The Political Economy of Zimbabwe: The Era of UDI (1965—1980)And The Prospects for the Future

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t is indeed a hazardous exercise to embark on a discussion of the political economy of imbabwe within the context of Southern Africa at a time of such tremendous and ometimes unsettling change in both Zimbabwe itself and the continent's sub-region as whole. It is not an exaggeration to say that since unilateral declaration of independence y the Rhodesian Front Government on 11 November, 1965, the sense of both nticipation and uncertainty in the country has never been more acute. Nor has the ate of change--whatever its nature--been higher. Zimbabwe and Southern frica provide one of the most fluid situations in the World today and it is out of this luidity that I must attempt to assess political-economic trends in Zimbabwe and how hey relate to and are likely to influence development in the region.

The Federation of Rhodesia and Nyasaland, created in 1953, was designed not imply to free Britain of its colonial problems and responsibilities in each of the onstituent states, but more importantly, to protect and promote the interests of foreign apital. In this respect, it did achieve its objective, for indeed, foreign capital inflow ormerly threatened by the rising tide of African nationalism in each of the three states vas maintained at high levels. The major economic beneficiary of this foreign capital nd other federal policies pursued during this period was, undoubtedly, Rhodesia. Jnder the Federation,Rhodesia attracted so much foreign investment that by 1965, her tock was about a third of that of South Africa, the small size of her economy otwithstanding. It was partly this privileged position that allowed Rhodesia to build he strong infrastructural base upon which her economy stands. Today, in Africa, only outh Africa can claim to be a stronger industrial power. But for its political character, nder white minority rule, the Zimbabwe economy is the envy of many a Third World ountry.

With the collapse of the Federation and the political uncertainty of what was to ollow, the international capital inflow into Rhodesia slowed down. In fact, by the ime Rhodesia Front was elected to office in 1962, there was a "backward movement" f foreign capital. The assumption of power by Ian Douglas Smith and his subsequent epresentatives of foreign capital as well as by the national industrial and epresentatives of foreign capital as well as by the national industrial and manufactu-ing class. They viewed the status of Rhodesia as a "source of international purchasing ower" being seriously threatened by UDI and other policies of the Rhodesian Front. 3y 1965, therefore, the political economy of Rhodesia was characterized by intense pprehension and uncertainty. This did not, however, deter the Smith regime from ursuing its declared objectives of perpetuating white supremacy.

What then was the character of the Rhodesian economy during the UDI era, from 965-1979? Broadly speaking, the Rhodesian economy during this peeriod can be livided into three distinct phases.

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THE FIRST PHASE: 1965—1968

UDI came at a time when the Rhodesian economy was still struggling against **negative** effects of the break-up of the Federation of Rhodesia and Nyasalan Compounding this problem was the emerging hostile international atmospher sparked by UDI itself -- which resulted in economic isolation as a result of sanctic imposed by the United Nations. These were indeed formidable obstacles which g the British Prime Minister, Harold Wilson, the confidence to declare that the Sm rebellion would be quelled in a matter of weeks, not months. Wilson clea underestimated both the robust nature of the Rhodesian economy and the cunningn of the Smith regime in manipulating forces critical to its survival. In fact, in spite what seemed to be insurmoutable odds, the economy showed signs of growth. I instance, during the last three years of the Federation, the national product grew at rate of only 2.5 percent. In 1964, following the collapse of the Federation, it grew about 3 percent. This, it may be noted, was the first time that the Gross Domes Product (GDP) grew faster than the population size since 1960. It may be argued t the strength of the economy as reflected in the 1965 growth rate may have animated Rhodesian Front's determination to unilaterally declare the country independe There was full confidence that the economy was on the recovery path.

Then came UDI and the consequent imposition of sanctions; "things fell apar Immediately, there was a marked fall in output, employment and foreign investme Exports fell by 36% in 1966, while import prices rose ten percent in that year. T imposition os import quotas forced a sharp 27% decline in imports (Standard B Group 1979).

