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False Start? Structural Adjustment and African Political Economies

Introduction

While the western world was undergoing economic reconstruction after the Second World War, most parts of the Third World had different types of problems. They were seeking self-determination, agitating for nationhood and solving the national question. For Africa, the year 1960 was a landmark: independence year when many countries became independent, more than any other year before or after. Independence was mainly political in nature. It did not solve all the problems, which, acting in concert made African countries what they are: third class in the world economic community. This was not unique to Africa. Latin America which became independent a century earlier than Africa had not solved economic problems. Nevertheless, independence created expectations and aspirations.

For various reasons many western scholars began to focus on the problem of economic disparities in the world, its nature and scope and also some prescriptions for the world's economically poor nations. W.W. Rostow[1], H.L. Heilbroner[2] and D.C. McClelland[3] wrote very impressive but somehow weird treatises on the subject. Most students of international politics and international political economy would no doubt agree today that the three scholars were not so much motivated by their love of economic equality as they were advocates of the then existing international economic order and division of labor. On the one hand, they were seeking to show the supremacy of capitalism and liberal democracy. On the other, they were responding to cold war debates. The *dependencia* school was partly a response and in fact a reaction to *The Stages of Economic Growth*, *The Great Ascent*, and *The Achieving Society*.[4]

What looked like economic development in the first few years of independence in many African countries was only a temporary phenomenon and actually set the stage for serious deviations. Economic development was overtaken by economic stagnation, crises, and consequently decline.

The western world began once again to focus on the problems of the Third World and Africa in particular. This time it was not the academic debates of the 1950s and 1960s; the financial institutions were directly involved. Thus, the World Bank and the International Monetary Fund began to prescribe solutions to Africa's economic ills, collectively and popularly known as structural adjustment.

I attempt in this paper to discuss one major factor which is often overlooked by those who diagnose Africa's economic problems in the western capitals and financial markets as well as in the state and treasury houses in Africa: a false start. The false start conception is both an historical analysis as well as futuristic in its focus. It is also inward-looking, a form of self-criticism as far as it attempts to provide lessons for the future.

I. Prelude to False Start

Colonial structures and dependence

It is no longer fashionable to draw a balance sheet of good and bad things about colonialism. Yet, hardly a century of colonialism in most African countries has largely brought about Africa's economic problems. While blaming colonialism will not solve such problems, a serious consequence has been the thinking stimulated by western intellectuals, particularly the stages of economic growth theory, which has influenced some groups in Africa. If this theory is true, then, Africa is still in the preconditions for take-off stage, possibly a few countries are in the take-off stage. The year 1960 is taken as the starting point. Why compare the GNP of an African country to that of Britain? How does one account for the differences in the time taken to develop? Advocates of this thinking argue that it is too early to judge Africa's performance. It has taken Europe more than 300 years and North America more than 150 years to reach the present stage of economic and social development. Erroneous as this thinking is, it gives a sense of relief to its proponents: Africa is at the stage in which Europe was in the 17th century. All the same, the proponents of this view love to drive cars and not wooden wagons! This thinking covers all aspects of life:

political turmoil and petty wars, the politics of *coups d'etat*, malnutrition, ignorance and disease. What a false start in thinking!

Independence came to Africa when one did not need to launch an industrial revolution to manufacture a steam engine. The African countries had to industrialize in the market place. Nevertheless, this was a time when major international issues had been settled, particularly that of international economic order and the division of labor. Changing them was impossible and accepting arrangements whose creation they did not participate in landed African countries in trouble. Time was running out. The more the African countries wanted to appear as 20th century human beings the more they accumulated debt, squandered resources and consequently found themselves in need of structural adjustment. In other words, at a practical level nobody decided to wait for a century or so in order to follow the prescribed stages of economic growth.

There is no doubt that some colonial structures die hard. They are capable of self-perpetuation and reproduction. Dependence, though debatable, for example, is a historically entrenched phenomenon. All colonial powers in Africa were European powers. They differed greatly in their levels of economic development from Portugal and Spain at a low level, to Britain, France and Germany at a high level. Their colonial economic policies also differed. Post-independence structures for economic and political cooperation between ex-colonial powers and ex-colonies also differed. At the same time, even with independence the nature and direction of trade remained as during the colonial period: the ex-colonies were to export primary commodities to, and import manufactured goods, from the ex-colonial powers. The little diversification that has occurred has not changed the structure. Markets and sources of aid have been of the same nature; western and capitalist.

