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 nevitably lead to strengthening Zimbabwe's already relatively viable industrial base, uch as occured during the period of the Federation of Rhodesia and Nyasaland. The ituation 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 vill 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 finally 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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balance of payments. To meet these constraints, the gove.nment introduced mechanisms for budgeting foreign exchange, checking imports and controlling capital flight. By the end of 1973, the country appeared to be in an improved situation. There was little sense of the coming crisis and warning signals were not recognized as such.

The economic crisis that shocked Tanzania in 1974 was largely a balance-of-payments crisis. The trade deficit increased from Sh.979 milion in 1973 to Shs.2,571 million in 1974 and to Shs.2,946 million in 1975. Net official reserves declined from Shs.1,022 million at the end of 1973 to a negative balance of Shs.87 million in December 1974.

The causes of the crisis were largely external to the economy and related to crop shortfalls and higher oil prices. In the early 1970s a series of unusual but not unprecedented crop shortfalls occurred in the Soviet Union, South Asia, North America and Sub-Saharan Africa. As a result of the Soviet Union's decision to make up its 1972 deficit of nearly 20 million tons by imports, the carry-over stocks in the major grain exporting countries fell from 92 to 58 million tons, a 20 year low. The price of cereal grains skyrocketed. With a poor growing season the following year (1973-74) in North America, grain stocks declined further. Prices in 1974 were three times their mid-1972 level.

In Africa the failure of the rains from 1972 to 1974 devastated vast areas in the Sahel. This dry weather pattern shifted south in 1974 and adversely affected agricuctural production in many parts of East Africa, including Tanzania. Grain production declined by an estimated 30 percent and forced a heavy commitment of foreign exchange earnings to food imports. At the same time the volume of export crop production fell to about 75 percent of the 1973 level. (With sharply higher prices of coffee, the value of exports increased by 11 percent). Cereal grain imports increased from 12,000 tons in 1973 to nearly 385,000 tons in 1974 and 520,000 tons in 1975. The prices of cereal grains increased nearly four-fold over this period. Perhaps more importantly for low-income countries with crop shortfalls, grain shipments that might have been made available on concessional terms or as grants had been diverted to the international grains markets. Tanzanian food imports rose as a percentage of export earnings from 11.4 percent in 1973 to approximately 37 percent in 1974 and 1975. But import purchasing capacity generated by export earnings declined by nearly 27 percent.

This situation by itself was a staggering burden for the Tanzania economy. It came at the same time as the oil exporting countries decided to increase the world price of oil. The direct effect was that the value of imported oil jumped from Shs.395 million in 1973 to Shs.642 and 1974 and to Shs. 900 million 1976. But higher oil prices also had indirect effects on the Tanzania economy in that the prices of most other imports also increased as the industrialized economies "reexported" their deficits.

The authors describe in some detail the nature and the timing of the Government's response to the crisis which faced the nation. Some measures were tactical and immedite. For example, as soon as the extent ot the crop shortfall became apparent, it took steps to procure more than Shs.400 million of grain for delivery in 1974 and 1975. It also took steps to cut back on oil consumption. The volume of oil imports declined by three percent from 1973 to 1974.

Other measures were strategic and part of an adjustment program which was carefully designed to defend Tanzania's major socio-economic goals. A basic strategy committee at the highest level examined the possible courses open to the Government. In its report to the Cabinet, this committee identified a series of interlocking iss[ues]. First, the rise in oil prices affected the entire cost structure, while the higher cost [of] imported food affected principally the cost of living of wage earners. Secon[d], [a] substantial increase in the producer price of grains was required if the rural-ur[ban] terms of trade were not to deteriorate and if food production was not to be deterred. [At] the same time major wage increases would be necessary if minimum wage earners w[ere] not to incur sharp declines in real purchasing power. Third, the rise in prices and wa[ges] would increase working capital requirements. Consequently additional dome[stic] credit would have to be made available if real inventory holdings were not to [be] disrupted a situation which would result in major shortages, loss of production a[nd] greater real inflationary pressures. Fourth, price increases on domestically produ[ced] goods and higher taxes would be required to preserve the mobilization of surp[lus] through parastatal enterprises and to ensure a modest surplus on the Governme[nt] recurrent budget. Finally, it was decided that there would not be major cutbacks eith[er] in Government investment in directly productive programmes or in recurre[nt] expenditure on such programmes as education and health.

Both domestic and international critics challenged this strategy, but it emerged [as] the consensus on which the Government based its overall response to the crisis. [In] April the Economic Committee of the Cabinet and the National Executive Committ[ee] of the Party approved the strategy Implementation began at once.

In Chapter Four authors discuss the principal steps involved in t[he] implementation of the strategy, together withits achievements and costs. In Chapt[er] Five they review a number of special issues which relate to the strategy and which ha[ve] been the focus of discussion and debate. These include general policies concerning t[he] role and performance of public enterprises (parastatals), agricultural developme[nt] and villagisation, export production and industrialisation. Their cursory review [of] these complex issues borders on the apologetic: a more distanced and critical apprais[al] by the authors would be an important contribution.

The objectives of the crisis strategy essentially were to preserve the long ter[m] development goals of the Party and the Government. From the outset it wa[s] recognized that the strategy involved considerable costs and sacrifices, but th[e] alternative proposed by many critis — the classic retrenchment of the economy wit[h] massive consumption cuts which would fall most heavily on lower income groups — was not acceptable. Such a policy, it was feared, would destroy the foundations fo[r] later growth and call into question the commitment of the leadership to the socialis[t] transformation of the economy. Several times the authors stress the overridin[g] importance of this "macro" objective: the achivement of redistributive objectives and desired institutional changes without eroding the credibility of the popular basis fo[r] the political system.

