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Neo-liberalism and the state: lessons from the Tanzania coffee industry

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Abstract
Many scholars continue to link neo-liberalism with minimalist state dimensions such as limited regulation, state atrophy, and dispersed political and economic power. This article challenges this position by analyzing neo-liberal state formation in the Tanzanian coffee sector through the political logic of neo-liberalization. It argues that the neo-liberal state is correlated with government intervention, expansion, and concentrated political and economic power. Neo-liberal crises expose the state's contradictory role as a facilitator and obstacle to capitalist development, and it constitutes a critical transition point for the state and re-organization of elite interests.

Keywords: Tanzania coffee market, neo-liberalism, the state, political economy of reform, African political economy.

Introduction

This article contributes to the debate over the role and nature of the state under neo-liberal capitalism by examining the national and local politics of Tanzania coffee sector policy reform. The article analyzes the political and economic changes that occurred between the implementation of the neo-liberal reforms in 1990 and development of the Tanzania Coffee Industry Act, 2001. It engages this discussion in light of the dispute unleashed by the International Monetary Fund's (IMF) most recent criticism of neo-liberalism for exacerbating inequality, and for failing to reduce the size of the state (Ostry, Loungani, Ferceri 2016). The IMF's critique was met with a swift rebuttal from the institution's own economists who defended neo-liberalism's record on equity and

'liberalizing' the state. The IMF's statement emerges as scholars seek out and develop alternative theoretical frameworks that diverge from the neo-Weberian perspective of the state (Weiss 2012). We adopt a transitional model that links neo-liberal state formation to consolidation through the 'political logic of neo-liberalization.' The political logic of neo-liberalization integrates neo-Marxist and neo-Tillyan notions of the state that emphasize a disorderly and uncertain state formation process that culminates with the managers and owners of private capital dominating the state's policy agenda.

From the 1980s through the 1990s, the neo-Weberian conception of the state was central to scholarly discourse on neo-liberal reform in Africa. At its core, this school of thought valorized the 'minimalist' state—a government oriented toward the production of private capital accumulation, and whose interventions and regulatory functions are limited in scope (World Bank 1989; Evens 1997; Strange 1997). At this time, the World Bank and IMF championed this approach, arguing that as the state 'withdrew' to minimalist dimensions, a dispersion of authority and autonomy throughout the political economy would catalyze an enabling environment for private capital formation (World Bank 1981, 1991, 1997; Kiely, 1998; Nelson, 1990). The competition unleashed by state retrenchment would drive rational politicians to stamp out corruption and implement efficient policies to remain in office (Harrison 2005; Ake, 1996). However, the global expansion of neo-liberalism in the twenty-first century has inspired a host of recent scholarship that contradicts this Western liberal state ideal-type.

A significant amount of post-financial crisis discourse has converged on the expansion of the state and its role in concentrating wealth and political power in an increasingly narrow portion of society (Dumenil and Levy, 2011; Plant 2010; Gray, 2010). Works by Dumeneil and Levy (2011), Crouch (2011) and Tsourapas (2013), for example, suggest that under neo-liberal capitalism market and political power is more highly concentrated among the ruling political and business elites than first predicted. In this context, Hagmann and Peclard (2010), and Meagher (2012) conceptualizes the state's capacity to extend government's authority and monopolize the means of coercion as tenuous and incomplete, and the state formation process as unstable and highly contested by a heterogeneous range of non-state and state actors (Mhando, 2014a). Neo-liberal consolidation arrives when the state incorporates formal and informal institutional actors into its social base, and maintains a governing coalition in the face of political opposition (Boone, 1992). This 'neo- Tillyan' articulation of

state formation contradicts the Weberian notion of a rational process of bureaucratization leading to the monopolization of coercive state authority through formal institutions.

The transition of the Tanzania coffee industry from state-control to a private market is an excellent case to probe this shifting analytical terrain. One year after Tanzania's ruling party, Chama Cha Mapinduzi (CCM), won a decisive victory in the 2000 presidential and parliamentary elections, the government implemented the Tanzania Coffee Industry Act, 2001 (URT 2001).[1] The Act gave the Tanzania Coffee Board (TCB) substantial administrative and regulatory authority to enforce fair market transactions, farm maintenance, and restrict access to coffee auction data. Additionally, the Act pledged the government's administrative and material support for selected local private coffee traders and rural enterprises. Furthermore, CCM's election victory consolidated its hegemony over Tanzanian politics by expanding on its electoral margin beyond its margin of victory in 1995 election cycle. After the regime change of 2000-1, market power within the coffee sector became heavily concentrated among the financial and political elites (Morese, 2014; Croke, 2017). Scholars such Cooksey (2011) and Ponte (2004) suggest that the 2001 Act was formulated by an influential 'anti'-liberalization political elite who developed the Act to 'reverse' the liberalization process and 'rollback' Tanzania's minimalist state. Was the Tanzania Coffee Industry Act, 2001 an anti-liberal regulatory regime? What degree of "stateness" or equity is consistent with neo-liberalism?

This article disputes minimalist notions of the neo-liberal state, arguing instead that the Tanzania Coffee Industry Act, 2001, represented neo-liberal state consolidation under the guidance of a 'pro'-liberalization elite and expansionist state dedicated to forming and reproducing private capital. The expansion of state authority coalescing around private capital deepened the integration of state-capital interests and the penetration of society by the state, which constituted a progression of liberalization. The 2001 Act reinforced the dominance of government bureaucracies and internationally financed coffee traders through a volatile political process that culminated in political and financial insiders gaining greater influence over the state's policy agenda than coffee traders who possessed less capital and political connections. The article argues further that the concentration of political and economic power was hastened by a state crisis that was partially attributed to coalitions of local and foreign actors in the informal coffee market. This not only suggests informal institutions impact formal institutional outcomes, it also contends that political

and economic change under neo-liberal regimes occurs at the margins, or completely outside the formal political and economic system.