With the key agricultural product- tobacco- losing access to its traditional mark as a result of sanctions, the regime embarked on a program of agricultu diversification. It sought not simply to alleviate the problem and financial dilemma the tobacco farmer, but also, to build a new infrastructure aimed at agricultural s sufficiency. Loans were made more readily available to the farmers while government more actively partipated in the farming industry. Farm land reclassified to allow farmers to grow cotton, maize, sugar, coffee, soyabeans, and ot agricultural products, deemed in demand on the domestic market. The Period 19 1968, also witnessed the initial steps towards import replacement industrializati partly in response to the imposition of import controls and partly to save badly need foreign exchange.

Thus, the initial three years of the UDI were devoted to combatting the short- adverse impact of international economic sanctions and designing appropria measures to deal with the longterm effects. This strategy seems to have achieved objectives since by the end of 1967, the economy had begun to show signs of recov and GDP had risen 8% and this growth continued in 1968.

A new confidence, not unlike that felt by the early white settlers, had been crea and the Smith regime grew more intransigent vis-a-vis the nationalist and internatio demands for majority rule. "We may be a small country," proclaimed Ian Smith, " we are a determined people who have been called upon to play a role of world-w significance" (Moorcraft 1975). In this crusading vein, P.K. van der Byl declared

> "I am a Rhodesian. This is a breed of men the like of which has not been seen any a long age and which may yet perhaps by virtue of the example that it s

go some way towards redeeming the squalid and shameful times in which we live" (Ibid:5)

This spirit exhibited by proponents of white minority rule not only led Smith to declare his now-famous "not in a thousand years" dictum but also constituted the motor for the second economic phase (1969-1974) of the UDI era. The Smith regime having survived what it considered the most difficult initial stage, was still more determined to prove to the world that they could not only endure in a hostile international atmosphere, but in spite of it, could build a prosperous economy. Unfortunately for the opponents of UDI, the nationalist leadership including such prominent figures as Joshua Nkomo, Ndabaningi Sithole, Robert Mugabe, and others, coupled with the banning of the two African political parties ZANU and ZAPU, effectively deprived the Africans of channels of political expression.

To be sure, efforts at political and other forms of resistance were made, but these were quickly silenced. In the year of UDI, some young men left the country to undergo military training in Ghana, the Soviet Union, the People Republic of China, and elsewhere. On their return, perhaps equipped with more determination than military savoir-faire, ZANU guerillas engaged the Rhodesian forces in the now famous Battle of Sinoa on 29 April, 1966. It was a bloody and costly encounter for the young cadres, and marked the beginning of a bitter and protracted military struggle which culminated in the Lancaster House Conference of September-December, 1979. The Battler of Sinoa marked a dramatic shift in the resistance strategy of the Zimbabwe nationalist movement - a shift that shocked the white regime but which was not taken as a serious threat

For the nationalist movement, however, Sinoa provided courage and convincingly demystified the invincibility of the white man: white men could die at the hands of balcks pulling the trigger. Perhaps with more training.... more cadres and more triggers, a serious military struggle for liberation could be waged. Thus, between 1966 and 1972, except for a few isolated hit-and-run strikes, both ZANU and ZAPU concentrated their efforts on the recruitment and training of young people and the mobilization of international moral and material support.

Undaunted by the events of Sinoa, the Smith regime embarked on measures aimed at rebuilding the economy. The short-run adverse impact of the international economic sanctions was shortlived and the positive signs of growth noted for 1967-1968 ushered in the second economic phase of the UDI era.

