At the beginning of 1977 relations between the members reached a new low with the liquidation of the East African Airways, and the closure of the Kenya-Tanzania border. Uganda's relations with her two neighbours are very poor.
Former President Obote of Uganda lives in Tanzania.
8. A. Seidman: 'Foreign Funds and Self-Reliant Development: Some Lessons From the East African Experience' p32, in UNAIDP Seminar op cit.
9. It was hoped to increase outgrower farm incomes from US \$275 to US \$725 after six years.
10. WBG 'Annual Report 1975' p57.
11. When the term Ujamaa is parenthesised I am taking Bank Group usage.
12. Initially the provision of credit will cover 0.25 million people in 135 villages, with the net result of doubling the per capita annual income to US \$40.
13. Seidman op cit p20 and pp32/3.
14. Work has been done on World Bank support for governments' policies toward urban squatter settlements by Tony Seymour: 'Squatter Settlements and Class Relations in Zambia' in R.A.P.E. No3, 1975.
Essentially, he argues that the Group aids the attempt by international capital, through the national government, to 'stabilise' the politics of the urban poor of underdeveloped countries, by 'upgrading' selected squatter settlements.
15. WBG Annual Report 1972, p18

Part Two. Chapter Two.

1. J.Illiffe: 'Agricultural Change in Modern Tanganyika', University of Dar es Salaam, Historical Association of Tanzania, Paper 11, 1971.
2. A.Coulson: 'A Simplified Political Economy of Tanzania', University of Dar es Salaam, Economic Research Bureau Paper 74.9, 1974.
4. At the same time autarkic African development also took place following the course of pre-colonial patterns.
3. Illiffe op cit pp9-10.
5. Coulson op cit pp9-10.
6. Many of these plantations failed because the Europeans were unable to adapt their techniques to the local environment.
7. B.Bowles: 'Export Crops and Underdevelopment In Tanganyika, 1929-61', Dar es Salaam Annual Social Science Conference, paper No.69, 1973, p3.
8. Coulson op cit p16.
9. The 'failure' is also in part due to the response by the local population. It is doubtful whether the Germans had the power or the time or the inclination to instigate a full takeover and transformation of the colony's political economy. A very limited attempt was made to initiate changes through the development of a railway network.
10. Illiffe op cit p15.
11. Ibid p12.
12. Bowles op cit p4.
13. Illiffe op cit p17.
14. Economists have long debated the motivations behind 'African economic behaviour'. The debate generally revolves round the issue of rationality. Very few of the protagonists have managed to break out of narrow classical economic thinking. See E. Berg; 'Backward-Sloping Labour Supply Schedules in Dual Economies', Quarterly Journal of Economics, 1961. W.Jones: 'Economic Man in Africa' in Food Research Institute Studies, 1, 1960. W.Barber: 'Economy of British Central Africa, 1961. M.Miracle + B.Fetter: 'Backward-Sloping Labour Supply Functions and African Economic Behaviour' in Economic Development and Social Change, Jan 1970. For a more recent interpretation see C.Hutton and R.Cohen: 'African Peasants and Resistance to Change' in Oxaal et al 'Beyond the Sociology of Development' (RKP 1975).
15. Coulson op cit p18.
16. Illiffe op cit p18.
17. Ibid p27.
18. All the figures here are taken from Illiffe op cit pp27-33.
19. Bowles op cit p5.
20. In Moshi riots followed the Government's imposition of co-operatives in 1937.
21. Illiffe op cit p32.
22. This policy was meant to achieve greater output of export crops through the freeing of labour from food production by making the latter

more efficient.