This article is based on an analysis of the Northern Coffee Zone which encompasses the regions of Kilimanjaro and Arusha. The conclusions reached in this article are based on data collected during a field trip from August to October 2004 and June 2017 in Tanzania. Interviews were conducted interviews with the Chairman of the TBC, Chairman of the Tanzania Farmers Association and Tanzania Chamber of Commerce Industry and Agriculture, the Tanzania Coffee Board (TCB) procurement officer, TCB National Input Voucher Scheme officer, Director of the Cooperative Consulting Firm, BUMACO, the TCB legal advisor, the Principal of the Cooperative College at Moshi, the Tanzania Coffee Grower Association officers, Mamba South Primary Cooperative Society, independent traders, estate owners, and small farmers.

The political logic of neo-liberalization

Most scholarly treatment of the politics of Tanzania coffee market reform situates the state within a minimalist state framework. Scholars such as Itika (2005), Cookey's (2011), and Ponte (2001, 2004) focus on the immediate consequences of regime change, where a collapse of the state's capacity or existence of vibrant informal sectors are seen as institutional abnormalities (Walder, Andrew and Qinglian Lu, 2015). The political logic of neo-liberalization delineates a political process that shapes economic outcomes, where circumscribed state authority, institutional 'hybridization,' and uncertainty are norms. It considers how organized interests, pursuing their preferences, affect the design and outcome of institutional change over time and within historically embedded structural asymmetries, by systematically isolating and analyzing particular periods and situations in a sequence of interrelated events that unfold in highly volatile and insecure circumstances (Pierson, 2004; Jones-Luong, 2000; Keller, 1996). Therefore, the policy priorities and motivations of the state and elites can shift as a response to crisis conditions. The longer time horizon in the model shifts the analytical focus away from the crisis 'moment' to the temporal process of state-capital integration, accommodation, state adjustment and consolidation.

The national capital exposure phase marks the onset of a private capital political insurgency by pro-capitalist constituencies through state policies of privatization and trade liberalization. Privatization entails a fundamental shift in property rights away from the public to private sector, while trade liberalization opens

the domestic economy to foreign capital and actors by eliminating macro-economic distortions, tariffs and non-tariff barriers (Crouch, 2011; World Bank 1981, 1997). Bates (1997) argues that the convergence of these policy changes hastens the formation of new local entrepreneurs and non-state organizations, as well as accelerating the diffusion of foreign capital and actors into the political economy. The problem is that the newly formed domestic coalitions and the policy preferences they champion could threaten the interests of entrenched constituencies whose fortunes are inextricably linked to the state-sector (Harrison, 2001). Bienen (1990) demonstrated that, when liberalization is combined with bureaucratic reform the patronage structures that underpin the rent-seeking opportunities and political power of politicians, military officials and public corporation managers are undermined, making them politically vulnerable (Nelson, 1990; Tangri, 2000). Tripp (1997) maintains that the political weakness of the 'old' guard intensifies as simultaneous regime change catalyzes the development of extra-legal institutions that provide additional alternative mechanisms for accumulation, interest aggregation, and collective action (Bangura, 1995; Tripp, 2000, 2001; Helmke and Levitsky, 2004).

The simultaneous convergence of economic and political regime change conditions the onset of a political crisis within the state (Bratton and van de Walle 1997; Nelson 1990). The crisis is expressed in several different forms including rapid declines or violent swings in commodity prices and national asset values; a sudden decline in popular confidence in a policy regime; or an intensification of conflict between distributional groups. However, Joya (2011) correctly concludes that the various state crisis 'signals' are just symptoms of a larger legitimacy crisis of declining confidence in the state's leadership and policy regime (Cook 1990; Mkandawire, 1995). The legitimacy crisis itself is underpinned by 'mini' crises of policy, ideology, revenue, or political alignment. The key point is that state legitimacy crises can change the perceptions and strategic calculations of individual actors and groups, and this in turn affects how competing actors position themselves to influence the authoritative allocation of resources through government (Mkandawire, 1995; Levi, 1988). Moreover, the distributional interests and preferences of the dominant social groups directly influence the way in which state institutions adapt in accordance with the prevailing power asymmetries between domestic actors. In this regard, the phase of state crisis represents a transitional period of intense uncertainty, conflict, accommodation and adaptation (Scott, 1976; Jones-Luong, 2000; Tsai, 2006).

Neo-liberal consolidation involves efforts to institutionalize private capital's central role in national development (Bates 1989; Crouch 2011). Institutional change centers on the extension of the government's administrative authority and greater integration between public and private interests. During this phase, Boone (1992) correctly notes that building a governing coalition to support private capital's expansion and aggregating their preferences emerges as a key objective of state elites (Plant, 2012). At the same time, the expansion of bureaucratic authority in the name of stable capital growth involves the use of state power to compensate important disaffected constituencies and marginalize actors that may challenge the emerging status quo (Bates 1989). Neo-liberal consolidation is a deeply contradictory phase in which, on one hand, state formation is oriented towards new forms of institutional governance, but simultaneously resurrects historically embedded forms of state intervention (Tsourapas, 2013; Mallya, 2004; King 2003; van de Walle, 2003).