THE SECOND PHASE: 1969-1974

Except for brief intervals of natural disasters, this second phase was a period of sustained rapid growth for the economy. The average annual growth in Gross National Product (GNP) was 8.7 percent, a truly impressive rate. Growth rates were in some sectors even higher. For example, manufacturing output rose at more than 10 percent per annum, while agricultural and mining output rose at more than 9 percent. To a large extent, growth in the manufacturing/industrial sector can be attributed to the import restrictions imposed to protect emerging secondary import-substitutions manufacturing. Under sanctions, the manufacturing industry grew faster than any other sector so that, while it contributed only 18% to the GNP in 1967, by the 1974, it was contributing 24.5 percent. Besides the import restrictions, it should be noted that,

to a large extent, growth in the manufacturing sector was possible bec international sanctions did not jeopardize vital imports and exports (cf Bailey Bingham 1978). The Smith regime was remarkably adroit in manipul international forces to its advantage and in managing the economy under ext pressure-both internal and external. Clearly between 1968 and 1974, the popular c by the Zimbabwe nationalist politicians and other forces opposed to the regime because of mounting pressures, the ecnomy was on the brink of collapse, was not b out by facts.

In addition to its success in manipulating critical international forces to circum the impact of economic sanctions, the regime's reorganization of its major econ sector-agriculture - proved fruitful. Indeed, by 1974, autarky was realized in the important foodstuffs, a development unknown elsewhere in Africa outside S Africa. This achievement was reached on the basis of a racist economic foundat Agriculture, like other sectors, was and still is dominated by the white farmers. In 1 the gross value of marketed output from 700 white farmers was $326 million wh 680,000 Black farmers produced a value of only $32.1 million.

The 1969 Land Tenure Act divided the available land "for all time" in such a that the Africans, constituting about 95% of the population, were allocated 5 mil acres while the same amount of land was allocated to the whites, comprising the o five percent. Of the African land, about 40 million acres were classified as so-ca TTL. (Tribal Trust Land). This land is not owned by individuals, but by chiefs and so-called "Tribal Trust Authorities." Of the remaining African land, 3.7 million a were designated as African Purchase Areas where "qualified" individual Africans co buy land under individual free-hold titles. The land allocated to Africans particula that constituting the TTL was the country's least productive land. Thus the Afric were so overcrowded that they could not feed themselves even at a subsistence le Meanwhile, population grew in the TTLs at the rate of 3.5% per annum, plac tremendous strain upon resources. As a result, per capita food production in the TT has decreased progressively with time. For example, in 1962, per capita production maize, the basic food in the TTLs, was 174.6kg., but by 1977 this had fallen to 104 kg per person. This means that the TTLs have had to import food, thereby maki them increasingly dependent on the commercial white farmers for their basic fo requirements (Chitsike 1979). This represents an extreme form of marginalization very large segment of the population.

The African farmer who was able to acquire land in the African Purchase Are suffered a number of major disabilities vis-a-vis his white counterparts. The quality the soil in the Purchase areas was remarkably inferior to that in the white farms; ab twice as much of the land suited for crop production was found in the white are Furthermore, the average European farmer had about 100 times as much land as average African farmer. To compound all this, African farmers suffered from lack adequate credit facilities and from discrminatory arrangements in the marketing of th products. In 1977, only 1 percent of all African farmers could be found in the Afric Purchase Areas and about 35% of the area remained vacant.

Clearly, while the Smith regime sought a land policy that would increase t productivity of the white farmers, it concurrently pursued a policy of improverishme of the Africans, thereby intensifying the dependency of the latter upon the former. T consequences of this policy are reflected in the unemployment crisis that develope

Government claims to the contrary, that African unemployment mounted during this peiod because the growth in the economy failed to create sufficient new jobs for new entrants to the labour market, rather it had a labour-replacing effect for the thousands who lost their jobs due to the economic sanctions.