This ex-colonial power/ex-colony relationship has been described as dependence. Its transformation is yet to be devised. Self-reliance has either meant autarky, unattractive and a disaster, or it has simply remained a political rhetoric with no practical meaning.

Post-independence expectations and aspirations

In order to mobilize the masses, the nationalist struggles were conducted with promises of a better future. Colonial administrations were blamed for their insensitivity to poverty, ignorance and disease. The nationalist movements promised to fight against such problems as well as abolishing other colonial features such as forced labor, poll tax, rent, etc. Partly this was the meaning of independence, at least as it was portrayed to the masses. Very few people realized that economic development was a process, a long one too, and not an insurrection like independence. It is not even a straightforward process. It has its ups and downs. Had the nationalist leaders known about this they would have made fewer and even more calculated promises.

The aspirations and expectations of the pre-independence period began to wane as new realities came into being. Some of the new independent governments began doing what their nationalist leaders had been campaigning against, and, in some cases going beyond what the colonialists ever did. Prisons were filled not with criminals but political prisoners. Corruption began to drain treasuries. Various freedoms were curtailed in the so called "national interest." Following independence, citizens of the newly independent countries found that the only noticeable difference between the pre-independence and post-independence periods was simply the replacement of personnel, from white to black. Otherwise, colonial features remained: labor, taxes, rent, etc.

At the other extreme were some African governments that appeared to act in a more humane way toward their people. They tried to satisfy short-term needs which were either real or exaggerated. This was an effort to show the difference between the colonial government and an independent government. While this could only be possible in the short term, it nevertheless stretched governments' capabilities to provide free services: medical care, education, clean water, etc. In other words, the people were taxing their own governments. Shortly after, the financial power of the state began to decline, parastatal corporations which depended on state subsidies began to be exploitative as they grew more and more inefficient, and the people began to be taxed once again and had to endure high prices for almost everything.

Post-independence political economies

After several decades of independence, then, we have in Africa distorted economies, confused political situations and shattered social life.

Economically, Africa had a steady growth in the first few years of independence. Average gross national products and national incomes per capita were growing, but then fell to stagnation levels. In many countries they declined to alarming levels from the mid-1970s. Internal, but more often external factors, and, in some (few) cases natural catastrophes, have been cited as the causes of this.

It is noteworthy that statistics and economic indicators show only part of the story. The human misery caused by such economic decline cannot always be expressed by economic indicators. For example, police brutality effected to prop up unpopular and disintegrating regimes cannot be substantiated by economic indicators.

Political confusion affects economic and social life. Politics in most African countries is not only a career but a form of employment. It is a source of income. Political power is expressed in terms of the tangible economic aspects it brings to the politicians. This partly explains the incidence of *coups d'etat*, corruption, election manipulation, life presidency and local wars.

In some African countries the national question has not been settled. Several regimes lack "legitimacy." Sections of their population question the legitimacy of the regimes in power. Local wars going by several names are common.

The social situation corresponds to the economic condition. Malnutrition, disease and ignorance which are essentially products of poverty on the one hand, and underdevelopment on the other are in fact exacerbated further by bad policies and poor planning. Life expectancy in Africa averages 40-45 years. Economic decline in recent years has stimulated the growth of the informal sector. While this has been celebrated by the Bank and the Fund economists as a new form of self-reliance, it has mainly affected women who have their chores tripled and in some cases quadrupled, and also children, who become school drop-outs.

The sum total of economic decline, political instability and social problems makes Africa what it is: a very junior partner in the international division of labor.

II. False Start: Its Nature and Scope

Most internationally prescribed and accepted policies behave like fashions, originating from one place and spreading worldwide. They are movement-like policies: import substitution industrialization, socialism, self-reliance, liberal democracy, free enterprise; and now gender and structural adjustment. Just like other movements, they make one believe that they come and go without any seriousness. On the contrary, structural adjustment seems to be a serious movement. It looks as if it is there to stay for some time. In this section I shall attempt to look at the structures before structural adjustment so as to show what is being restructured and how they are restructured. These earlier structures will also show the nature and scope of what I call a false start.

Structures before structural adjustment

One African country can serve as an example. Tanzania has been credited for its social program policies which have, in a short period of time, elevated the country from a literacy rate of barely 15% at independence in 1961 to more than 80% in 1980. Other significant achievements, in addition to free education and universal primary education have been: good and free medical care; clean water for at least 70% of the rural population; and, generally a good and stable political climate.