Overview of Tanzanian coffee sector policy

The Arusha Declaration of 1967 codified 'Ujamaa' as Tanzania's post-independence developmental state model (Rapley, 2002; Mkandawire, 2001; Leys, 1996). Ujamaa was built on the principle of self-reliant development through a state controlled economy and compulsory collective village schemes. At independence, Tanganyika's coffee sector possessed a weak capitalist class of a few hundred European owned estates, private Asian traders, and a dominant peasant sector (Agrisystems, 1998; Mueller, 1981). The government's coffee sector policy centered on increasing coffee production by nationalizing private estates, controlling producer prices, and expanding its macro-economic policy (Lofchie, 2014; von Freyhold, 1979). Coffee marketing, export, and extension services were directly administered by the Crop Authorities and Tanzania Coffee Marketing Board, and financed by government banks. The Arusha Declaration was also a political document that legitimized the dominance of the ruling Tanzania African National Union (TANU) and state bureaucracy through their control of public institutions. The Declaration codified the ruling party as the sole political unit in Tanzania, with party membership reserved for peasants and workers. It also required party leaders to forgo ownership in private businesses, owning property, having supplementary employment, investing in public enterprises or possessing foreign currency (Fouere, 2014; McHenry, 1994; von Freyhold, 1979). Political control over coffee production was maintained through government control of the primary societies, regional cooperatives and rural development banks (Ibhawoh and Dibua, 2003; McHenry Jr. 1994). This

effectively consolidated state and bureaucratic control of coffee production by separating private wealth from political power (Kiondo, 1994).

Coffee production expanded through the late 1960s and early 1970s, but in 1976 it experienced a steep declined that significantly impacted the state's ability to continue subsidizing the coffee sector (Chachage, 2003; Msuya 1979). By 1984, President Nyerere and the CCM leadership were forced to accept an IMF and World Bank Structural Adjustment loan, effectively ending Tanzania's attempt at building socialism. The following year (1985) President Nyerere retired and handed power to Ali Hassan Mwinyi, who quickly agreed to the international financial institutions' terms and moved to radically restructure the coffee sector. The economic reform program focused first on achieving macroeconomic stability, before moving to a more far reaching program of structural change. The reforms commenced with austerity, a devaluation of the Tanzanian shilling to ease the downward pressure on producer prices, reductions in spending on extension services, and retrenchment of public sector workers (World Bank, 1994).

The private capital political insurgency: anatomy of a political crisis

In 1990, Tanzania began a simultaneous process of political liberalization and privatization that altered the direction of the country. That year, the inclusion of the private 'trader' and 'businessman' categories on the ballot for the CCM Executive Committee elections was an important development in this process. Due to the impact of the IMF and World Bank reforms, foreign and local NGOs, district trusts, and local elites began assuming a large share of the social provisioning role previously carried out by the state at the local level (Kiondo, 1993, 1994; Moore, 1996; Chachage, 2005). In 1991, the National Executive Committee accepted the 'Zanzibar' declaration, which rescinded the socialist era restrictions on 'party leaders' owning property and accumulating private capital, amidst an ongoing national debate over the possibility of transitioning from the one-party state to a multi-party democracy. A host of new political parties with local bases also emerged from the political opening created by the unfolding regime change. Together, these events signalled the return of the private sector as a political force since the implementation of the 1967 Arusha Declaration (Killian, 2004; Tripp, 1997; Tanzanian Affairs, 1991).

In 1992, the government in conjunction with the World Bank and IMF accelerated the coffee sector's transformation with a set of core policy adjustments that reshaped the sector in private capital's image. At the macro-

level, the government progressively devalued the Tanzanian shilling by 60 percent between 1986 and 1993. During the socialist era, Tanzania's exchange rates were consistently high relative to comparable currencies to the point where, by 1992 the official market exchange rate was 20 to 30 percent lower than the official rate. In 1992 all remaining exchange rate controls were abolished, and in 1993 the official and market exchange rates were unified by an additional devaluation and removal of foreign exchange controls which established the 'market rate' as official policy (World Bank, 1994, 2000). Government price controls on coffee were gradually eliminated, culminating in the complete abolishment of remaining price controls in 1995. In the socialist era coffee prices were determined by the state on the basis of projected sales and estimated production, and were imposed on a pan-territorial basis (Ellis, 1982; URT, 1991; Baffes, 2003).

The Crop Boards Act, 1993

The Crop Boards Act, 1993 encapsulated the state's effort to radically shift the institutional basis of capital accumulation from the public to private sector. The Act stipulated that 'any' person or group of persons who purchased a trading license could claim ownership of coffee, including raw coffee (URT 1993). Entry into the market was granted upon payment of an $80 buying post fee, a $2,000 private buyer, exporter or processor license, and a $1,000 regional trading license fee, payable in U.S. dollars (Baffes, 2003; Agrisystems, 1998). Additionally, private coffee traders were authorized to buy or sell coffee through multiple market channels as opposed to trading strictly through the single market channel. During the state-control era foreign companies were excluded from the domestic coffee trade, and the Tanzania Coffee Marketing Board regulated all aspects of coffee marketing, processing and exporting. Under the 'single market chain' farmers were responsible for growing coffee, while the primary societies collected, sorted and processed the coffee. The coffee was then transferred to the large regional cooperative unions where it was collected and transferred to the government-owned Tanzania Coffee Curing Company for further processing. Coffee stocks were then transferred to the marketing board where they were auctioned to the various coffee export companies. But, under the private market system coffee lots would be transferred to the same state-administered auction house, then sold through a price bidding process in which participating bidders received an auction catalog that provided information on coffee lot grades, region of origin, and owner of each coffee lot prior to each bidding session. In this way, coffee prices would be

realized by fostering competition and transparency (Coulson, 1982; Kimario, 1992; Townsend, 1998; Temu, Winter-Nelson and Garcia, 2002).