It is true that the excessively large and yet largely underutilized white farm allowed for African farm labourers to bring their families on these farms, thereby providing a means of livelihood for some landless and jobless families. It is equally true, however, that this situation also created conditions for heightened exploitation of African family labour, for all ablebodied members of the family were required to work on the farm on which they settled, receiving little or no compensation. At times, the labour was compensated in kind in the form of *ufu* (maize flour), shelter and/or a small plot of land on which to grow some maize and vegetables. Often the proletarianized family was responsible for assuring its own production. This form of disguised employment may have led the Rhodesia Front Government to consistently deny the existence of unemployment in its official policy declarations. As late as 1974, the Ministry of Labour unequivocally dismissed suggestions that the country was witnessing rampant unemployment, the political consequences of which would become unmanageable. The Government argued, instead, that the Africans essentially reside outside the money economy, the basis upon which employment and unemployment are defined, and that Africans exist within a kinship system rooted in the idea of access to, not ownership of, traditional land.

This specious reasoning was used to justify the policy of expelling unemployed Africans from centres and confining them into the Tribal Trust Lands (TTLs). It is not surprising therefore, that the 1969 Population Census showed only 30,230 Africans as unemployed according to the Government definition (Rhodesia 1976;26).

Furthermore, government figures gave no indication of the extent of proletarianization that had occured: some 70-75% of African households were found to derive their primary subsistence income from wage. Nor did the figures account for 'secondary' dependence upon wages as articulated through kinship links and other obligations (Clarke 1977:19).

The economic status of Africans was further aggravated by the extreme inequality in incomes between Whites and Blacks. In 1978, for instance, the average white income was Rh.$5,583 while the average African wage earner barely got Rh.$517. The majority of Africans could hardly eke out a living.

Under sanctions, therefore, the country was characterized by acute contradictions. On the one hand, there was rapid development in the modern economic sector, which achieved self-sufficiency in food production and startling growth in mining output as well as diversification of the manufacturing industry. On the other hand, there was accelerated deterioration in the economic status of the vast majority of the Africans.

This condition would not remain constant for long; increasingly the African misery found expression in political activism and ultimately in intensified military confrontation. As educational opportunities for Africans became more and more restricted and unemployment rose to unprecedented levels, tens of thousands of young men and women chose to steal into Mozambique to join the guerilla movement fighting the Smith regime. This was particularly true as of 1972. Ironically, in the same year, Rhodesia exports regained their pre-UDI levels, standing at Rh.$350 million compared to Rh.$322 million in1965 (Standard Bank Group 1979).

THE THIRD PHASE: 1974—1977

With the intensification of the guerilla war and increasingly organized internation hostility toward the Salisbury regime, the economy began to show signs vulnerability. It is at this period that the 3rd economic phase began. As long Portuguese colonialism continued, Rhodesia was relatively shielded from the seve impact of sanctions imposed by the international community. Not only did Portuguese-controlled Mozambique prove a reliable entrepot for goods headed to from Rhodesia, but she also denied anti-Smith guerillas desperately needed bas from which to operate. The fall of the Caetano regime in Portugal, therefore, was shattering blow to the architects of UDI.

The ascension to power in Mozambique of a decidedly anti-Smith regime p Rhodesia on a war footing the like of which had never been experienced before. Risi defence costs proved corrosive to the national economy and created a mood uncertainty about the future among current and prospective investors. The milita claimed the lion's share of the national budget. While lack of investments, both fro within and from without Rhodesia dwindled, stagnation exacerbated t unemployment situation among Africans. The 1973-74 worldwide oil crisis a recession, the closure of the Mozambique border, and the subsequent rise in the cost transport and insurance as well as the escalation of the war itself, all combined to cau a sharp deterioration in the terms of trade and in the country's earning capacity. B 1977, real income had fallen 24% from its 1974 peak. In 1978, per capital income fell t its lowest point since 1968. Economic crisis resulted in negative growth; the Gro Domestic Product fell by 3.6 percent in 1978.