At the same time Tanzania has been criticized for its policy of socialism and self-reliance; the argument being that it has distorted the economy and has accumulated debt to the extent that now the country has to abide to the Bank and the Fund conditionalities, including structural adjustment. Without entering into the debate as to whether such a credit and criticism are deserved or not, it suffices to point out that what seems to be a paradox between credit and criticism is in fact a lack of necessary conformity between economic realities and political direction. That is why I think Tanzania is a good example of the false start.

At independence there were many options for the nationalist leaders to choose from, although none of the choices was an easy one: to ignore the masses' expectations and aspirations which were stimulated through promises during the independence struggles; to emulate what others have done either for good or bad, ideologically or otherwise; to let time take its course with a "come what may" attitude; and, to be pragmatic, take stock of the past, assess the present against available resources and plan for the future. Tanzania opted for a mixed bag of these options.

Unlike its two major neighbors to the north-east and south-west, Kenya and Zambia, Tanzania became independent with a very weak economic base. The Tanzanian state nationalized the only major means of production which was available in unlimited quantities-land. This was intended to curtail land accumulation through privatization. Then there was a massive nationalization of other major means of production, distribution and exchange, including real estate facilities.

Large state corporations were established to run nationalized properties. Whatever undertaking which was then established belonged to the state and was put under state control, provided it was of national significance. This policy went hand in hand with import substitution industrialization in which machinery, spares, raw materials, and, in most cases management, were all imported.

Nationalization and state ownership by themselves are not bad. They are indeed commendable. Apart from those who look at them in terms of the lack of freedom of free enterprise, I tend to view them as actions with which to assert nation-hood. They are part and parcel of economic nationalism. At the same time there a number of observations which one can make. First, there was a false start in the whole affair. By 1967 when Tanzania embarked on massive nationalization it had no matching manpower to man newly nationalized undertakings or the parastatal corporations created thereafter. If nationalization aimed at curbing flight of foreign exchange by profit repatriation, there was still some through management and consultancy contracts.

Second, import substitution industrialization was another false start. Paradoxically, most factories were capital intensive. The industries built under this program were a financial burden to the country in terms of foreign exchange-spares, management, raw materials, etc., and also local currency in terms of subsidies. The belief that such industries would be exporting was shattered as soon as they were built. They were built at the time when import substitution industrialization was fashionable in the Third World. Thus, there was nowhere to export to. The state had to subsidize its own corporations to protect them from existing local competition, but more so to safeguard against their collapse from inefficiency.

If the planners in Tanzania knew of the foreign exchange components and the subsidy requirements, then, they poorly estimated the capacity of the state first to generate foreign exchange for consumption in sectors that do not generate it, and, second, to continue subsidizing inefficient corporations. In other words, the economic structures created had little relevance to economic needs as well as economic feasibility and particularly the country's economic and other resources to sustain them.

At least Tanzania had a favorable balance of payments in its trade with countries outside East Africa between 1961 and 1970. But it had a serious deficit in its intra-East African trade through the defunct East African Community during the same period. Interestingly enough, this is a country whose leaders were prepared to postpone and push forward its independence date, if by so doing East Africa could become independent as one political unit; the East African Federation. The same spirit, zeal and blind love for African unity in "pieces" was carried through to the East African Community. This was adhering to principles of African unity "at any cost." Consequently, Tanzania joined the East African Community as an economically third class partner after Kenya and Uganda, and stayed in the Community under that condition for a decade. Ironically, when Kenya was increasingly becoming disinterested in the Community, and Idi Amin's Uganda was doing everything possible to wreck it, Tanzania was busy trying to make the Community survive. This is another patent false start. Here, prestige was in direct conflict with economic viability. The trade deficit with the East African Community could definitely have been avoided. It cancelled out any surplus gained in trade with the countries outside East Africa.

One of the political blueprints which had some consequences for the economy was the rural collectivization of the early 1970s. Villagization of the rural areas partly aimed at increasing the capability of the state to appropriate rural surplus. This might have been a consequence of earlier policies of nationalization and the establishment of parastatal organizations. However, the villagization programme tended to dislocate the entire rural economy. Emphasis on cash crops led to the neglect of food crops. Incentives (prices) were given to cash crops. The historically self-sustaining peasantry began to need imported grain. This rural socialism was again a false start. It had no relevance to the then prevailing conditions, let alone economic rationales. This program resembled rural "urbanization" which was not a spontaneous process, say, through economic development, but by political decrees and actions aimed at promoting economic development.