The adjustment strategy was held to with great consistency from 1974 to 1976. By then it became clear that the crisis was over and that the strategy could be phased out in favour of new instruments. Such a new medium term development strategy was presented in the 1977/78 budget.

How to assess the accompliments of the strategy? In the author's view, the goals were largely achieved and the strategy was successful. The adjustment costs had been carried largely by increased external financing, cutbacks in key consumption and investment subsectors had been limited, and the base for restored growth and a new

elopment thrust had been preserved. In "macro...." strategic terms, the adjustment
tegy was both effective and efficient. The goals and costs, resources and
ruments had been identified and the implementation was carried out in a manner
sistent with the strategy.

The authors concede the importance of exogenous factors in the final resolution he crisis. On the negative side they note the 1974 drought coming after the 1973 p shortfall, the delay in foreign grants and loans until 1975, and the depth and gth of the inflation and recession in the industrial economies. On the positive side ee years of average or better weather over 1975 to 1977 replenished food stocks, and coffee boom from mid-1975 to mid-1977 allowed the build-up and recovery of eign exchange reserves. They suggest these events were balancing. More plausibly, improved weather conditions were the main determinant in the recovery, even as ought conditions were a principal cause of the crisis.

But the recovery proved to be short-lived Signs of another crisis were manifest h the re-emergence of the structural deficit in 1978. The liberalization of imports hout a correponding increase in exports resulted in a serious drain of foreign change reserves. Even prior to the Amin invasion in October 1978 they had fallen to els of 1975. The invasion and the subsequent war effort placed additional burden on economy. The authors examine the action of the Government to meet this crisis. finance essential import needs that were beyond the capacity of the country to ance from its own exports forced the Government to turn to the International onetary Fund and to international capital markets. The only grounds for comfort nsisted in the adequacy of basic food supplies.

The situation has worsened considerably since the authors completed their study. e economy was in a precarious position as it entered the 1980s, and appears to be ering a crisis much more serious than that of the mid. 1970s. A second year of crop ortfalls follows on the poor crops of 1980. Foreign exchange reserves are non— istent and the level of international assistance is likely to fall far short of requirement food and other imports.

What lessons might be learned from the economic crisis of 1974-77 that are evant to the present difficulties? And what are the implications for the international mmunity? In the concluding chapter the authors consider a number of issues that relevant to both domestic policy makers and international institutions. Structural anges are fundamental if low-income countries in areas of unreliable rainfall are to hieve self-sufficiency in food and the ability to meet the basic needs of their pulations.

Both domestic efforts and international assistance are essential to the achivement longer term strategic goals. In the authors' words:

> The longer-term dilemma Tanzania faces might be presented in a simplified form as follows. In order to transform the structure of the economy, it is necessary both to implement the basic industrial strategy and to continue to build up a still inadequate infrastructure. To do so will require a continuing investment efforts requiring high levels of imports. Moreover, for an extended period at least some parts of the emerging industrial structure are likely to be dependent on imports inputs. (p.121).

The sources of the investment funds and of the resources to finance the imported puts are limited and to some extent unreliable. Domestically the agricultural sector as been called upon to provide both food and export earnings.

ut as recent trends make clear, the agricultural sector itself requires both major investments in supporting infrastructure and critical policy modifications if the sec is to achieve sustained growth in output. The authors give insufficient attention to nature of this investment and the types of policy changes required. Tanzania indeed provided investment funds for agricultural development, but much of th funds have gone into state farms, crop marketing authorities and a grow bureaucracy in the rural development institutions. Overcapitalized, poorly manag and essentially non-productive, these seem to have had important disincentives smallholder producers. While this assertion requires more careful substantiati there is much evidence to support the view that the high cost and often parasi structures of the public sectors threaten the viability of the productive sectors of national economy. Thus the micro-issues undermine the macro-objectives of national development strategy.

The alternative to domestically generated surplus is foreign assistance. T authors conclude the study with a consideration of the role which internatio financial institutions, both bilateral (government to government) assistance a multilateral international aid, can play in promoting the transformation of a lo income economy such as Tanzania's. In many respects this issue is the basic them the study. One suspects that the study may have been prepared to serve as a ba background document in the ongoing negotiations between the Internatio Monetary Fund and Tanzania for supplementary credit facilities to bridge the balar of payments gap. While the final chapter of these negotiations has yet to be writter not unlikely outcome is that management of the economy will yet pass into the ha of the international banking community.

The tragedy is that greater attention to the lessons of the economic crisis of the m 1970s would have made such a scenario much less likely, and probably unnecessa

This monograph is an important contribution to our understanding of problems of low-income and non-oil exporting countries, particularly in Africa wh economies are tied closely to the vagaries of the weather and where an increas proportion of export earnings are diverted to finance energy and other imports raises a number of critical issues that domestic policy makers must face directly if th are to mobilize their resources for sustained growth in agricultural output. It a challenges the international community to undertake reforms in the world econor particularly in the area of balance of payments assistance and food secur arrangements. Concerted efforts on both fronts are essential if developing countr are to attain self sufficiency in food production and to return to positive econor growth in the coming decades.