The process of private capital ascendency was advanced by obviating the political influence of public sector organizations and bodies over potential policy outcomes. Section 23 of the Crop Boards Act, 1993, for example, stripped the power of the Minister of Agriculture and Cooperatives to "make rules over the conduct of" marketing board business and to "appoint the Boards of Directors and other Board Personnel" (URT, 1993). During the socialist era, the Minister of Agriculture and Cooperatives powers included the authority to make all rules and regulations related to coffee production and trading, and the authority to appoint officials to the powerful Tanzania Coffee Marketing Board and Board of Directors of the regional cooperative unions (URT 1984). The Act also radically changed the role and nature of the coffee sector's central regulatory agency. Under the Crop Boards Act, the Tanzania Coffee Board possessed authority to simply regulate coffee quality, promote marketing, and advise the government on matters related to the sector, whereas during the socialist era the Tanzania Coffee Marketing Board served as the sole regulator, marketing agent, and exporter of coffee (URT, 1984, 1993). Likewise, the powers of intermediate-level organizations like the regional cooperatives were circumscribed under the Crop Boards Act by having their seat allotment on the Tanzania Coffee Board (URT, 1993) reduced. The Cooperative Societies Act, 1991, weakened the regional cooperative's hegemony over the small farmers by permitting farmers to operate their primary societies as autonomous shareholder-based enterprises (Banturaki, 2000; URT, 1991). During the socialist era, the regional cooperatives were central intermediate-level organizations that linked the state to peasant producers. The 1968 Cooperative Societies and 1976 Ujamaa Villages Acts extended state control over coffee production by organizing cooperatives at the village and region levels respectively. The 1982 Cooperative Societies Act brought the cooperatives under direct ruling party control, making the primary societies a wing of the ruling party with compulsory membership and integration into the state patronage structure (McHenry Jr., 1994; Mhando, 2014; URT, 1982). Therefore, the 1991 Cooperative Societies Act reversed the socialist era power dynamic by making the regional cooperatives agents of the primary societies. Finally, the Crop Boards Act rescinded the state's commitment to provide funds for the coffee stabilization system which, during the state-control era, consisted of government preserved and managed coffee stocks held in reserve for release in case of a severe production crisis or related emergency (URT, 1993).

By the end of 1994, the country was gripped by campaigning for the for the 1995 presidential and parliamentary elections where opposition party candidates continually castigated the ruling party's 'blanket' acceptance of the neo-liberal reforms, which were characterized as externally driven. When the election results were announced, the ruling party, which promoted privatization, won the election in overwhelming fashion, but lost six of nine parliamentary seats in the important coffee producing Kilimanjaro region, raising questions about the level of support for the government's reform program (TEMCO, 1997; Mushi and Mukandala, 1997; Mmuya, 1998; Chaligha, 2004).

Open for business, 1994/95-97

The private coffee market officially opened in the 1994/95 growing season to foreign and domestic investors who injected fresh capital in the struggling industry. In the first season 24 companies actively traded coffee including Tchibo Estates, Soochak Bush, Dorman Ltd., Mazao Ltd., Africa Coffee Co. Ltd., Coffee Exporters Ltd, and the Tanzania Coffee Exporters LTD. (TCE). The TCE was a private state subsidiary founded in 1993 to purchase coffee from regional cooperative unions and estates (Agrisystems, 1998; Bell, 1995). In addition to trading coffee, firms such as Milcafe and Dorman Ltd constructed new coffee curing facilities that collectively added an extra 23,680 tons of curing capacity to the existing 25,600 produced by the state-owned Tanzania Coffee Curing Company (Temu, 1999a). In 1995, The financialization of the coffee industry commenced with the privatization of the Kilimanjaro Cooperative Bank by a coalition of farmers' saving and credit societies and regional cooperatives, and by 1996 the ownership of the Cooperative and Rural Development Bank was transferred to a group of private companies, NGOs, and cooperatives (Mwakaje 2012; Temu and Due, 2000; Temu, 1999b).

By 1996 the domestic coffee market and industry had undergone a sweeping transformation. Deregulation allowed new entrepreneurs to enter the market and compete with the state supported regional cooperatives. The new entrants included vertically integrated exporters (VIEs) of foreign origin, small domestic exporters, private estates and traders, farmer organizations such as the Tanzania Coffee Association, and a myriad of Non-Governmental Organizations (NGOs). Subsequently, the dominant position once enjoyed by the public sector during the socialist era was eliminated amidst the new competition. The state supported cooperative unions' share of the coffee trade, for instance, fell from a high of 70 percent in 1994-95 to 10 percent by the 1996-97 growing season,

while the private sectors' share increased from 30 percent in 1994-95 to an incredible 90 percent[2] (Mhando, 2014b; Agrisystems, 1998).