23. Tanganyika became a net importer of food, especially maize, for seven out of the ten years, 1945-54.
24. Bowles op cit p8.
25. See B.Fitch & M.Oppenheimer: 'Ghana: End of an Illusion' (MR. 1966).
26. Coulson op cit p25.
27. Bowles op cit p9
28. Ibid p10.
29. Iliffe op cit p38.
30. Ibid p36.
31. Ibid pp36-7.
32. Ibid p38.
33. Ibid.
34. The International Bank for Reconstruction and Development: 'The Economic Development of Tanganyika' (John Hopkins Press, 1961) p13.
35. Coulson op cit p14. Coulson identifies the consumers of these goods as the colonial bureaucratic class; the African bourgeoisie and petty-bourgeoisie; expatriates and the Asian commercial class - import-export traders, wholesalers, lawyers, doctors, mechanics - who controlled and directed the surpluses produced by the peasants.
36. The Economic Development of Tanganyika op cit p231. From now on termed the 1961 Mission Report.
37. Ibid p27.
38. Ibid p37.
39. Ibid p 56.
40. Ibid p109.
41. Ibid p90.
42. Ibid p95.
43. Ibid p103.
44. Ibid p204.
45. Ibid.

Chapter Three: From Independence to Arusha.

1. M.Bienefeld: 'Socialist Development and the Workers in Tanzania', in R.Sandbrook & R.Cohen (eds): 'The Development of an African Working Class', (Longman, 1975) p256.
2. B.Davidson: 'The Politics of Armed Struggle: National Liberation in the African Colonies of Portugal', in Davidson et al: 'Southern Africa: The New Politics of Revolution', (Pelican 1976) p89-90.
3. L.Cliffe: 'Underdevelopment or Socialism? A Comparative Analysis of Kenya and Tanzania'. Institute of Development Studies Discussion Paper No 33, Oct. 1973, (Sussex University) p52.

4. I. Shivji: 'The Silent Class Struggle' in Cliffe and Saul (Eds.): 'Socialism in Tanzania' vol.2, (East African Publishing House, 1973) p.308.
5. In the immediate post-Independence period there were, in the industrial sector, 300 small-scale private companies which were managed by, or owned by Europeans or Asians. See A. Tabari: 'Review Article' R.A.P.E. No 3, 1975, pp89 - 96.
6. In 1961 only 0.3 million workers were engaged in wage employment, of which one-third were contracted on the sisal estates. Sisal, cotton, coffee, and diamonds represented 66 per cent of total exports and 28 per cent of GDP. See Tabari op cit.
7. Von Freyhold op cit p81.
8. Ibid p83.
9. R.H.Green: 'Toward Ujamaa and Kulitegemea: Income Distribution and Absolute Poverty Eradication Aspects of the Tanzanian Transition to Socialism'. IDS Paper No.66, 1974 (Sussex University) p4.
10. Bienefeld in Sandbrook and Cohen op cit.
11. The First Five Year Plan was introduced in 1964.
12. A. Ellman: 'Development of Ujamaa Policy in Tanzania' (1971) in L. Cliffe et al: 'Rural Co-operation in Tanzania' (Tanzania Publishing House, 1975.) Also Coulson : 'Peasants and Bureaucrats in R.A.P.E. No. 3, 1975, p54.
13. Ellman op cit p312.
14. Green op cit pp16-17.
15. Ibid.
16. Shivji op cit p308.
17. Ibid p309.
18. Ibid pp313-4.
19. Full title of the 1970 Report: The Economic Development and Prospects of Tanzania. Report No. AE-7. Two Vols. Vol.I The Main Report. Vol.II Agriculture and Rural Development
20. 1970 Mission Report para.6, vol.I.
21. Ibid para. 23.
22. This trend was especially apparent after the beginning of the Second Five Year Plan. Much of the latter part of this section is concerned with this issue. Seidman op cit p11.
23. 1970 Mission Report para 28, vol.I.
24. The Mission noted that various mineral exploration projects were initiated with the help of UNDP (1965-8) and Italy. Exploitable deposits of oil, coal, natural gas, iron ore and gold were found.
25. Initially funds were available but adequate projects had not been prepared. Later, the number of projects requiring funds did increase but not enough to make up for the slow start of the first two years.
26. Mission Report op cit para. 19 & 84, vol.I.
27. Seidman op cit p27.
28. Seidman op cit p27. For examples of how the tax and duty rebates schemes were misused see pages 234/5 above.