REGIONAL CONTEXT OF ECONOMIC PHASES

Under UDI, Rhodesia was a destabilizing force in the region. Outside th Republic of South Africa, the Salisbury regime had no allies in the region. Even th small and weak states of Botswana, Lesotho and Swaziland rejected any associatio with the minority regime. On the contrary, they explicitly declared their sympathy fo the liberation movement and gave it moral, diplomatic and, whenever possible material support. Other states, notably Zambia, Angola, and Mozambique activel participated in the struggle to unseat the Smith government by providing vital rea bases for the Zimbabwe guerillas and serving as conduits for war and humanitaria material. They considered themselves to be at war with Salisbury and minced n words about it. As Frontline states along with Tanzania, they became the voice an conscience of Africa on the issues of Zimbabwe and Southern Africa.

Precisely because of the role they played, the Black southern Africa states suffered the wrath of both South Africa and Rhodesia. The two while-ruled countries fostered activities aimed at destabilizing the political and economic bases of the Black states. Such activities ranged from sabotage and propaganda to outright bombing of villages, bridges, roads, and other such infrastructures. Groups such as the "Mozambique Resistance Movement" were organized, trained, armed, and given logistic support to fight against the Machel government. Pretoria and Salisbury saw their survival in a common front directed against the forces of liberation and the front line states.

In sum, Rhodesia's strong economy developed during the greater period of the UDI era, had a negative impact on regional co-operation and development. In fact, the strength of her economy can, to a large extent, be explained on the basis of reinforced historical, genealogical, political and economic ties with South Africa. It is a relationship that stretches back to the very beginning of white presence in Rhodesia and has grown stronger with time; so much so that throughout the UDI period, the Salisbury-Pretoria axis had developed to a point that no fundamental changes could be made in the former without the consent of the latter (Murapa 1978).

THE INTERNAL SETTLEMENT: 1979

Economic crisis and liberation movement activities combined with international pressures obliged Ian Smith to declare his acceptance of the principle of majority rule. In fact, Smith had no intention of abdicating power to the Black majority. Rather, he sought to disguise the political reality of power in the country, in the hope that the appearance of change would be accepted as effective change by the majority of Africans and that this would cause guerillas to give up the war.

Leaders acceptable to Smith were summoned to "constitutional talks" while the ZANU-ZAPU leadership was excluded. The document that emergd not only failed to transfer power in any substantive way; it ensured that no such transfer would occur in the foreseeable future. It perpetuated the while monopoly of the civil service and the judiciary. The effective powers of cabinet ministers were transferred to permanent secretaries and specially created commissions, thereby rendering ministerial authority meaningless. This was specially true of the Prime Minister's power.

Inheriting the Smith government, Bishop Muzorewa also inherited Smith's friends and foes. His policy toward South Africa endorsed the status quo of dependency. He released bitter invectives against neighbouring African countries, particularly Zambia and Mozambique, which he labelled "Banana Republics," singling out Zambia as a "perfect example" of African countries that had abused their newly acquired freedom "to the detriment of everyone." At the time of independence, said the Bishop, Zambia had a sound economy left behind by its colonial masters, but had subsequently chosen the "path that led to self destruction" (the Herald 1979).

Choosing to look south rather than north for friends, the Muzorewa government was unashamedly candid about it s relationship with South Africa. "We will trade with South Africa by day and not by night," declared Prime Minister Muzorewa. Less than a month after this assumption of power, Muzorewa went on a secret trip to South Africa where he held talks with Prime Minister P.W. Botha and Foreign Minister "Pit" Botha, from which emerged a mutual defence and non-aggression pact, emphasized the extent to which the Muzorewa regime had alienated itself from majority ruled Africa. Depending heavily upon South Africa as their sole ally for economic, political, military and financial support, neither the government of Muzorewa nor that of Smith could make itself acceptable to African states.

POST-ELECTION TRENDS

The election results of February 1980 are of profound significance for the future of the country and of the region The overwhelming victory of ZANU signalled the emergent new era, beginning with a dramatic revision and perhaps reversal of th national and regional policies pursued by both Smith and Muzorewa.