The modernization of the coffee industry also spawned the growth of a parallel market (Kashuliza and Tembele, 1996; Ponte, 2001).[3] The informal coffee market consisted of vertically integrated exporters (VIEs) working with local speculator-agents to purchase unprocessed coffee directly from primary societies, individual and self-sponsored trader groups for resale to other traders or for export.[4] In certain instances, some estate owners and speculators looking to resell coffee for a profit would also dabble in the informal market; the main sellers, however were small farmers. Export companies would normally hire local speculator-agents to serve as coffee purchasing scouts because of their geographical knowledge of coffee producing districts and villages. Business transactions would take place on the premises of the farmer's primary society or a roadside location, and once a preferred seller was chosen the coffee trader would pay the seller and take possession of the coffee lot.[5] In addition, region-specific 'mini auctions' proliferated, which spawned speculation driven coffee prices that differed from village to village, primary society to primary society, from region to region, and from speculator to speculator. At Kamwala, Kindoroko, Uru East, and Mamsera primary societies, export companies and regional cooperatives competed for coffee purchases using different weighing scales and daily price announcements. In 2000, Nkoanrua Primary Society received 1,222.50 Tsh/kg, Uru East Primary Society earned 600 Tsh/kg, and Mawela Primary Society received 600 Tsh/kg from the RCUs and 650-700 Tsh/kg from the VIEs[6] (Chambo and Cooksey, 2000; Mkwizu, 2000b)

By 1997 market concentration among VIEs with access to dollar-based finance replaced competition among export companies. For instance, Taylor Winch Ltd., a subsidiary of the international trader Volcaf was financed by its Swiss parent company and owned three operating licenses. Dorman, a subsidiary of ED&F, was financed by foreign shareholders and held three licenses; ACC/Milcafe, a subsidiary of a small international trading company was financed by Stanbic Bank Ltd. and owned two licenses; and Uneximp was financed by foreign banks, possessed two licenses, and was a subsidiary of an international trading company (Kashuliza and Tembele, 1996; Ponte, 2001). Amazingly, the VIEs controlled no market share in 1993, but by 1997 they dominated the coffee market with 57 percent market share, while the market share of estates went from 8 percent in 1995 to 6 percent by the 1996-97 growing season (Ponte 2001). By 1997, only thirteen of a total of 32 companies operated in more than

one district (Agrisystems, 1998). In all, only seven out of a total thirty-two exporters of processed coffee were handling the bulk of Tanzania's crop, and only one of those was a local export company (Shakuliza and Tembele, 1996; Agrisystems, 1998)

The political crisis of the state

In 1996, the Director of the Tanzania Coffee Board surprised industry stakeholders when he forecasted production levels that amounted to a 20 percent decline from the 1994/95 season. Coffee production reached only 43,568 tons in 1996/97, which was a drastic decline from the 52,490 tons produced in the 1995/96 growing season (Wallengren, 1997b). Coffee prices paid to growers also declined from a high of 1,412 Tsh/kg to 661 Tsh/kg by the end of the 1996/97 season, contributing to a $25 million fall in foreign exchange earnings from the previous growing season (BOT, 1997). Yet, the 'real' crisis lay below the anxiety of the economic contraction, and was political in nature.

Confidence in the government's private sector reforms was an early victim of the coffee crisis. At the farm level, 76 percent of farmers saw their coffee yields either staying the same or declining, while 80 percent of farmers envisaged coffee production declining in 10 years. In addition, 80 percent of coffee farmers felt that coffee's importance as a source of income would decline significantly. This sentiment carried over into peasant crop production as only 40 percent of farmers cleared new land for coffee cultivation, while 32 percent replaced coffee with bananas, and another 40 percent replaced coffee with maize and peas to be sold in local food markets (Agrisystems, 1998). Meanwhile, farmers reduced the number of new coffee trees being planted and almost completely discontinued the use of chemical fertilizers. By 1997 45 percent of farmers had uprooted many of their coffee trees and only 28 percent planted new seedlings.[7] The contagion effects of the confidence crisis quickly spread from the farm-gate into the circle of elite coffee industry stakeholders, which gave rise to conflicting ideological perspectives on the origins of and solution to the crisis. The ideological dividing line was between state-supported private traders such as the regional cooperatives, local estates and government agencies, and independent private capitalists like the VIEs and International Donors.

Division within the elite: the state, capital and markets

State-supported traders viewed the crisis as structural in nature; markets were seen as imperfect and unequal, with domestic market share heavily

concentrated among the VIEs. It was argued that market Liberalization placed the fate of Tanzania's coffee market in the New York and London speculative markets. This left the domestic coffee market vulnerable to unstable international commodity price swings, unpredictable weather patterns, and speculative movements in finance capital; international integration and deregulation adversely impacted the state's capacity to respond to market instability[8] (Bargawi and Newman, 2017). The independent private capitalists, however, contended that markets were rational allocators of capital, and the concentration of market share among vertically integrated companies was the result of a competitive market that eliminated weaker firms. Increased competition created incentives to integrate purchasing, processing and exporting, as well as the conditions for monopolistic and oligopolistic markets to prevail[9] (Friedman, 1962; Przeworski, 2003).

The ideological divide was even wider on the role of the state in governing private capital. The regional cooperatives, local estates, and TCB argued that optimal market performance required government to arbitrate and mediate differences, and to enforce market regulations (Friedman 1962). On this point, local estates and the cooperatives criticized the government's policy of allowing private companies to simultaneously own a processing, buying and export license. They encouraged the government to reconsider its 'multiple-license' policy because it facilitated market concentration among the VIEs, who were the only traders that could afford multiple operating licenses (Mhando, 2014a). The independent private capitalists, however, championed a flexible state regulatory regime that was limited the scope (Kiely, 1998; World Bank, 1997). They saw the government's regulations as predatory and consistent with the socialist era, including unfairly and arbitrarily imposing penalties and taxes on foreign owned companies without applying the same standards to local companies. For instance, the government was criticized for showing favoritism to the state-owned Tanzania Coffee Exporters, the cooperatives, and local exporters. Likewise, the Africa Coffee Company lamented the high levels of taxation demanded by regional and local governments, as well as the conflict of interest with the state-controlled auction regulating a government entity like the Tanzania Coffee Exporters (Agrisystems, 1998).