29. 1970 Mission Report para.iii, vol. I.
30. Ibid para.54.
31. The method of accounting employed by the Exchequer involves counting the cost of any expenditures in the year of completion of that expenditure. Hence, a couple of large projects may distort any single year's accounts.
32. 1970 Mission Report para.68, vol. I.

Part Two Chapter Four. The Arusha Declaration.

1. G.Williams: 'Taking the Part of the Peasants' Mimeo, Dept. of Sociology, University of Durham, 1975. p20.
2. This is one question of several necessary to understand development of society, ranged about the issues of what is the type of surplus being produced; how it is distributed; who controls its production and uses.
3. P.Lawrence: 'Socialism, Self-Reliance and Foreign Aid in Tanzania - Some Lessons from the Socialist Experience', UNAIDEP op cit.
4. A. Coulson; 'The Fertilizer Factory' in P.Raikes and V.Amann (eds): 'Project Appraisal and Evaluation in Agriculture.' (Mackerere University, 1974.)
5. Lawrence op cit.p10.
6. Cliffe: 'Method of Political Economy and Socialist practice in Rural Tanzania' in Cliffe et al: RCIT op cit.
7. Green op cit p6.
8. M. Beinefeld: 'The Class Analysis of Tanzania: A Comment on the Debate' in R.A.P.E. No 4, 1975, argues that opposition to these measures was great enough to produce rumours of a coup by dissatisfied bureaucrats.
9. K.Nsari: 'Tanzania: Neo-Colonialism and the Struggle for National Liberation', in R.A.P.E. No 4, 1975.
10. Leys op cit p47.
11. Services included audit and legal work, housing and buildings (design), shipping and road transport.
12. The National Banking Corporation was responsible for all commercial banking; the National Insurance Corporation covered insurance; the State Trading Corporation was responsible for import, export and wholesale trade. The National Milling Corporation controlled the milling activities.
13. Green op cit p13.
14. Cliffe in RCIT op cit p176.
15. P.Raikes:-'Ujamaa and Rural Socialism' in R.A.P.E. No 3, 1975.
16. Ibid p 35.

17. Ibid p36.
18. J.Nyerere: 'Presidential Circular No 1. 1969' in Cliffe et al RCIT op cit, p27.
19. Ibid.
20. J.Nyerere: 'Socialism and Rural Development' in Cliffe et al RCIT op cit, p25.
21. D.McHenry: 'The Ujamaa Village in Tanzania' in Comparative Studies in Society and History, Vol 18, 3, 1976, pp347-70.
22. Transformation as used by the Bank Group is limited in scope to types and level of technology and techniques rather than to relations of production.
23. 1970 Mission Report op cit para 129, vol 1.
24. Seidmann op cit p16.
25. 1970 Mission Report op cit para v, vol 1.
26. They were reorganised after 1972.
27. 1970 Mission Report op cit para 172, vol 1.
28. 8 per cent of recurrent expenditure was to be given to the ministry responsible for debt-servicing.
29. 1970 Mission Report op cit para 180, vol 1.
30. Ibid para's 3 and 4, Appendix 111.
31. Ibid para's 163, 168, 169.
32. USAID - US \$8m; SIDA - US \$17.2m; Denmark - US \$4.9m; IDA/IBRD - US \$29m; Canada - US \$1.3m; Italy - US \$9.9m; PRC - US \$25m; USSR - US \$19.5m.
33. The Mission states that the PRC and USSR had committed US \$44.7m in 1969 for the Plan, but that this aid is of a type generally dispersed more slowly than Western aid, and usually involves the sale of imported commodities to finance the local costs of the projects. The Mission therefore concludes that aid (capital inflow) to Tanzania from this source is about 50 per cent of the commitment. Para 181, vol 1.
34. Seidmann op cit p16.
35. 1970 Mission Report op cit para ix, vol 11.
36. Ibid para 85, vol 1.
37. Seidmann op cit p17.
38. 1970 Mission Report op cit para 149, vol 1.
39. Ibid para viii, vol 11.
40. Ibid para 90, vol 1.
41. Ibid para 29, vol 11.
42. Ibid para 39, vol 11.
43. Ibid para 49, vol 11.
44. After the world crisis in grain production during the early 1970's the Bank Group approach changed dramatically. See Table.