During and immediately following the election of his party to power, Robe Mugabe made it clear that a major priority for his Government would be to reclassi and reallocate land so as to provide the poor people with land and other basic means subsistence. Not restricting his concern to growth in agricultural production, Mugab aims at revising the existing land structure in a way that would at once ensu continued growth in agricultural productivity while fulfilling the high hopes for soci and economic justice for the *povo* (masses). It can therefore, be expected that a lan strategy will emerge which aims at resettling the rural population from the ove crowded non-productive areas to the sparsely-populated, underutilized, rich so areas. Accompanying such a policy would be the introduction of collective farmin designed in such a way as to better organize the rural poor and make them sel sufficient. As noted earlier, agricultural productivity in the TTLs has fallen so lov that food must be imported from the largely white commercial sector.

This exercise will not be easy. It will entail a delicate balancing of forces. Ther will be need on the one hand to adequately address the wave of rising expectation from the povo — which means taking over a substantial part of what has been hithert white farms or white lands — while on the other hand providing sufficient political an material incentives to encourage commercial farmers to maintain and achieve high levels of production. Indeed, the land issue is likely to provide the new governmen with its biggest test. Success or failure here will, to a large extent, determine th government's policies towards other sectors, particularly mining and industry.

Beyond meeting national needs, there is yet a regional imperative for the succes of Zimbabwe land and agricultural policies. The summit meeting of the region's Head of State (and Government) in Lusaka, April 1—2, 1980, assigned to Zimbabwe th heavy responsibility of developing the policies and strategies that would make th region, South Africa excepted, self-reliant in food. Zimbabwe must design an implement the Region's Food Security Plan, to protect the region against crises lik that occuring at present.

The prospect of Zimbabwe becoming the "regional granary" presents both ar opportunity and a challenge for the country. It is an opportunity in that it will provide a source of badly needed foreign exchange and an avenue for providing employment to the unemployed, a large percentage of whom are former guerillas and, returning displaced people.

The challenge is immense. First, the present demographic data vis-a-vis food provision in the region is disturbing. As the population growth rate rises at 3.39% per annum, there is no corresponding rise in available food. The present per capita consumption in the region is estimated to be 10% below actual requirements. This is so in spite of the fact that South Africa continues to export food to several parts of the states in the region. Hence, if food dependency on South Africa is to be reduced in accordance with the Lusaka summit declaration, there is a need not only to increase productivity per hectare, but also to increase the amount of land planted to food crops The race between population growth and food production is likely to grow tougher with time. The region's present population of 57.5 million is expected to be about 79 million by the end of the century. Yet, as already noted, in six of the nine countries in region, undernourishment is rampant. Only Zimbabwe, Malawi and Lesotho now ovide the required kilocalories per person per day.

In the field of mining and industry, Zimbabwe, because of its level of development lative to other majority-ruled southern African states, is also likely to play a ominant role in the region's economic development. In spite of international nctions during the UDI era, the mining industry in zimbabwe has flourished. etween 1964 and 1976, mining output doubled, while in market value, it quadrupled. he advent of independence and the subsequent end of sanctions is likely to accelerate is trend. Contributing to this is the discovery of new mineral deposits such as latinum, the opening of new mines and increasing would market demand.

While the developed world will continue to be the major, if not the exclusive, onsumer of Zimbabwe's mineral production, the country's major outlet for industry nd consumer goods will be her neighbours. Demand from African markets will evitably lead to strengthening Zimbabwe's already relatively viable industrial base, uch as occured during the period of the Federation of Rhodesia and Nyasaland. The tuation can be expected to resemble somewhat the East African Community in hich Kenya emerged as the regional economic centre while Uganda and Tanzania onstituted the periphery. An official of the Ministry of Commerce and Industry redicted that even in the absence of a formal regional economic community, imbabwe, like Kenya, will be accused of harbouring-neo-colonialist tendencies. This particularly so if Zimbabwe is accorded "most favoured nation" status, as she will ecome the regional "supermarket" for both agricultural commodities and evelopment-orientated technology. Indeed, her market will extend beyond the outhern Africa region to countries further north.