The position of the VIEs on government regulation intensified the debate over the degree of private capital's autonomy versus the state (Crouch, 2011). The government maintained that legitimate economic activity could only occur through government sanctioned institutions and trading rules. The independent

private capitalists, on the other hand, stressed the necessity of allowing capital to quickly respond to market demands from geographically dispersed consumer markets, which may require companies to bypass state institutions[10] (Friedman, 1962). The Mazao Ltd. /City Coffee Ltd. manager argued that coffee traders should have the option to by-pass the state auction because it made commercial sense. Delays in getting coffee lots through the auction's bureaucratic red tape could cause companies to miss unexpected market opportunities (Agrisystems, 1998). The TCB, cooperatives, and local estates disagreed, suggesting the coffee crisis was caused by VIEs purchasing at illegal buying posts and using the auction catalogue to identify their consignments to avoid competing with rival buyers. By doing this, price competition and the coffee auction were rendered ineffective in improving producer prices and production. However, cooperatives such as the Kilimanjaro Native Cooperative Union (KNCU) also pointed out that the crisis stemmed in part from the lack of government regulatory enforcement on export companies that were caught purchasing coffee informally or government agencies that facilitated informal trading[11] (Shakuliza and Tembele, 1996).

Convergence, accommodation, and reconstructing legitimacy

On November 8, 1996, the IMF approved a $234 million enhanced structural adjustment facility loan (ESAF) requested by the Tanzanian government (IMF, 1996). Besides stimulating growth in the state's revenue base, the approval of fresh funds also symbolized a convergence on important issues and movement towards an accommodation on key policy differences. A central actor in breaking the deadlock between the factions was the IMF, due to its role as gatekeeper for international donors and investors. Securing support from the IMF was critical in that its pledge of assistance re-injected confidence in investors looking to conduct business in Tanzania and qualified the country for additional support. The convergence and accommodation centered on three principle policy concerns: support for effective and efficient state management, attracting foreign capital, and implementing emergency intervention measures. In particular, the IMF was keen on compelling the government to accelerate the privatization of state-owned enterprises, and to reduce fiscal imbalances by inhibiting the mismanagement of state funds (IMF, 1996, 1997; Wallengren, 1997a).[12]

Donors responded to the IMF's Enhanced Structural Adjustment Facility (EASF) loan approval by injecting millions of dollars in fresh capital into the coffee sector. For example, the European Union established a coffee improvement

program (CIP) and financed the creation of a 17 million euro 'credit facility fund' that was used to dispense credit directly to small farmers (Agrisystems,1998). Under the program farmer savings and credit societies served as the direct allocators of input funds to member farmers, while the private banks provided liquidity to the saving and credit societies. In addition, the EU buttressed an ongoing European Commission Compensatory Finance Scheme (STABEX) coffee sector stabilization program with new funding to the tune of 60 million euro to purchase chemical fertilizers, plant new coffee trees, and fund transport services (Agrisystems, 1998).

The IMF's policy goals for Tanzania also broadened the scope and pace of privatization, and the government's 1997 agricultural policy reflected these preferences. The policy focused on directing the government's administrative and technical support toward expanding large-scale commercial estates to produce high quality and specialty coffees in a coffee sector where small farmers were the overwhelming majority producers (URT, 1997). Conversely, regional cooperatives like the KNCU were encouraged to abandon their dependence on state larges and secure private financing on the international market.[13] The IMF's policy framework also recognized the danger posed by exogenous shocks such as the 1996/97 drought, 1997/98 El Nino floods, and commodity price instability stemming from contagion effects of the 1997 Asian financial crisis (Bigg, 1999; Ojiambo, 1999). To this end, the loan package included a $20 million increase in funding to assist the government in dealing with the effects of external instability (IMF, 1997, 1999).

The Coffee Seedling Scheme, on the other hand, was an emergency coffee tree planting program developed through collaboration between the private sector, government and international financial institutions. During the state-control era, the government and regional cooperatives mobilized resources and personnel to manage tree planting and other crisis management programs. Under the coffee seedling scheme, the government contracted coffee seedling production to private nurseries and offered to subsidize interested stakeholders to induce maximum participation. In the 1996/7 season 540,000 seedlings were planted, and that expanded to over 3 million seedlings planted by the1997/98 season. Under the program, 53 contracts worth over one million seedlings covering approximately 824 hectares of land were planted in the Kilimanjaro region, while another 12 contracts worth about 155, 000 seedlings were planted in the Arusha region (Agrisystems, 1998).

Similarly, the National Input Voucher Scheme (NIVS) was another collaborative crisis management program that involved the government, private sector and international donors. The objective of the program was to ensure a continual supply of inputs to farmers by inviting private companies to serve as the input suppliers and program co-managers. During the state-control era farmers received inputs through a state-administered credit system where input costs were deducted from the coffee price. Under the NIVS farmers were given vouchers to purchase inputs from a supplier of their choice. By the end of 1997, 4 billion Tsh/kg worth of vouchers had been printed and 1.6 billion Tsh/kg worth of vouchers had been disbursed to farmers. Interestingly, by 1997 the vertically integrated export companies ACC/Milcafe, Dorman Traders and Taylor Winch emerged as important input suppliers in the scheme (Agrisystems, 1998; Temu, 1999a).