World Bank Lending for Food Grain Production.

(Annual averages in millions of current US \$.)

	Lending for Agriculture	Lending for Food Grains	% share of Food Grains
1964-68	124	27	22
1969-73	518	141	27
1974-75	1407	715	51

Source: Finance & Development op cit p44

45. In 1976 the Bank Group provided US \$18 million for the National Maize Project
46. 1970 Mission Report op cit para. 243, vol II.
47. Ibid para. 244, vol II.
48. Ibid para. 248, vol II.
49. Ibid para. 101, vol I.
50. Ibid para. 248, vol II.
51. Ibid para. 154, vol I.
52. Ibid para. 153, vol I.
53. Ibid para. 105, vol I.
54. Ibid para. 123, vol I.
55. Ibid para. 161, vol I.
56. Seidman op cit p35.
57. 1970 Mission Report op cit para's ii-v, vol II.
58. Ibid para. 2, vol II.
59. Ibid para. 5, vol II.

Part Two Chapter Five. The Reality of Arusha.

1. Coulson op cit in R.A.P.E. No 3, 1975, pp55 - 57.
2. Cliffe in RCIT op cit p179-180.
3. The figures are all provided by Ellman op cit.
4. Ibid p321.
5. J.Loxley: 'Rural Credit and Socialism' in RCIT op cit p281.
6. Ibid.
7. I.Seushi & J.Loxley: 'Financing Ujamaa - State Resources and Co-operative Development' in RCIT op cit.
8. Ibid p543.
9. Ibid p544.
10. Raikes op cit.
11. R.Feldman: 'Rural Differentiation and the Political Goals in Tanzania' in Oxaal et al, op cit p155.

12. Ibid p157.
13. Ibid p158.
14. H.Van Velzer: 'Staff, Kulaks and Peasants: A Study of a Political Field' in Cliffe & Saul 'Socialism in Tanzania' op cit p153.
15. Ibid p 163-4.
16. Feldman op cit p160.
17. Taken from O'Barr: 'The Role of the Ten-House Leader in Rural Tanzania' in Geneve-Afrigue 10,2,1971.
18. Ibid.
19. J.Kitching: 'Local Political Studies in Tanzania and the Wider Context' in African Affairs, 71,284,1972.
20. Feldman op cit p175.
21. Ibid p176.
22. Ibid p177.
23. Ibid p178.
24. Green op cit p9.
25. Ibid p28.
26. Ibid p12.
27. Ibid.
28. Ibid p28.
29. Nsari op cit.
30. Tabari op cit p91.
31. Raikes op cit p47.
32. 'Tanzania's economy: full circle from Arusha' in Africa No66, 1977, p87:
33. Green op cit p25.
34. Raikes op cit p48.
35. Uma Lele (World Bank Economist in East Africa Projects Department): 'On developing Rural Settlements' in Finance & Development, vol 13, No 1, 1976, p11.
36. Ibid.
37. Raikes op cit p48.
38. Shivji op cit p305.
39. Raikes op cit p51.
40. Ibid p50.
41. Ibid p51.
42. R.Cohen: 'Class in Africa' in Socialist Register, 1972.
43. Leys op cit p44.
44. Green op cit.
45. Coulson: 'The Fertilizer Factory' op cit.
46. Seushi & Loxley op cit p539.