Given Zimbabwe past performance in the production food, her relatively eveloped transport system and industrial infrastructure and her declrared political ill to be a stabilizing force in the region, there is little doubt that the country is poised o meet the challenge of social transformation. The present agricultural and industrial ases are likely to expand even further should the struggle in South Africa intensify to a point of threatening the viability of international investments in that country. Should such an eventuality come to pass, international capital is likely to turn to Zimbabwe as an alternative in which to invest, rather than departing altogether.

In sum, the present regional indicators suggest that Zimbabwe is about to enter a period of economic expansion distinctly different in character from that of the UDI era in that it will be seasoned by a deliberate desire and effort to see social justice achieved concurrently. Much will depend on the development strategy finallv employed by the ZANU (PF) goverment, political stability and of course, the absence of major natural disasters, such as drought, and floods.

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Book Review by Michael J. Schultheis*

R.H. Green, D.G. Rwegasira and B. Van Arkadie.
***Economic Shocks and National Policy Making: Tanzania in the 1970s.* Research Report Series No. 8. The Hague: Institute of Social Studies, 1980.**

In this monograph the authors set forth the main features of the economic crisis which rocked Tanzania in the mid 1970s and describe the measures which the Government took to counter the crisis. Largely descriptive, the study will disappoint those who seek an analysis of the structural causes of the crisis and their relationship to the dynamics of the Tanzanian economy, and a critical evaluation of Tanzania's development strategy and decision-making procedures since the Arusha Declaration.

Yet the study is an important contribution both to the political economic history of Tanzania in the 1970s and to the new development problematic which faces most non-oil exporting developing countries in the 1980s. Throughout Africa, hopes of generating or sustaining a national development dynamic are diminishing. Prices of oil imports and manufactured imports continue to rise and shortfalls in food production appear to be occuring with greater frequency. Sources of external assistance are unreliable and inadequate to fill the balance-of-payments gap between imports and exports. Thus this study of Tanzania's "foreign exchange crisis" of the mid 1970 is timely.

The authors are well-known for their contribution to the formulation and implementation of Tanzania's economic policy over the past two decades. R.H. Green, presently at the University of Sussex, was an official advisor to the Treasury and Central Bank at varying times in the 1960s and 1970s. B. Van Arkadie, now associated with the Institute of Social Studies at The Hague, was economic advisor to the Ministry of Economic Development and Planning during the formulation of the Second Five-Year Plan. D.G. Rwegasira has been the Director of Economic Research and Policy at the Bank of Tanzania since 1977. He is also an associate professor of Economics at the University of Dar es Salaam. Thus the authors are uniquely qualified to write about this period in the history of the Tanzanian economy.

The first chapter traces the evolution of economic policy from independence to the early 1970s. The Tanzanian economy in 1961 exhibited the classic features associated with a colonial economy: a) heavy reliance on primary export earnings. Agriculture made up more than 50 percent of GDP and three crops — sisal, coffee and cotton — accounted for 57% of overseas exports; b) an open economy, with a high ratios of exports (43%) and imports (42%) to total GDP, and with non-restrictive foreign exchange policies; and c) a relatively high degree of external monetary stability.

Public policy strongly influenced the evolution of economic structures during the 1960s. The main features were the development of an institutional framework for planned economic growth and the radical shift in the direction of socialism and self-reliance after the Arusha Declaration in 1967.

The 1960s were good agricultural years-in retrospect atypical-and the economy enjoyed favourable rates of growth. But by the early 1970s constraints on real resources began to emerge. Increased imports without a corresponding increase in the value of exports resulted in the sharp deterioration in the current accounts of the

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