Those who were to be effected by villagization program were not consulted. They were not told that the rationale behind villagization was increased production and thus appropriation. Instead, they were lured by free social services provided for by the state: access roads, schools, dispensaries and health centres, free clean water, selling points for their crops, etc. This was a good sweetener. But, as it turned out, the villagers discovered that they were being taken for a ride. Although they did not revolt, the state failed to capture them. Goran Hyden has provided the best analysis of this. The title of his ageing book, *Beyond Ujamaa in Tanzania: underdevelopment and an uncaptured peasantry*[5] tells all.

On the whole, Tanzania decided to socially depart from what the British colonial administration was alleged to be doing. Tanzania wanted to show the difference between the colonial and independent governments: first, by becoming sensitive to social problems; second, by providing social services; and, third, by providing them free. To this end, Tanzania nationalized all schools and education became free. In 1977 the country declared universal primary education by year 2000, a program which was successful by 1980. It also embarked upon an adult literacy campaign under which by 1980, 90% of the adult population was minimally literate. Tanzania also nationalized medical care and this service was provided free at all levels.

Two more important items in the long list of achievements were the abolition in 1967 of the poll-tax, considered a debasing colonial legacy, and the abolition of self-help schemes in which rural communities would pool their local resources, both human and material, to construct some social amenities such as roads, schools, dispensaries, etc. The government was to do all by itself.

It was assumed erroneously that the Tanzanian state would always be capable of providing such services free. In addition, as inefficiency gained momentum in the state sector, the government not only subsidized the giant corporations, but also subsidized the cost of various foodstuffs and other essential items to the consumer—fertilizers, seeds, maize meal and sugar.

There has also been increased militarization of Tanzanian society. This is exemplified by a massive militia training campaign, national youth service and relatively a large army. All these have been rationalized in defence and security terms, including Tanzania's own external involvement in Seychelles, Mozambique and Uganda. In fact militarization has stretched expenditure in the military and defence, especially in foreign exchange.

The structures in independent African countries developed not as a result of clear and pragmatic future-oriented planning. Where there was some planning it was short-term. It was assumed in many countries that the financial powers of the state would continue to rise and would be perpetually elastic. Those who had large reserves of foreign exchange assumed that their situation was natural and everlasting. Poor and relatively rich African countries alike put up white-elephant projects, for example, new capitals in Dodoma (Tanzania), Lilongwe (Malawi) and Abuja (Nigeria); which can hardly be explained in economic, political or social terms.

The need for structural adjustment

That the World Bank and the International Monetary Fund came up with structural adjustment as a solution to the problem of debt and economic stagnation and decline is not surprising, and, can be explained in various ways. First, it was a realization on the part of the Bank and the Fund of the economic problems facing the Third World in general and Africa in particular. But at the same time it is a truism to state that to some extent the Bank and the Fund were under pressure from other financial institutions and creditor countries to search for a workable solution, most certainly favorable to themselves. Structural adjustment is not only a movement toward curing economic ills, it is also a movement to cure the debt problem so that debtor countries can borrow more. It is not accidental that some structural adjustment measures have involved rescheduling of debt-payments and short-term credits.

Secondly, structural adjustment is not just another movement like gender. It is a criticism by the western capitalist countries and their financial institutions of Third World countries that their earlier policies were a flop. Structural adjustment carries the message that it is impossible for Third World countries to detach themselves from the world capitalist system. They (the Third World countries) have to honor the established code of the international economic order and division of labor. They are told that other ideologies cannot work. It is a directive whereupon poor countries are supposed to reassess and reevaluate their policies.

Thirdly, structural adjustment measures are partial solutions. What seems to succeed in one sector in fact has a negative impact on another. It is far from being an attempt to overhaul the entire system. Structural adjustment has concentrated on the financial, and to some extent economic sectors. The problems which have led to economic stagnation and decline cut across policy, economic, political, social, cultural, and environmental milieus. To prescribe a financial and/or economic solution is not only a partial solution but it misses the point by far. This is probably why structural adjustment measures have not worked so well despite their heavy human costs. Take the example of the military. While the Bank and the Fund have prescribed spending cuts in other sectors, they have been very reluctant to do so in the military. Probably this is an area too sensitive to interfere. This is surprising, if that reasoning is true, partly because governments are known to have been overthrown as a consequence of the Bank and the Fund conditionalities.

This also engenders a paradox. On the one hand, the Bank and the Fund are known to prefer stability and order for their policies to generate the expected profits as well as that of other creditors and investors. This has been called "stability at any cost." On the other hand, structural adjustment measures have not touched the military sector. The military represents the biggest anomally in the African economic and political setting. It is the biggest shareholder in the African debt, a squanderer of about 1/3 of the total foreign exchange earnings; and in most cases a source of instability. It is therefore reasonable to assume that the Bank and the Fund are at one time saying, let the African regimes maintain their security and defence forces, if by so doing they remain in power. At the same time the Bank and the Fund show wariness toward political change. Newcomers might not agree to the structural adjustment measures. Another assumption could be that the Bank and the Fund do not attempt to touch military spending because to do so would be to interfere with the international arms trade in which none of the creditors has ever complained about any African country defaulting on its payments.