By the end of 1998, positive coffee production was revived but coffee prices continued their downward spiral as the country prepared to conduct its second multi-party election of the liberalization era. At this time, the ruling party was campaigning vigorously in defense of the market reforms and emergency management measures, while fending off opposition party claims that CCM's policies disproportionately benefitted foreign investors to the detriment of local companies (Tairo, 2000; Chhatbar, 2000; Tomric, 2000). In all, the forces that converged during the coffee crisis and emergency response effort effectively integrated the interests of the state, private capital and the ruling party on the eve of the 2000 elections.

Consolidation, 2000-2004

On October 29, 2000 Tanzania held its second multi-party election in the neo-liberal era, which marked a watershed moment in the country's transition from a socialist one-party state to a capitalist multi-party democracy. The ruling party achieved a one-sided victory over several opposition parties, re-capturing the seats it lost in the 1995 elections, despite the devastating economic crisis. At the national level, the ruling party's candidate, incumbent Benjamin Mkapa, won the presidential election in a landslide, while his party captured 258 seats in the national assembly compared to the 214 it won in 1995, a 44-seat expansion. More importantly, the ruling party recaptured two important parliamentary constituencies in the coffee growing region of Kilimanjaro that it previously lost in the 1995 election (Tairo, 2000; TEMCO, 1995, 2001). The electoral performance of the ruling party bolstered its credibility and revived confidence in the privatization program which, in the eyes of its supporters,

validated the liberal reforms instituted under the 1993 Crop Boards Act and the government's stewardship of the coffee crisis. This provided the government enough legitimacy to consolidate the ongoing reforms (REDET, 2000).

The grand bargain: managerial capitalism

Consolidating neo-liberal capitalism in the coffee sector developed behind a policy regime that integrated state regulation of market transactions with the free flow of goods and capital; the state was the linchpin of this 'grand bargain. The Tanzania Coffee Industry Act, 2001 expanded the government's administrative and regulatory authority, where the 1993 Crops Boards Act reduced the state's regulatory role (URT, 2001). The government created two new ministries by splitting the Ministry of Agriculture and Cooperatives into the Ministry of Agriculture and Food Security and the Ministry of Cooperatives and Marketing (Ewald, 2000). The 2001 Act empowered the Minister of Agriculture and food Security to appoint members to the TCB, "to exercise disciplinary powers against the TCB as he saw fit", and to conduct commercial activity or hold interests in any undertaking, enterprise or project associated with the coffee sector" (URT, 2001). The 2001 Act also empowered the TCB to actively intervene in the market to protect farmers from what it considered unfair competition. The TCB was granted power to enforce quality standards and enter the farm of any landowner for inspection at any time, even without the consent of the owner (URT, 2001). In many ways, the 2001 Act directly contradicted the mandate of the 1993 Crop Boards Act which had weakened the regulatory powers and overall reach of the state. Under the 2001 Act the government also assumed greater control over economic information by reducing available coffee lot information to quality, quantity and region of origin, while omitting the coffee lot ownership information available under the 1993 Crop Boards Act. In this regard, the 2001 Act represented a successful effort at legitimizing greater state intervention behind a market incentive structure that was acceptable to all the stakeholders (Mhando and Itan, 2008; URT, 1993, 2003c).

Cementing a governing coalition

The development of targeted incentives to mobilize the coffee sector's dominant productive forces behind the new regime of state-governed capitalism was particularly important. For example, the Direct Export License permitted producers of specialty and organic coffee to bypass the state administered auction, and required the license holder to offer higher than 'usual' prices (URT 2003). This was an attractive policy to the large exporters

and the local estates, since they produced the majority of high quality coffee that passed through the auction. By acquiring the Direct Export License, estate owners would increase their revenue, profits, and gain direct access to a global coffee consumer market that demanded high quality specialty coffees (Ponera and Njau, 2015; URT, 2003c). The Direct Export License imposed trade-offs across the industry; the VIEs achieved their goal of bypassing the auction, the estates acquired and avenue to secure higher coffee prices for high quality coffee, but with no new sources of government financial support. Additionally, the government and local estates benefited from the license bringing informal trading under formal government regulation.[14]

Rural development policy followed in an analogous direction of using the state's administrative and technical support to cultivate emerging farmer entrepreneurial groups, savings and credit societies, VIE-farmer enterprise partnerships, but not the regional cooperative unions[15] (URT, 2003 a,b). This was a critically important shift in rural development policy, because by 1999 the coffee sector's social base was comprised of a multitude of small to medium enterprises, multi-enterprise coffee producer groups like Mamsera Primary Cooperative Society, local self-help associations, coffee industry associations and independent political organizations. Kilimanjaro possessed approximately 454 small and medium scale enterprises by 1997 ranging from butcheries, and milling, to consulting services (URT, 1998). Conversely, real government budget allocations for cooperative development declined from 9 percent in 1997-98 to 4 percent by the 1998-99 growing season (World Bank, 2000). Hence, rural development policy under the 2001 Act encapsulated the political as well as economic transformation of the state's social base from the post-independence state-peasant cooperative alliance to a private capital and non-state sector social base.