47. J.Rweyemamu: 'The Historical Outcome of Colonial Development with Special Reference to Tanzania' in UNAIDP op cit p6.
48. Britain did in fact block a Bank Group credit for a tea project because of a dispute over compensation for British estate owners.
49. Bienefeld in Sandbrook and Cohen op cit pp239-40.
50. Coulson: 'The Fertilizer Factory' op cit p180.
51. Rweyemamu op cit p22.
52. Shivji: 'The Silent Class Struggle' op cit p317.
53. Ibid.
54. Editorial R.A.P.E. No 2, 1975, p3.
55. This argument is found in B.Warren op cit and Kay op cit.
56. Editorial R.A.P.E. 2, op cit p4.
57. See footnote 13, p288.
58. Kay op cit p130.
59. W.Bartke: 'China's Economic Aid' (Praeger 1975).
G.Yu: 'China's African Policy' (Praeger 1975).
A.Hutchinson: 'China's African Revolution' (Praeger 1975).
60. J.Loxley & J.Saul: 'Multinational Corporations, Workers and Parastatals in Tanzania' in R.A.P.E. No2, 1975, p74.
61. Tabari op cit p92.
62. Lawrence op cit p31.
63. McKinsey according to Loxley and Saul, are internationally known for being politically and technically very conservative. They were responsible for reorganising the Bank of England, ICI, Shell and Dunlop - none of which are noted for their socialist policies.
64. For example, the Tanzanian Tourist Corporation, Tanzanian Wood Industries Corporation, National Agricultural and Food Corporation, National Textile Corporation, Tanzanian Cashew Authority, Tanzanian Livestock Authority.
65. Coulson: 'Decentralisation and the Government Budget' University of Dar es Salaam, Economic Research Bureau Paper, No75.6, 1975 p15.
66. Ibid p27.
67. Full title of the 1974 Mission Report:
"World Bank Report. No 581a - TA. Dec 10 1974.
General Agricultural Division East Africa Projects Department.
Volume One:
Tanzania: Agricultural and Rural Development Sector Study."
68. Ibid para 1.03 .
69. Ibid para 8.03.
70. Ibid para 3.03.
71. Ibid para 4.07.
72. Ibid para v.
73. Ibid para v.
74. Ibid para 3.01.
75. Ibid para 3.02.

76. Ibid para 3.07.
77. Imports of food (cereals, sugar, dairy products) increased sharply in 1972 and 1974. Ibid. See Table 25 and Table 26, but note that the construction of the latter has the effect of averaging out differences, because its two reference years are three year averages. Significantly, 1972-4 were poor years for Tanzania's food crops, but the manner in which the Table has been constructed softens the effects of this on the rate of growth of agricultural production.
78. Ibid para's i-iii.
79. Ibid para iv.
80. Ibid para 2.03.
81. Ibid para iv.
82. Ibid para iv.
83. Ibid para 4.13.
84. Ibid.
85. See Table on p286.
86. 1974 Mission Report op cit para viii.
87. Ibid.
88. Ibid para ix.
89. Ibid para xi-xiii.
90. Ibid para 8.03.
91. Ibid para 5.14.
92. Ibid para 5.15.
93. Ibid para xiii.
94. Ibid para xii.
95. Ibid para's xiv and xv.
96. Ibid para 4.12.
97. Ibid para 4.21.
98. Ibid para 4.18.
99. Ibid para xv.
100. Ibid para 8.12.
101. Ibid para 8.11.
102. Ibid para 8.21. Also US AID is providing finance for research into livestock development.
103. Ibid para xvi.
104. Ibid para xviii.
105. Coulson ERB Paper op cit.
106. Here I am referring to the expansion from total development expenditure for Plan One, to total development expenditure for Plan 2.
107. Green op cit p46.

Part Two Chapter Six. The Struggle and The Defeat.

1. J. Iliffe: 'The Creation of Group Consciousness Among the Dock-workers of Dar es Salaam. 1929 - 1950' in Sandbrook and Cohen op cit.
2. Green op cit p36.
3. Ibid p52.
4. Editors, Sandbrook and Cohen op cit p197.
5. Loxley and Saul op cit pp83-4.
6. Sandbrook and Cohen op cit p203.
7. Leys op cit p47.

Part Two Chapter Seven. Conclusions.

1. M. Māmdani: 'On the Colonial State and the Articulation of the Modes of Production' Unpublished, p1.
2. Ibid p2.
3. Bienefeld in Sandbrook and Cohen op cit p240.
4. Von Freyhold op cit p83.
5. Ibid p83.
6. Ibid p85.
7. Ibid p85.
8. Loxley and Saul op cit p86.
9. Green op cit p4.
10. Ibid p6.
11. Leys op cit p47.

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