At the practical level there is yet another contradiction as far as Tanzania and structural adjustment are concerned. On the one hand Tanzania needs structural adjustment in all those items where a false start was so prominent—structures, and policies which were established without paying attention to the country's capability to support such structures and policies. Tanzania needs to scrap its outmoded state corporations. To disband these would alleviate the heavy burden on the government.

Prominent among structural measures have been denationalization, deindustrialization, devaluation, deregulation, etc. Denationalization is an alternative to nationalization. In other words Tanzania is asked to privatize the state sector. Actually what has happened is that an attempt to sell the state sector has not been successful so far. Foreign companies have been reluctant to buy. The local commercial elite have refused. Ironically, the refusers have included the ex-owners of nationalized firms. Instead, new private businesses have been growing, but in petty production and commerce, not in the production of essential commodities such as food.

Deregulation has involved the liberalization of trade which came into effect in 1984. With it came deregulation in the control of foreign exchange. There was sudden relief among the people as empty shop shelves began to be filled with imported consumer commodities. This relief was soon offset by yet another structural adjustment measure-devaluation. Many commodities began to rot, expire and rust. It was impossible for the common Tanzanian to purchase them. This has once again increased polarization between the poor and the rich.

Negatively, Tanzania does not need structural adjustment particularly in the vital social services such as primary health care, education and other community services. To cut spending in these would bring the entire social progress to a big halt and possibly steer the country back to the 19th century, as such actions would affect millions, particularly those in the rural areas. There has been an argument that government provided services have been of low quality, and that privatization (and selling) of such services will improve quality. In other words the government of Tanzania was improving quantity at the expense of quality. I have no doubt that this is a wrong argument. As far as the situation in Tanzania is concerned the choice is not between quality under privatization and quantity under government spending. The choice is between services and no services. In this I would rather argue that whatever will be saved from the scrapping (not necessarily selling) of the state corporations should be used in the continued provision of free social services. To offset the costs, the old discouraged spirit of self-help community projects should be revived and encouraged.

But this is just part of the story. Still we need to answer the question: how did these countries arrive at a situation which needs structural adjustment? Although the answer to it does not provide a solution, it throws some light on the entire problem and also has some implications for future policies.

It was wrong for the African countries to rely on short-term planning which had no relevance for the future, that is, the import substitute industrialization policy which is essentially a foreign exchange drainer. It was a mistake to assume that the prices for primary commodities would ever be increasing. It was a mistake to create state corporations that had no regard to available managerial skills. It was even a mistake to subsidize consumers. This list is endless. In general, the African countries started with a wrong conception of independence in many directions. They have had a false start and this is what has required them to undergo structural adjustment therapy.

III. Conclusions

Structural adjustment is a response of the Bank and the Fund to Africa's economic stagnation and decline. The African crisis we see today is a manifestation of policies pursued since the time of independence. That is why if structural adjustment is to succeed as a solution it has to address itself to the question of how such a crisis came into being. It has to address the issue of the false start. As they are, structural adjustment measures are partial solutions, because they fail to grasp the nature of the crisis which the Bank and the Fund take for granted to be wholly economic. They have even gone on to prescribe economic solutions to social problems.

It is high time for the African countries to take stock of their policies and embark upon long-term future-oriented planning. African countries have to accept that they started on a wrong footing. When they negotiate with the Bank and the Fund, they have to be equipped with economic, political and social facts. They know their situation better than the two financial institutions. African countries need to adjust themselves first before they are instructed to do so. For a bright future they will have to avoid another false start, this time prescribed by others, i.e. auctioning of foreign exchange.

NOTES

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1. W.W. Rostow. *The Stages of Economic Growth: a non-communist Manifesto*. 2nd ed. Cambridge: Cambridge UP, 1971.
2. R.L. Heilbroner. *The Great Ascent: the struggle for economic development in our times*. New York: Harper and Row, 1963.
3. D.C. McClelland. *The Achieving Society*. Princeton, N.J.: Van Nostrand Co., 1961.
4. See notes 1,2, and 3 above.
5. G. Hyden. *Beyond Ujama in Tanzania: underdevelopment and uncaptured peasantry*. London: Heinemann, 1982.