The compromise

Coffee sector policy under the 2001 regime was also contradictory in nature. For example, licensing policy became more restrictive when the Tanzania Coffee Board (TCB) stopped issuing more than one license to the same person seeking to become a private coffee buyer, processor or exporter, whereas the 1993 Crop Boards Act policy allowed the ownership of multiple operating licenses (Mhando and Itani, 2008; URT, 2003c). The revised licensing procedures also forbade coffee purchasing from occurring at residential houses, along roadsides, paths or from unauthorized agents, and mandated that a trader purchase coffee from a registered primary society or farmer at an approved buying post in the

presence of an official Agricultural Field Officer (URT, 2003). The revised licensing rules served as a form of political currency to mollify the concerns of the cooperatives, local estates, and government agencies with market concentration and illegal coffee purchases, as well as an instrument of compromise between the state and 'local' interests that could advance the consolidation of a neo-liberal political base.

The 2001 Tanzania coffee Act established a coffee 'development fund' that was similar to the emergency stabilization mechanism dismantled under the 1993 Crop Boards Act. But, under the 2001 Act the government pledged to seek 'market-based' solutions in the form of price stabilization 'support', extension services and marketing assistance, as opposed to direct price stabilization through releasing coffee stocks into the market which was the practice during the state-control era (URT, 2001). In this regard, the 2001 development fund comported with the type of 'market solution' that is amenable with neo-liberal policy. The development fund spoke to the interest of the state, the IMF, and private traders in bolstering the state's capacity to arrest market volatility through private sector strategies.

Conclusion

So, what key lessons can be learned from this analysis? First, Neo-liberal state formation and consolidation is positively correlated with the steady concentration of political and economic power, as opposed to the minimalist state dispersed power dynamic. Likewise, it is positively associated with the expansion of the state's administrative, regulatory and coercive authority within an institutional regime of electoral competition, where formal and informal institutions are often objects of elite interest aggregation, consolidation, and legitimation (van de Walle, 2003; Kiely, 1998). This suggests that the IMF's continued adherence to the neo-Weberian conception of the state and markets lies at the heart of its misreading and criticism of neo-liberalism. Second, the application of stricter or more regulation is not inconsistent with the market economy; government intervention in the form of regulatory statues has been crucial to capitalist expansion throughout history. The key is the extent, duration, and timing of regulations, in addition to the specificity of statute placement in and across sectors. For example, the lack of specificity combined with the ambiguities embedded in the 1993 Crop Boards Act allowed certain traders to justify bypassing the legally established buying posts under the guise of 'free trade'. On the other hand, the 'one-license' policy of the 2001 Coffee Act was specifically designed to create more competition by breaking-up the

vertically integrated export companies, which would provide more opportunities for the cooperatives and farmers groups. More importantly, aggressive deregulation where the government's regulatory authority and capacity is severely circumscribed encourages the development of oligopolies to the detriment of value added to the coffee industry. The third lesson is that the withdrawal of state financing for coffee transactions, combined with the privatization of local banks imposed higher entry costs on local traders while lowering costs on traders with international financing. This asymmetry in access to financial resources was a critical factor in impairing the competitiveness of local exporters and the cooperatives. This raises the question of whether it is necessary for the government to disburse targeted loans to specific local coffee traders on concessionary terms, for a specific time period, possibly in conjunction with particular private sources. This could include government assistance in identifying financial resources, and serving as the short and medium-term guarantor of loans to local traders. The fourth lesson is that neo-liberal crises are not single events with a defined ending point, but a continuous convergence of institutional and structural dynamics that conditions and are driven by the shifting preferences of human agents. Neo-liberal crises are critical political junctures where elite conflict over the degree of state-capital autonomy converges on elite interest accommodation, and acceptance of the state's pivotal role in capitalist development.

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Notes

1. In this study the Tanzania Coffee Industry Act, 2001, defines an entire policy regime which includes the provisions in the Tanzania Coffee Act, 2001, itself, the Cooperative Development Policy, 2002, Tanzania Coffee Industry Regulations, 2003, and Cooperatives Societies Act, 2004.
2. Interview with A. Mwakaje, June 27, 2017, Dar es Salaam, Tanzania
3. The terms parallel market and informal market, and informal institution will be used interchangeably.
4. Interview with R. Lyamunya, October 10, 2004, Dar es Salaam, Tanzania Interview with D. Mhando, June 15, 2017, Morogoro, Tanzania.
5. Interviews with D. Mhando, June 15, 2017, Morogoro, Tanzania; Chambo, June, 22, 2017, Moshi, Tanzania; and E. Mtei, October 15, 2004, Arusha, Tanzania.

6. Interview with E. Mshiu, October 17, 2004, Arusha, Tanzania.
7. Interview with D. Mhando, June 15, 2017, Morogoro, Tanzania; Interview with R. Lyamuya, October 10, 2004, Dar es Salaam, Tanzania.
8. Interview with A. Massenha, June 16 2017, Morogoro, Tanzania.
9. Interview with E. Mtei, October 21, 2004, Arusha, Tanzania.
10. Interview with E. Mshiu, October 17, 2004, Arusha, Tanzania
11. Interview with S. Chambo, June 22, 2017; Interview with E. Mtei, October 15, 2004.
12. In 1992 the IMF suspended its disbursement of financial assistance to Tanzania due to a major corruption scandal that involved several officials in the upper echelons of the government. The improprieties involved tax evasion, and in 1996 another ensued when over $1 million was stolen from the agricultural input trust fund. See Cooksey, 2011 and the Warioba Report.
13. Interview with A. Mwakaje, June 27, 2017, Dar es Salaam, Tanzania; Interview with S. Chambo, June 22, 2017, Moshi, Tanzania.
14. Interview with E. Mshiu, October 17, 2004, Arusha, Tanzania; Interview with D. Mhando, June 15, 2017, Morogoro, Tanzania.
15. Interview with C. Kwayu, October 13, 2004, Moshi, Tanzania

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